

POLICY & REVIEW TOPIC PANEL B

MINUTES OF A MEETING of Policy & Review Topic Panel B held on Thursday 15th July 2004 at 4.30pm, in the Civic Offices.

(NB: These minutes should be read in conjunction with the agenda for the meeting)

Present

Councillors Mike Park (Chair)
Margaret Foster
Anthony Martin
Jim Patey
Alistair Thompson
Steve Wylie

34 Apologies for Absence (AI 1)

No apologies for absence were received.

35 Declaration of Members' Interests (AI 2)

Councillor Thompson stated that his fiancée worked for a firm of surveyors and he would have to declare a personal non-prejudicial interest if this firm were to be mentioned.

Councillor Park stated that his daughter was employed by the Environmental Health and Trading Standards Department and he would therefore have a personal non-prejudicial interest when staffing arrangements in the Civic Offices were discussed.

36 Review of Asset Management (AI 3)

The Panel welcomed Stephen Checkley, Head of Asset Management Service and Mike Arthur and Karl Golder, both of Asset Management Service, to the meeting.

Members received a presentation giving a general overview of the issues surrounding asset management (presentation slides to these minutes). The following points arose:

Background to the Asset Management Service

- The Asset Management Service (AMS) was established 12 months ago and is made up of the former Property and Design Services

along with Facilities Management. The AMS has only recently been given a formal budget and so has only been able to function properly since the beginning of this financial year.

- Details were given on the assets owned by the Council and these amounted to some 1225 operational assets (worth £1.098bn), 1610 investment assets, 596 community assets, 12 charity assets, 383 infrastructure assets and 214 of equipment, plant and machinery. The Council owns 5356 acres of freehold land and 235 acres of leasehold land.
- One of the main problems for the Council and the AMS is keeping up with the maintenance of its properties. The Council should aim for approximately 70% planned maintenance and 30% reactive maintenance but at present only 40% of the maintenance is planned and is 60% reactive.
- All City Council properties are held corporately and services are essentially tenants of the Council.

Members expressed concern over the significant backlog of maintenance and the impact that this was having on the Council's useable assets. Officers explained that an exercise to assess this impact had not yet been undertaken but that they could give a detailed account of what work still needs to be undertaken. The rolling programme of condition surveys would make it easier to get a snapshot of the state of the maintenance problem at any one time, but resources were not sufficient to maintain the level of accuracy needed to achieve this. Officers also stated that the figures showing the backlog of maintenance did not include measures that would need to be taken in order to comply with the Disability Discrimination Act (DDA) – the AMS has put in a capital bid for a scheme to meet this legislation but did not yet know whether they would be able to make the planned improvements.

The Panel asked whether a Private Finance Initiative would be possible to address the maintenance backlog. Officers advised that this is a possibility, but may not be a practical step forward as it could result in the Council being subject to what may essentially be an expensive mortgage. There is, however, a possibility of using prudential borrowing to meet this need.

Policies, Plans and Performance Management

- **Property Strategy** – a current strategy was produced in 2001 and audited in early 2004. It now needs updating.
- **Acquisition and Disposal Strategy** – This document is still in draft form as the AMS is trying to address issues around providing incentives to services to encourage them to release property. This is a sensitive area of work.
- **Capital Strategy** – Presently, the strategy is service-led rather than corporate-led which can create difficulties in meeting the targets

within the Corporate Strategy.

- **Asset Management Plan** – this is produced following guidance from the ODPM, which also states that each Authority must have a Corporate Property Officer (at Portsmouth City Council, this is Stephen Checkley). The AMP has been submitted to GOSE on two occasions and has been rated ‘good’ both times. As a result there is no requirement to submit one this year.
- **Service Asset Management Plans** – only two service AMPs have been given member approval: Economic Regeneration and Tourism submitted their plan for approval by the Executive Member for Planning, Regeneration and Economic Development. The Education Department have also submitted and approved their AMP and Statement of Priorities.
- **Octopus Group** - this is a group of eight local authorities which are similar in terms of size and assets to Portsmouth. The group comprises representatives from Derby, Southampton, Gateshead, Leicester, Stoke-on-Trent, Coventry and Nottingham. The Group is used as a benchmarking group for comparing asset management plans and policies. It meets regularly and provides a useful forum for sharing information and experiences between authorities, highlighting best practice in a variety of areas.
- **Property performance** – The Council's property portfolio performs well above the target internal rate of return (6%). This represents the financial return on the City Councils use of capital resources and can be compared to other forms of financial investment. There are areas for significant improvement in property performance, such as the improvement of levels of energy efficiency. However, spend to save schemes aimed at increasing levels of energy efficiency could be the answer to meeting Government targets.

AMS Members were receptive to the idea of inviting the District Auditor to attend a future meeting as a witness. Mr. Golder undertook to investigate this possibility.

Members commented on the multitude of plans and policies governing this area and asked whether there was ever any conflict. Officers explained that the majority of the plans and policies were based on Government guidance but in relation to Asset Management many of the issues were similar to those experienced in the private sector.

Officers advised that it was very difficult to fully comprehend the implications of all the policies and strategies produced by Portsmouth City Council, given the large number being produced. The City Council was now benefiting from achieving good assessments of it's policy and strategy framework and thus the burden of producing plans in the future has been diminished.

