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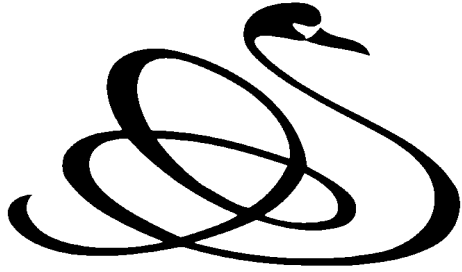
**OFFICE OF THE  
DEPUTY PRIME MINISTER**

**DEVELOPMENT AND IMPLEMENTATION  
OF CORPORATE CAPITAL STRATEGIES  
AND ASSET MANAGEMENT PLANS**

**FIRST INTERIM REPORT**

**January 2003**

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**York Consulting**

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## EXECUTIVE SUMMARY

### Introduction

- 1 This first interim report takes forward the earlier baseline assessment and seeks to chart the progress made by local authorities in relation to the preparation of corporate capital strategies and asset management plans during Round 1 of the Single Capital Pot. In doing this, we have begun to identify the processes by which authorities are responding to the new policy agenda and the likely future outcomes and impacts of corporate capital strategies and asset management plans, in terms of which it will be evaluated.
- 2 The methodology for the first interim report was the same as used in the baseline assessment and included three elements:
  - case studies of 15 local authorities in England;
  - a postal questionnaire survey of all local authorities in England, which achieved a response rate of 46%;
  - discussions with staff in the nine Government Offices responsible for the assessment of Round 1 corporate capital strategies and asset management plans.

### Local Authority Approaches to Round 1

- 3 There was little difference between the approach of authorities to Round 1 and the “dry run”.
- 4 There was little change in the resources committed by local authorities to the preparation of capital strategies and asset management plans during Round 1 compared to the “dry run”. Councils rated as “good” invested significantly more resources than those that were assessed to be either “satisfactory” or “poor”, but there is not a linear relationship between resources committed and the assessment outcome.

- 5 Whilst there is some evidence that a greater proportion of authorities circulated copies of the final documents to elected members in Round 1 than during the “dry run”, the overall trend is, if anything, towards less internal consultation. Consultation with external partners and stakeholders remained limited.
- 6 As in the “dry run”, officer time and resources are perceived by authorities to be the two significant development problems in relation to capital strategies. There is a wider range of problems in relation to asset management plans, although there is an increased perception of resources as the key issue since the “dry run”. This may reflect the work undertaken to date, and hence their growing awareness of the scale of the property issues they face and the resources that will be required to address them.
- 7 Authorities still generally perceive that capital strategies have had little impact to date. However, in terms of the setting of objectives and priorities, there is some evidence that authorities are taking a more corporate and strategic view of capital expenditure. Asset management plans are perceived as having led to the introduction of property performance indicators and knowledge of assets held.

### **Progress Since the “Dry Run”**

- 8 Most case study authorities have continued to focus on developing their management arrangements through which they are responding to the new capital strategy and asset management planning requirements. This is indicative of the extent to which the emphasis is still on process, rather than implementation, issues. Key areas requiring attention are the link between corporate and property objectives, strategic leadership, corporate working, and the organisation of property management.
- 9 The pace of progress in relation to a more corporate and strategic view of the capital programme and asset management planning has generally been slow, focusing in particular on the development of links between the corporate centre and service areas, approaches to the prioritisation of capital schemes and corporate property databases.

- 10 The progress made by the case studies thus far has been a function of their starting point on the asset management planning learning curve, whether they are a larger authority or a non-metropolitan district council, and specific local circumstances:
- the two authorities that are furthest up the asset management planning learning curve are making incremental progress on a mixture of process and implementation issues;
  - the authorities that are at the lower end of the learning curve have been able to make faster progress in the short term, with the emphasis being largely, if not entirely, on process issues such as developing management arrangements and assembling property data;
  - the authorities that are currently making the least progress are the two non-metropolitan district councils because they do not perceive that there are substantial benefits for them in taking a more corporate and strategic view of the capital programme and property assets;
  - the authorities that are some way up the learning curve have, like those currently below them, have been able to make significant progress in the short term and are beginning to make the transition from process to implementation issues.
- 11 The key barriers to a faster pace of change are the relatively weak development of corporate working and a shortage of resources, followed by strategic leadership, the organisation of property services, and the position of the CPO.

### **Round 1 Assessment Process**

- 12 The Round 1 assessment outcomes show a clear distinction between the relatively strong performance of the larger authorities (counties, metropolitan districts, London boroughs and unitaries) and the relatively weak performance of non-metropolitan districts.

- 13 Even allowing for these differences between types of authority, there were also significant variances between the outcomes of the Round 1 assessment process by region. Outcomes were significantly lower in the North East and Yorkshire and Humber in relation to capital strategies, and significantly lower in the North East and significantly higher in the East Midlands in relation to asset management plans. We welcome the fact that ODPM is strengthening the arrangements for inter-regional moderation for Round 2 in order to ensure that any variation in assessment outcomes across the country reflects the performance of authorities and not the approach adopted by the Government Offices (GOs).
- 14 Round 1 saw a movement towards the assessment process being managed by local government and area teams, sometimes in conjunction, and away from housing teams. The role of the “dry run” as a learning process for the Government Offices (GOs) was limited by a lack of continuity in staffing. We expect to see greater continuity between the Round 1 and Round 2.
- 15 In most of the GOs the assessment process was entirely or largely based on the capital strategy and asset management plan documents. Seven of the nine GOs have now moved to an area team structure, but this development will be irrelevant in this context if the assessment process continues to be paper-based and does not reflect the wider local knowledge as it builds up. Without this wider input, there is at least a danger that GOs will continue to reward those authorities that are good at preparing documents, rather than those that are good at implementing a strategic and corporate view of their capital programme and the use of property assets.
- 16 Local authority perceptions of the performance of their GOs are heavily influenced by the outcome of the Round 1 assessment process. However, the performance of most GOs is perceived to have improved, often significantly, between the “dry run” and Round 1. The greater focus on inter-regional quality control in Round 2 should have a significant impact in the variances in the perceived performance of the GOs, although individual GOs should also look for ways in which to improve their management of the assessment process.

## Evaluation Framework

- 17 The key drivers of change identified so far in relation to the development and implementation of corporate capital strategies and asset management plans are:
- **External:** Single Capital Pot, Best Value, education asset management planning, and Local Government Review;
  - **Internal:** shortage of capital funding, new political structures, debt-free status, and size of authority.
- 18 We have identified 20 processes through which authorities are responding to the key drivers of change, and these have been grouped under the headings of management, property data, capital programme, and strategies. We have mapped the performance of the 15 case study authorities against these 20 processes and the key points to note are as follows:
- most of the authorities are strengthening their corporate working and capacity and developing their management arrangements;
  - all but one of the authorities has adopted a Cabinet structure and nearly all of these have identified an elected member with portfolio responsibility for property;
  - all of the authorities have appointed a CPO, but in some cases the person appointed is not appropriate to fulfil the role;
  - a number of authorities either already have a central property services team or they are taking steps, however tentative, to create one;
  - developing consultation processes and embedding good practice in individual service areas are processes that few authorities, and generally the most advanced, have focused on to date;
  - there is a strong focus to date on property data and databases and associated information technology systems;
  - very few of the authorities are using property performance indicators to inform their property management activity and most have not yet moved beyond collecting the five indicators developed centrally by ODPM;

- all of the authorities now possess at least three-year capital programmes and most have capital prioritisation schemes;
  - very few authorities, and generally the most advanced, currently possess formal strategies on key areas such as disposals, space utilisation, property sharing and procurement.
- 19 Therefore, authorities that currently are the most advanced can be characterised as those which are doing most or all of the following:
- using performance indicators to inform their property management;
  - consulting on the use of their capital funds and property assets;
  - embedding good practice in individual service areas;
  - using a formal approach to option appraisal for major capital schemes;
  - implementing formal strategies in key areas such as property disposals.
- 20 We have also identified 16 potential process outcomes, grouped under the same headings as the processes, and eight potential process outputs. The extent to which these outputs have been generated by the corporate capital strategy and asset management planning policy initiative is being evaluated using Data Envelopment Analysis.

## **Conclusions**

- 21 Most of the case study authorities are responding positively to the policy requirements and introducing changes that should allow them to move up the asset management planning learning curve.
- 22 Progress to date has been slow, focusing largely on process issues such as developing management arrangements, collecting and capturing data on property holdings, and taking a more medium term and strategic approach to the capital programme. This should provide the basis for the more efficient and effective use of property assets and capital resources and hence potentially lead to improved service delivery.
- 23 Some authorities, which have moved more rapidly up the learning curve than others, have begun to make the transition from process to implementation issues.

- 24 The key barriers to further progress are the relatively weak development of corporate working and capacity, a shortage of resources and, in at least some authorities, a decentralised system of property management.
- 25 We expect progress to continue to be slow and, to the extent that the key barriers are not overcome, it may stall altogether in some cases. At present, the evidence available to us does not suggest that the process of stimulating a more corporate and strategic view of capital expenditure and the use of property assets has yet become self-sustaining in many authorities.
- 26 As a result, external pressure on local authorities will need to continue in this area, through the annual assessment process (for those authorities not receiving a “good” rating in Round 2) and/or the comprehensive performance assessment framework and the guidelines for the new prudential capital finance regime.



## 1 INTRODUCTION

### Background

- 1.1 The White Paper, “Modern Local Government – In Touch with the People” (1998), outlined the Government’s proposals to modernise the capital finance framework for local authorities. The proposed mechanism would allow councils to take more responsibility for making decisions about their internal distribution of resources. Rather than allocating separate service-specific “pots”, a single cross-service allocation would be used for the bulk of central government support for councils.
  
- 1.2 The concept of the Single Capital Pot links closely with the other elements of the Modernisation Agenda, including consultation with the community regarding council plans and challenging the way in which buildings and other assets are used to deliver services. The Government sees four key benefits from the new system:
  - better long term planning of capital investment;
  - greater local decision-making and accountability;
  - enhanced cross-service strategic working in partnership with other organisations;
  - the better use and management of assets.
  
- 1.3 The first allocations under the Single Capital Pot were those for 2002/03. Most of the resources (95%) were allocated in line with a needs-based formula, with the balance (5%) being allocated by ministerial discretion. Discretion was used to recognise and reward good performance based on a competitive assessment, within the regions, of the service delivery performance and corporate capital strategies and asset management plans of local authorities.

- 1.4 Councils were asked to prepare their first corporate capital strategies and asset management plans, as a “dry run”, during 2000 in order to assess progress, identify practical problems and provide initial feedback on the strategies and plans. The outcome of the “dry run” did not have implications for the capital allocations received by authorities.
- 1.5 Following the “dry run”, final guidance on the Single Capital Pot was issued in two parts in March and May 2001. Local authorities were required to submit their corporate capital strategies and asset management plans to the Government Offices by 31<sup>st</sup> August 2001 and the allocations for 2002/03 were announced in December 2001. The documents were assessed as being either “good”, “satisfactory” or “poor” on the basis of a number of primary and secondary assessment criteria. Authorities received a lump sum of £50,000 for a “good” capital strategy or asset management plan and £25,000 for each “satisfactory” document. “Poor” capital strategies and asset management plans earned no reward.
- 1.6 The focus on capital strategies and asset management plans as part of the Single Capital Pot reflects the focus in the Modernisation Agenda on encouraging local authorities to take a more corporate, strategic and long term view of their capital programmes in order to ensure greater effectiveness in the use of resources and better value for money from public expenditure, as well as the results of previous research (including “*Hot Property*” published by the Audit Commission in 2000).
- 1.7 The capital strategy provides the policy framework for the operational work of asset management. It should demonstrate how the capital investment programme will contribute to the achievement of the council’s key objectives and priorities as set out, for example, in the Community Plan, and is designed to ensure that property issues are fully reflected in the planning of the authority.
- 1.8 The strategy should cover all aspects of capital expenditure within an authority and extends to areas where the council is able to apply significant influence on other through the deployment of its resources. It should also:
- provide a framework for the management and monitoring of the capital programme;

- inform bidding for additional capital funding and the management of any resources that are won;
- address corporate policies on procurement strategy as outlined in the Best Value guidance;
- set out processes for:
  - the generation of capital project proposals and the appraisal of options;
  - the prioritisation of capital project proposals;
  - the monitoring of ongoing projects and the evaluation of completed projects;
  - the review of existing properties and service needs in order to explore opportunities for the more efficient and effective use of assets and the release of resources through disposal.

1.9 Asset management planning has been defined as “*optimising the utilisation of assets in terms of service benefits and financial return*”, where the term assets refers to land and buildings. The aims of an asset management plan are to ensure that:

- land and buildings are used efficiently and effectively and in a sustainable manner;
- the opportunity cost of holding land and buildings is minimised and the value of council assets is protected;
- expenditure on land and buildings maximises value for money;
- the use of assets contributes to the process of service improvement;
- innovative accommodation solutions are developed to meet service needs;
- an explicit, co-ordinated approach to asset management is implemented across the authority, reflecting service needs as determined by consultations with stakeholders;

- the return on investment and surplus properties is maximised in an appropriate manner to meet financial requirements.