Members asked how much Council time and resources were being used in

the production of the many plans and policies. Officers responded that this had not been comprehensively measured but the amount of staff time used could be identified. Staff frequently encountered the problem of last-minute alterations to the guidance from the Government with no change reflected in the original deadline.

The issue of energy saving and efficiency in Council properties was discussed. Officers explained that, before energy-saving measures can be introduced into properties, an exercise must first be carried out to see how much this would cost and whether an alternative or existing building would be better adapted to the needs of the service and more cost-effective. Officers would strongly advise against taking money from the landlord's maintenance account to pay for energy efficiency improvements.

Members asked how to feed into the planning process for building new energy efficient properties. Mr. Checkley explained that the AMS considers the whole-life costing of the building, especially with a significant construction project. In relation to smaller buildings, it was necessary to be as pragmatic as possible in providing energy saving measures. Energy efficiency in newer buildings tends to be significantly better than in older ones.

Members questioned the current system by which services are encouraged to relinquish their properties, which appeared to operate on a largely voluntary basis. Officers assured members that services usually recognised the argument made by the AMS for disposal of such assets and the issue then was for the service provider to consider whether the aspect of service was still needed and, if so, the relocation criteria

Members asked about the rate of return on the Council's investments. Officers advised members that the internal rate of return looked at the return on investment based on the local market and rental growth was an element of the rate of return. Most non-operational leases are directly comparable to open market rental values with the exception of long ground leases historically geared to the rental value of the land, not the buildings. Among the 1,600 leases granted by the City Council, there are a variety of terms given that properties are considered on its individual merits, but officers assured the Panel that they always seek to obtain the best consideration. Some properties do not appear financially viable on paper as only a nominal or peppercorn rent is charged but these tend to be properties for which there is not an investment market, such as substation sites. Officers advised that some of the more recent lease contracts contained break clauses but these were not common and tended to be avoided as they create a disadvantage for the Council as the landlord.

Organisation Arrangements

- The organisational arrangements within the AMS are undergoing a

change management exercise at present following the merger of the functions previously undertaken by Engineering and Design Service, Property and Resources and Facilities Management. As part of this process a number of focus groups have been set up to look at particular issues: property review, energy management and sustainability, historic buildings, the Disability Discrimination Act, statutory requirements, space utilisation.

- The main input into the focus groups comes from the AMS but external people are also involved. AMS are trying to introduce multi-disciplinary functions to the groups and would like to attract and secure political champions for each area of work.

Members asked about the state of the staffing situation in the AMS. Officers responded that they were currently short-staffed and this was partly because the salary structure was not competitive with that in the private sector. There was also a shortage of qualified staff, such as mechanical engineers, but also a more widespread problem of not enough people choosing to pursue these kinds of careers. Officers advised that a number of qualified staff have recently left the AMS leaving a void in the skills base. Some local authorities were out-sourcing elements of their asset management work.

Members asked how much it would be likely to cost to comply with the DDA. Officers were unable to provide a precise figure given that the range varied greatly between minimal and appropriate levels. Experience suggested that the constantly changing and growing list of legislation created considerable difficulties for the City Council in that standards tend to increase over time.

Questions from members

Members asked whether any difficulties had been experienced with the disposal of Branksmere. Officers responded that certain logistical difficulties had been encountered as a result of moving a significant number of staff, particularly as they had also had to consider other issues such as storage and car-parking. The Panel was informed that the Branksmere project had been forward-funded from the capital receipt.

Members asked how the Council protects its assets. Officers responded that they had found weaknesses with the Insurance Register, which had been used previously, but that they now used the Corporate Asset Register which holds up-to-date valuations of the Council's assets. This is index-linked to keep the information current from year to year and is subject to cyclical review. The insurance premiums came from a central budget which is apportioned to each department.

Councillor Martin asked the following questions:

- 1) How much rent is paid by the tenants of the Lynx House?
- 2) How much money is spent on maintaining the Council's small offices

around the City?

AMS Officers undertook to find the answers and circulate the information to the Panel. Councillor Martin was interested in the possibility of rationalising all of the Council's small offices into one large building, possibly by claiming back a property which the Council owns but currently leases out. Officers advised that a feasibility study would need to be carried out but that it would theoretically be possible for several services to share the same property.

Members considered other methods of working which may help to release Council assets. Officers advised that hot desking was already taking place in some departments and working well at present. There was also a growing recognition of the benefits of home working and there were a number of opportunities for changing the ways in which the Council's staff work. Flexible working policies were being headed by Human Resources.

Members asked about the current utilisation of space within the civic offices. Officers stated that it would be possible to better use the space within the building by accommodating more staff but only if significant key improvements to the infrastructure of building were carried out first. It was also made clear that the Landlord's Maintenance Budget would not increase even if the floor space of the office was increased.

Members queried whether the AMS was lacking in power and questioned the absence of the Corporate Property Officer on the Corporate Management Team. Mr. Checkley responded that, although it might help the profile of the AMS for him to attend CMT, he was able to feed information up through the Director for Finance & Resources and attended most other senior level meetings and CMT on specific property issues.

37 Date of Next Meeting

The next meeting of Policy & Review Topic Panel B will be held at 4.30pm on Tuesday 20th July 2004. The venue would be confirmed.

The following dates were agreed for the remainder of the evidence-gathering sessions for this review:

Monday 26th July
Monday 2nd August
Monday 23rd August
Thursday 9th September
Tuesday 14th September

All meetings would commence at 4.30pm.

Meeting closed at 6.50pm.

Chair