1.10 Therefore, an effective asset management plan should cover five key areas:

- an overview of property aims, objectives and strategies;
- a statement of the current property portfolio;
- key areas for change;
- preferred options for the key areas of change;
- implementation programmes.

1.11 In line with the commitment of central government to evaluate the delivery of public policy objectives concerned with services provided by local authorities, the Office of the Deputy Prime Minister (ODPM) has commissioned a three-year evaluation of the process by which corporate capital strategies and asset management plans are developed and implemented and of their impact on the efficiency and effectiveness with which local authorities manage their property and other capital resources. This research is intended to assist local authorities as they develop their plans and strategies and to inform ODPM guidance in these areas.

1.12 This first interim report represents the second major output from the ongoing research, following the publication of the baseline report in March 2002.

## **Terms of Reference**

1.13 The terms of reference for the evaluation are:

- to document initial progress and review good practice as asset management plans and corporate capital strategies develop, providing material on successful development approaches for dissemination to local authorities;
- to evaluate the input of Government Offices through the assessment process and to provide feedback to them;
- to review and evaluate developing arrangements when the Single Capital Pot allocation mechanism is fully operationalised;

- to provide actionable recommendations to ODPM on the drafting of further guidance and adjustments to the assessment framework;
- to evaluate the developed capital and asset management mechanism, linking the identified outcomes to particular processes and estimating the quantitative impact of the processes;
- to contribute to a parallel evaluation of the Single Capital Pot allocation system;
- to contribute to a broader evaluation of the whole Modernisation Agenda.

## First Interim Report

1.14 This first interim report takes forward the earlier baseline assessment and is based on the following additional research:

- a second round of visits to the 15 case study authorities;
- a second survey of all local authorities in England focusing on Round 1 of the Single Capital Pot. We received completed responses from 177 authorities, which represents a response rate of 46%;
- discussions with the nine Government Offices about the Round 1 assessment process.

1.15 We have included a summary of the study methodology in **Appendix A**.

1.16 As with the baseline assessment, it should be emphasised that this interim report represents “work in progress” after the first half of the evaluation and it does not pretend to provide answers to all of the questions and issues raised. We will return to these questions and issues, as well as addressing others, during the course of the three-year period of the evaluation.

1.17 The report seeks to chart the progress made by local authorities in relation to the preparation of corporate capital strategies and asset management plans during Round 1 of the Single Capital Pot. In doing this, we have begun to identify the processes by which authorities are responding to the new policy agenda and the likely future outcomes and impacts of corporate capital strategies and asset management plans, in terms of which it will be evaluated.

1.18 The report is published electronically on the ODPM, Institute of Public Finance and York Consulting websites. Additional supporting research material has also been published on the York Consulting website.

1.19 In the following sections of this first interim report we:

- review the approach of local authorities to Round 1 of the Single Capital Pot (**Section 2**);
- discuss the progress made by local authorities since the “dry run” (**Section 3**);
- review the approach of the Government Offices to the Round 1 assessment process (**Section 4**);
- set out a framework for the evaluation of the corporate capital strategies and asset management planning policy initiative (**Section 5**);
- summarise the conclusions of the report (**Section 6**).

## **Acknowledgements**

1.20 We are very grateful for the contributions made to the study by:

- officers and elected members of the 15 case study authorities;
- the other councils that responded to the questionnaire survey of local authorities;
- the staff of Government Offices who were responsible for the assessment of the Round 1 corporate capital strategies and asset management plans;

- the members of the Advisory Group for the study.

1.21 However, it should be emphasised that responsibility for the contents of the report rests solely with York Consulting.

## 2 LOCAL AUTHORITY APPROACHES TO ROUND 1

### Key Points

- There was little change in the resources committed by authorities to the preparation of capital strategies and asset management plans during Round 1 compared to the “dry run”. Councils rated as “good” invested significantly more resources than those that were assessed to be either “satisfactory” or “poor”, but there is not a linear relationship between resources committed and the assessment outcome.
- There was little change in the extent and nature of the internal and external consultation undertaken by authorities during Round 1 compared to the “dry run”.
- As in the “dry run”, officer time and resources are perceived by authorities to be the two significant development problems in relation to capital strategies. There is a wider range of problems in relation to asset management plans, although there is an increased perception of resources as the key issue since the “dry run”.
- Authorities still generally perceive that capital strategies have had little impact to date. Asset management plans are perceived as having led to the introduction of property performance indicators and knowledge of assets held.

### Introduction

2.1 In this Section, we review the approach of local authorities to the preparation of their corporate capital strategies and asset management plans during Round 1 of the Single Capital Pot under the following eight headings:

- Resources;
- Officer Involvement;
- Consultation;
- Objectives and Priorities;
- Development Problems;
- Perceived Effects;
- Property Data and Performance Monitoring;
- Conclusions.

- 2.2 Whenever possible, we compare the results for Round 1 with those for the “dry run”, which were outlined in the earlier baseline report. The results of the Round 1 survey have been weighted in terms of the response rates by type of authority and assessment outcome in order to eliminate any bias towards the larger and more successful authorities. The “dry run” survey results were weighted in terms of the type of authority.
- 2.3 Compared to the “dry run”, 54 fewer authorities (14%) responded to the Round 1 survey. Of the 177 responses to the Round 1 survey, 138 authorities also returned the “dry run” questionnaire. We have compared the Round 1 and “dry run” survey results for these 138 authorities with the results for the full weighted samples in each case in order to ensure that any differences between the results of the two surveys do not stem from the variation in the respondents. This comparison showed that there was no significant difference between the results for the 138 authorities and the full samples.

## Resources

- 2.4 **Table 2.1** shows the resources committed to the preparation of corporate capital strategies and asset management plans during both the “dry run” and Round 1 by the larger authorities (counties, metropolitan districts, London boroughs and unitaries) and by non-metropolitan district councils.
- 2.5 Table 2.1 shows respondents to the survey of local authorities indicated that:
- typically (the median), 3-4 officers were involved in the preparation of the Round 1 capital strategy, spending a total of 48-50 hours. This represents little change from the “dry run”, for which the median was 2-3 officers and 45-50 hours of officer time. Larger authorities typically involved more officers than district councils (4-5 compared to 3) and spent around twice as much officer time on their strategies (80-100 hours compared to 37-40 hours);

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- typically, 4-5 officers were involved in the preparation of the Round 1 asset management plan, spending a total of 100-120 hours. This also represents little change from the “dry run”, for which the median was 4-5 officers and 110-120 hours of officer time. Larger authorities typically involved more officers than district councils (4-5 compared to 3-4) and spent three times as much officer time on their plans (250 hours compared to 75-80 hours).

| <b>Table 2.1:<br/>Resources Committed to the “Dry Run” and Round 1<br/>by Type of Authority</b> |                               |                |                                       |                |                            |                |
|---|-------------------------------|----------------|---------------------------------------|----------------|----------------------------|----------------|
|   | <b>Larger<br/>Authorities</b> |                | <b>Non-Metropolitan<br/>Districts</b> |                | <b>All<br/>Authorities</b> |                |
|   | <b>“Dry Run”</b>              | <b>Round 1</b> | <b>“Dry Run”</b>                      | <b>Round 1</b> | <b>“Dry Run”</b>           | <b>Round 1</b> |
| <b>Capital Strategies</b>   |                               |                |                                       |                |                            |                |
| <b>Number of Officers</b>   |                               |                |                                       |                |                            |                |
| • Mean  | 6.5                           | 5.6            | 3.7                                   | 4.1            | 4.6                        | 4.7            |
| • Median  | 3-4                           | 4-5            | 2-3                                   | 3              | 2-3                        | 3-4            |
| • Mode  | 1                             | 2              | 1                                     | 1              | 1                          | 1              |
| • Range   | 1-20                          | 1-17           | 1-12                                  | 1-11           | 1-20                       | 1-17           |
| <b>Number of Officer Hours</b>  |                               |                |                                       |                |                            |                |
| • Mean  | 144                           | 119            | 87                                    | 56             | 120                        | 80             |
| • Median  | 80-90                         | 80-100         | 37-40                                 | 37-40          | 45-50                      | 48-50          |
| • Mode  | 50                            | 50             | 20                                    | 30             | 50                         | 50             |
| • Range   | 15-1,250                      | 10-560         | 2-1,000                               | 4-300          | 2-1,250                    | 4-560          |
| <b>Asset Management Plans</b>   |                               |                |                                       |                |                            |                |
| <b>Number of Officers</b>   |                               |                |                                       |                |                            |                |
| • Mean  | 6.5                           | 6.7            | 4.8                                   | 4.7            | 5.9                        | 5.5            |
| • Median  | 5-6                           | 4-5            | 3-4                                   | 3-4            | 4-5                        | 4-5            |
| • Mode  | 3                             | 4              | 4                                     | 1              | 3                          | 3              |
| • Range   | 1-17                          | 1-18           | 1-12                                  | 1-14           | 1-17                       | 1-18           |
| <b>Number of Officer Hours</b>  |                               |                |                                       |                |                            |                |
| • Mean  | 425                           | 534            | 172                                   | 147            | 327                        | 304            |
| • Median  | 240-250                       | 250            | 75-80                                 | 75-80          | 110-120                    | 100-120        |
| • Mode  | 100-300                       | 100            | 50                                    | 100            | 200                        | 100            |
| • Range   | 2-2,500                       | 25-3,000       | 10-2,000                              | 1-1,500        | 2-2,500                    | 1-3,000        |
| Source:<br>Surveys of Local Authorities.  |                               |                |                                       |                |                            |                |

- 2.6 In the baseline report, we stated that the *“case studies suggest the amount of officer time devoted to the preparation of capital strategies during the first round of the Single Capital Pot is likely to have been no greater and, if anything, lower than in the “dry run”. Conversely, we expect the amount of officer time devoted to the preparation of the first round asset management plans to have been significantly greater.”* (paragraph 3.19 page 21).
- 2.7 Table 2.1 shows that these expectations have not been entirely borne out by the results of the Round 1 survey:
- in relation to the capital strategies, the median and mode of the number of officer hours remained largely the same for all types of authorities, whilst the mean fell because of a significant reduction in the range. Therefore, the input of officer time to the preparation of Round 1 capital strategies was no greater than during the “dry run”, but generally there is no evidence for a fall in the resources committed;
  - in relation to the asset management plans, the median of the number of officer hours remained the same for all types of authorities. The mean rose for larger authorities and fell for district councils, reflecting in part different trends in the range. Therefore, there is no evidence of a significant, or indeed any, increase in the amount of officer time devoted to the preparation of Round 1 asset management plans compared to the “dry run”.
- 2.8 **Table 2.2** shows the resources committed by authorities to the preparation of Round 1 capital strategies and asset management plans in terms of the outcome of the assessment process.
- 2.9 Table 2.2 shows that those authorities which achieved a “good” rating for their capital strategies or asset management plans invested significantly more resources than those that were assessed to be either “satisfactory” or “poor”. For example:
- “good” authorities typically (the median) involved 4-5 officers spending 40-50 hours in the preparation of their capital strategy. The comparable figures were 2-3 officers and 48 hours for “satisfactory” authorities and 4-5 officers and 40-50 hours for “poor” authorities;

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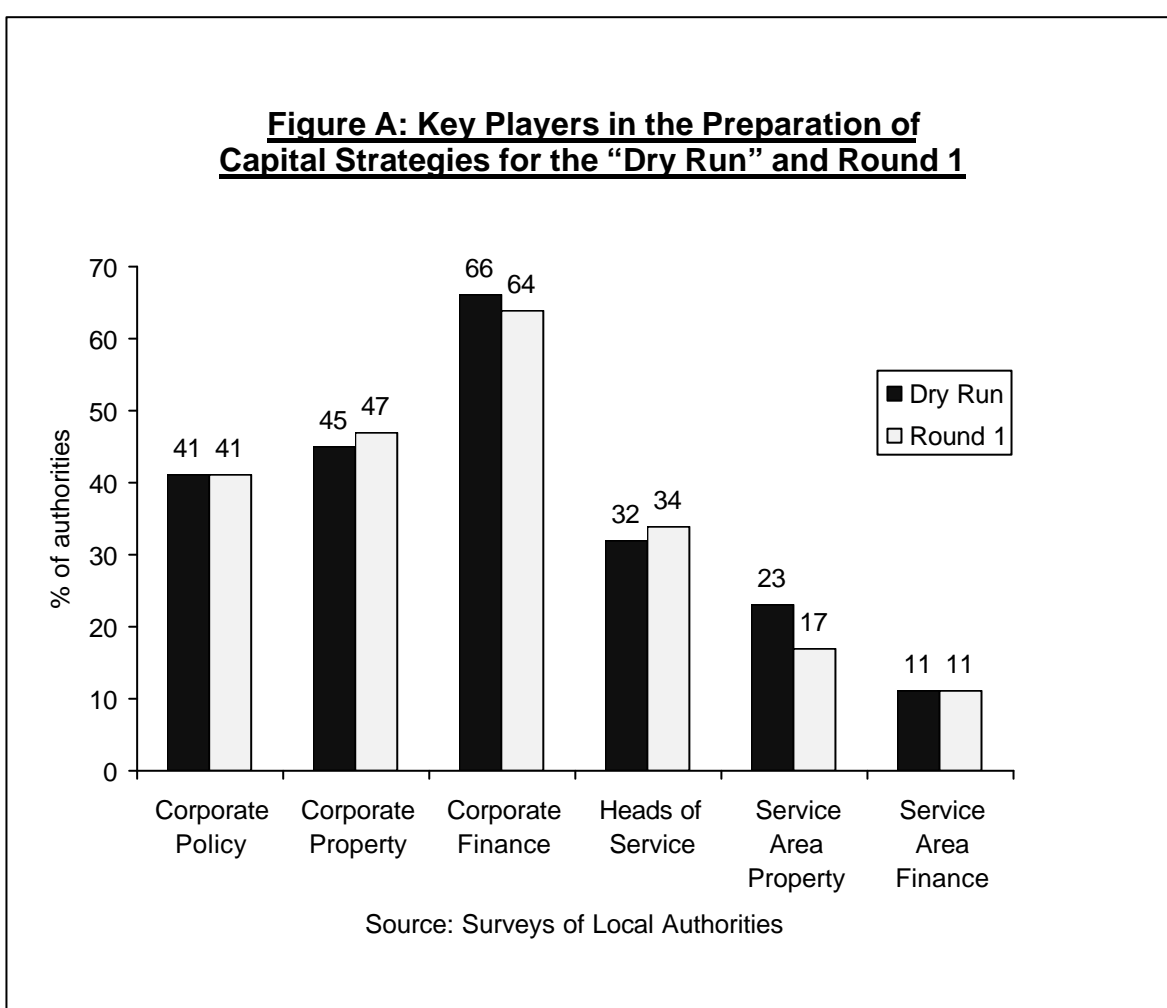
- “good” authorities typically involved 4-5 officers spending 160-200 hours in the preparation of their asset management plan. The comparable figures were 4-5 officers and 100-120 hours for “satisfactory” authorities and 3-4 officers and 80-100 hours for “poor” authorities.

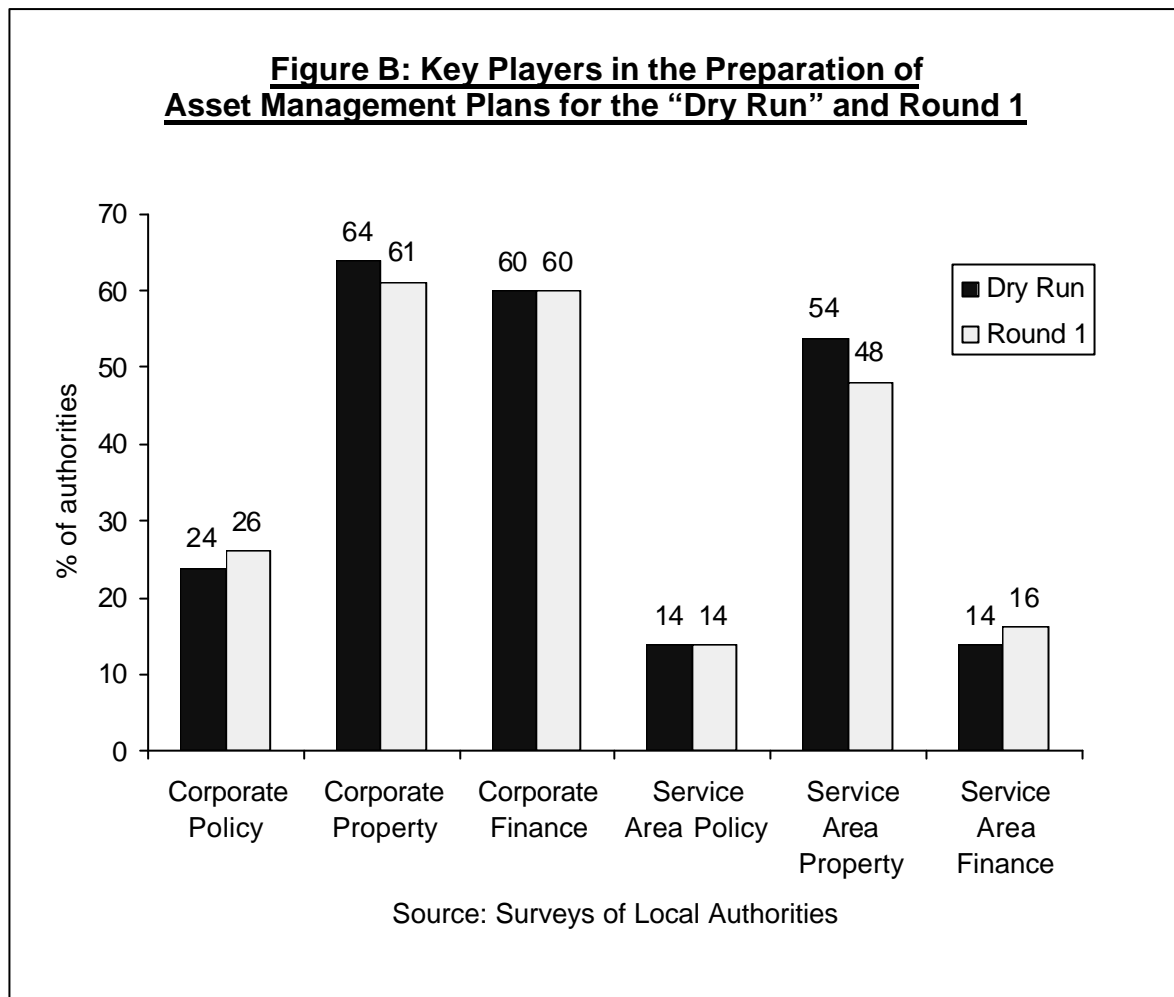
| <b>Table 2.2:<br/>Resources Committed to Round 1<br/>by Assessment Outcome</b> |                                   |                     |             |                            |
|--|-----------------------------------|---------------------|-------------|----------------------------|
|  | <b>Round 1 Assessment Outcome</b> |                     |             | <b>All<br/>Authorities</b> |
|  | <b>Good</b>                       | <b>Satisfactory</b> | <b>Poor</b> |                            |
| <b>Capital Strategies</b>  |                                   |                     |             |                            |
| <b>Number of Officers</b>  |                                   |                     |             |                            |
| • Mean   | 5.8                               | 3.8                 | 5.2         | 4.7                        |
| • Median   | 4-5                               | 2-3                 | 4-5         | 3-4                        |
| • Mode   | 6                                 | 1                   | 5           | 1                          |
| • Range  | 1-17                              | 1-11                | 1-10        | 1-17                       |
| <b>Number of Officer Hours</b>   |                                   |                     |             |                            |
| • Mean   | 95                                | 74                  | 66          | 80                         |
| • Median   | 40-50                             | 48                  | 40-50       | 48-50                      |
| • Mode   | 50                                | 30                  | 100         | 50                         |
| • Range  | 5-360                             | 8-560               | 4-200       | 4-560                      |
| <b>Asset Management Plans</b>  |                                   |                     |             |                            |
| <b>Number of Officers</b>  |                                   |                     |             |                            |
| • Mean   | 6.9                               | 5.2                 | 5.2         | 5.5                        |
| • Median   | 4-5                               | 4-5                 | 3-4         | 4-5                        |
| • Mode   | 4                                 | 1                   | 4           | 3                          |
| • Range  | 1-18                              | 1-14                | 1-17        | 1-18                       |
| <b>Number of Officer Hours</b>   |                                   |                     |             |                            |
| • Mean   | 406                               | 459                 | 169         | 304                        |
| • Median   | 160-200                           | 100-120             | 80-100      | 100-120                    |
| • Mode   | 100-120                           | 100                 | 40          | 100                        |
| • Range  | 30-2,500                          | 20-3,000            | 1-1,570     | 1-3,000                    |
| Source:<br>Survey of Local Authorities.  |                                   |                     |             |                            |

2.10 Therefore, there is not a linear relationship between the resources committed and the assessment outcome. The “good” authorities tended to have committed significantly more officers and/or officer time to Round 1, but there was little difference between the “satisfactory” and “poor” authorities in terms of the resources employed.

## Officer Involvement

2.11 **Figure A** (capital strategies) and **Figure B** (asset management plans) show which council departments were the key players in the preparation of the documents for both the “dry run” and Round 1. The definition of a “key player” is in terms of the proportion of respondents to the surveys that reported officers from these departments being members of the relevant teams.





2.12 Figure A shows that the key players in relation to capital strategies were officers from Corporate Finance and, to a lesser extent, Corporate Property and Corporate Policy. In relation to asset management plans, the key players were officers from Corporate Property, Corporate Finance and property specialists from individual service areas. There were no significant changes between the “dry run” and Round 1 in relation to the key players.

2.13 As during the “dry run”, few authorities used external consultants in the preparation of their Round 1 documents (2% for capital strategies and 11% for asset management plans, compared to 3% and 9% respectively for the “dry run”). As in the “dry run”, non-metropolitan district councils were less likely than larger authorities to have used consultants in relation to their asset management plans (7% compared to 17%) during Round 1, although the proportion was much the same for capital strategies (1% compared to 2%).

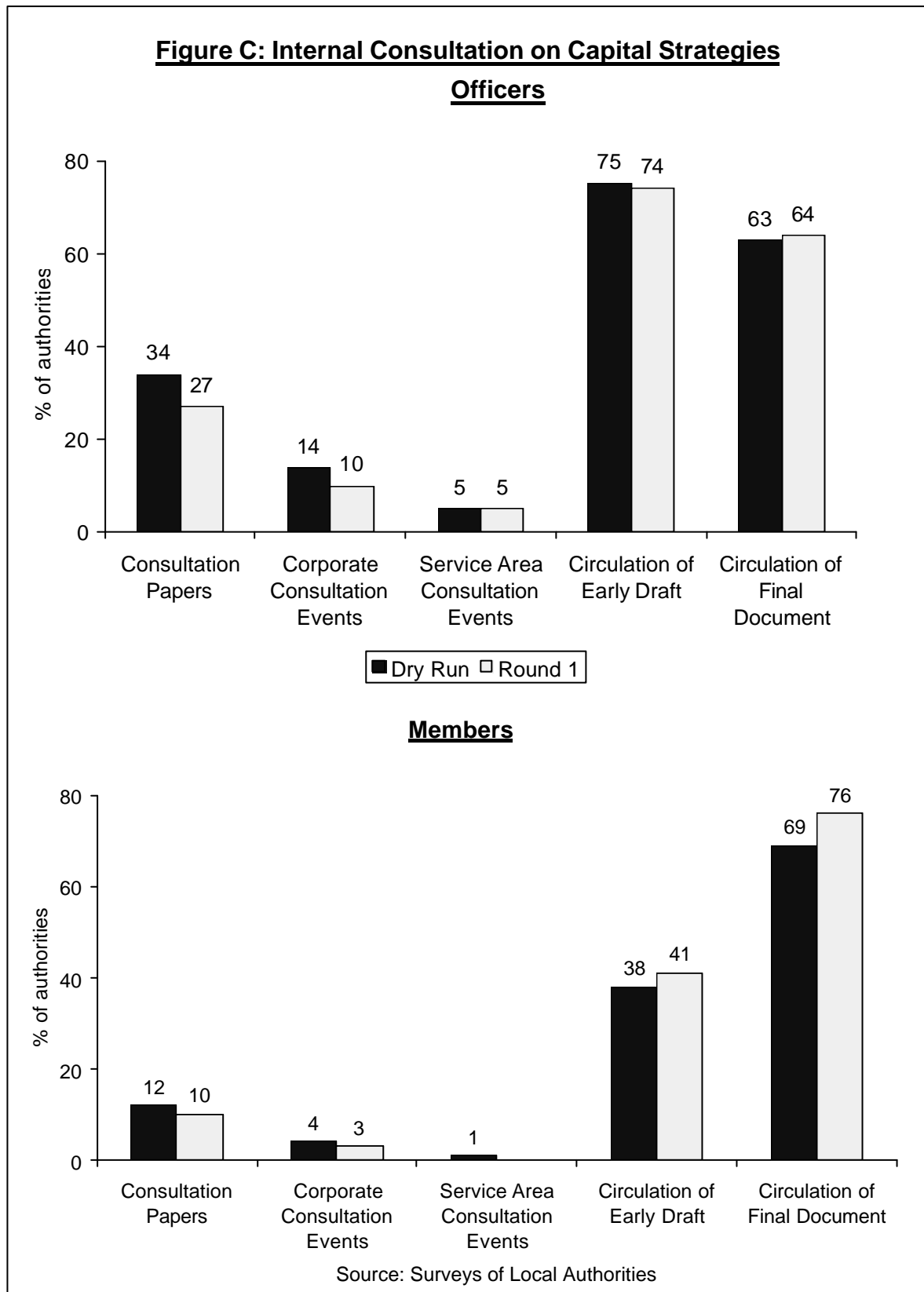
## Consultation

2.14 **Figure C** shows the internal consultation with officers and elected members that was carried out in the preparation of capital strategies during both the “dry run” and Round 1. **Figure D** shows the comparable information in relation to asset management plans.

2.15 Figure C and Figure D show a similar pattern of internal consultation for both capital strategies and asset management plans:

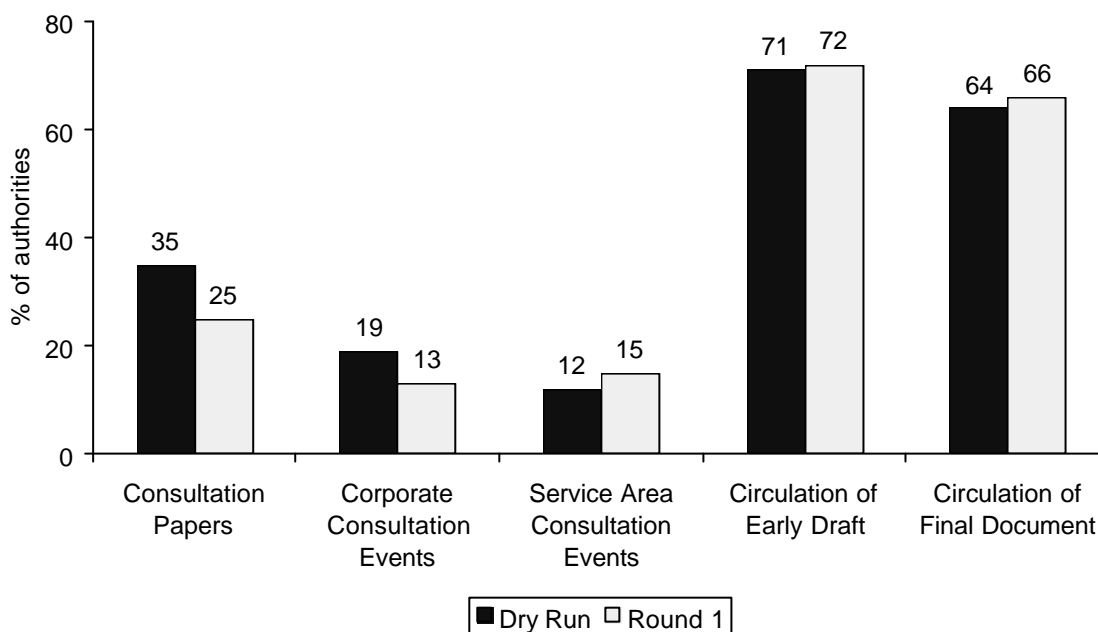
- **officers:** they were typically consulted through the circulation of an early draft of the strategy or plan, although consultation papers seeking written feedback were employed as part of the process in around a quarter of authorities;
- **elected members:** most respondents to the survey only showed the final documents to elected members, although around 40% of authorities circulated an early draft.

**Figure C: Internal Consultation on Capital Strategies**

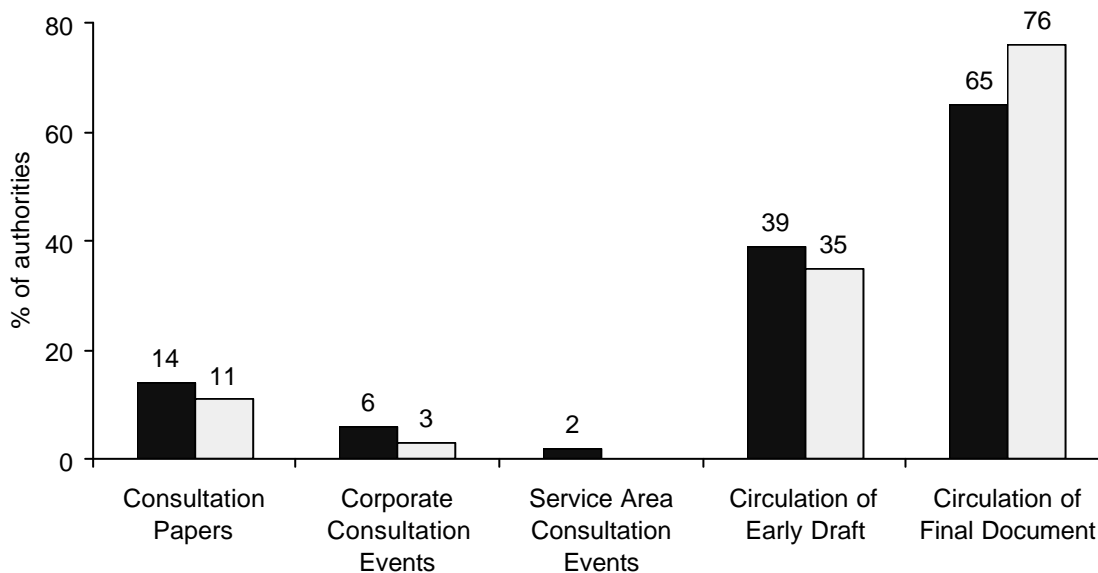


**Figure D: Internal Consultation on Asset Management Plans**

**Officers**



**Members**



Source: Surveys of Local Authorities

- 2.16 There was also a similar pattern of internal consultation in both the “dry run” and Round 1. There is some evidence that a greater proportion of authorities circulated copies of the final documents to elected members in Round 1 than during the “dry run”. There is no evidence of a more extensive process of consultation taking place prior to the circulation of the final documents with either officers or elected members in Round 1 than during the “dry run”; on the contrary, the trend is, if anything, towards less internal consultation.
- 2.17 As was the case during the “dry run”, a minority of the respondents to the survey consulted with external partners on their capital strategy during Round 1 (21% compared to 16% in the “dry run”). Local strategic partnerships were the most frequently mentioned partners to be consulted. Compared to during the “dry run”, more authorities carried out consultations specifically on the capital strategy (47% up from 40%) rather than as part of a wider process (53% down from 60%).
- 2.18 As was the case during the “dry run”, more authorities consulted with external partners on their asset management plans in Round 1 than on their capital strategies (29% compared to 21%). The proportion of respondents to the surveys consulting with external partners was the same in Round 1 and the “dry run”, with property users/occupiers and other local authorities being most frequently contacted. In contrast to capital strategies, the “trend” in relation to asset management plans is towards consultation being part of a wider process (47% up from 31% during the “dry run”) rather than specifically on the plan (53% down from 69% in the “dry run”).
- 2.19 As in the “dry run”, larger authorities consulted more extensively than non-metropolitan district councils, both internally with officers and elected members and externally with partners and customers, during the preparation of their capital strategies and asset management plans during Round 1. For example, 33% of larger authorities consulted with external partners on their capital strategy compared to 17% of non-metropolitan district councils, whilst 50% of larger authorities consulted on their asset management plan compared to 16% of non-metropolitan district councils.

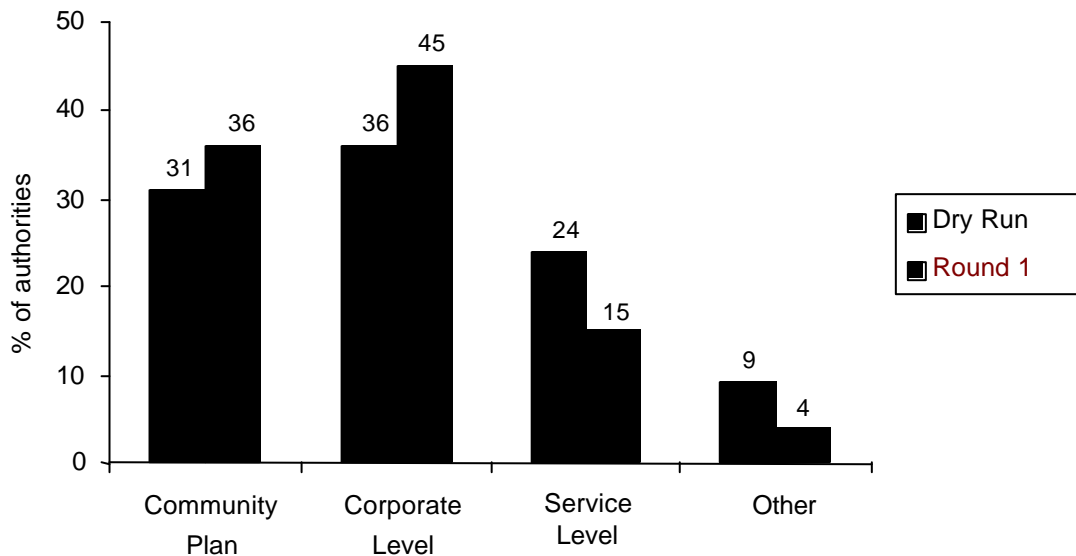
## Objectives and Priorities

- 2.20 Authorities were asked about the approaches they used to identify the objectives and priorities set out in their corporate capital strategies and asset management plans. The results are shown in **Figure E** (capital strategies) and **Figure F** (asset management plans).
- 2.21 Figure E shows that, comparing the “dry run” with Round 1, the objectives and priorities set out in Community Plans (up from 31% to 36%) or developed at a corporate level within authorities (up from 36% to 45%) have become more important in identifying the objectives and priorities of capital strategies. In contrast, existing service-level objectives and priorities have become less important (down from 24% to 15%). This suggests that the policy initiative is being successful in stimulating authorities to take a more corporate and strategic view of capital expenditure.
- 2.22 If anything, Figure F shows that the opposite is true in relation to asset management plans, with the influence of individual service areas in the setting of priorities rising (up from 13% to 17%) and that of the corporate centre (corporate level, corporate framework and central property team) falling (down from 77% to 73%) between the “dry run” and Round 1. However, the change is not significant and it may reflect a growing awareness of property issues in individual service areas and a start to the embedding of asset management planning at this level, although there is only limited evidence of this occurring as yet in the case study authorities.

## Development Problems

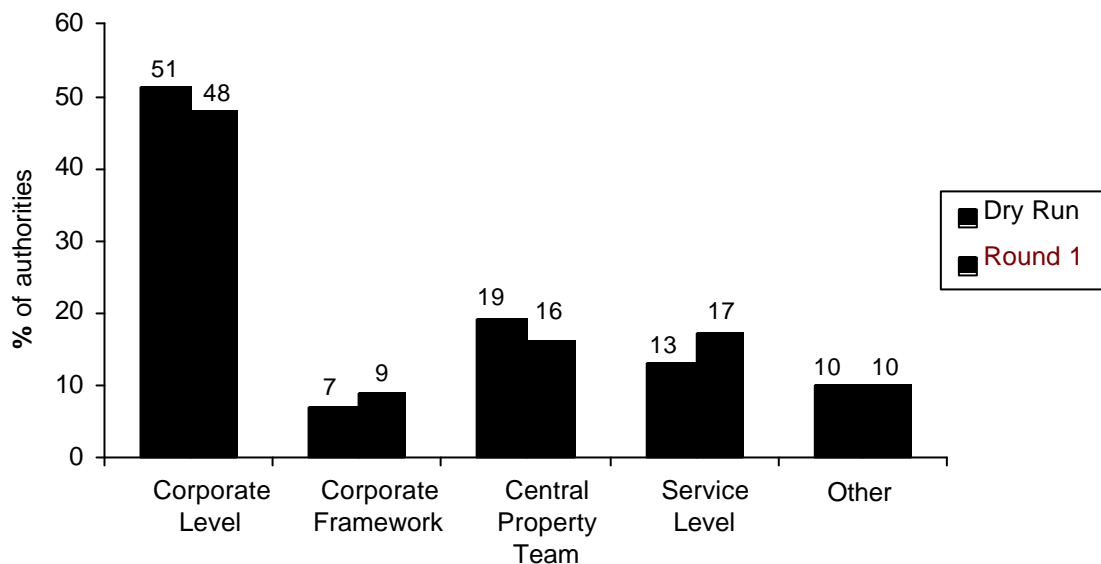
- 2.23 **Figure G** (capital strategies) and **Figure H** (asset management plans) show the main problems reported by authorities in the development of their documents for the “dry run” and Round 1.
- 2.24 In both cases, the data shown represents the balance of “very significant/significant” responses minus “not significant”, with the following weights being given: 1.33 to “very significant”, 0.67 to “significant” and 1.00 to “not significant”. As a result, a higher positive value indicates a greater significance for the factor, whilst a negative value indicates that the factor is not significant.

**Figure E: Objective/Priority Setting in Capital Strategies**

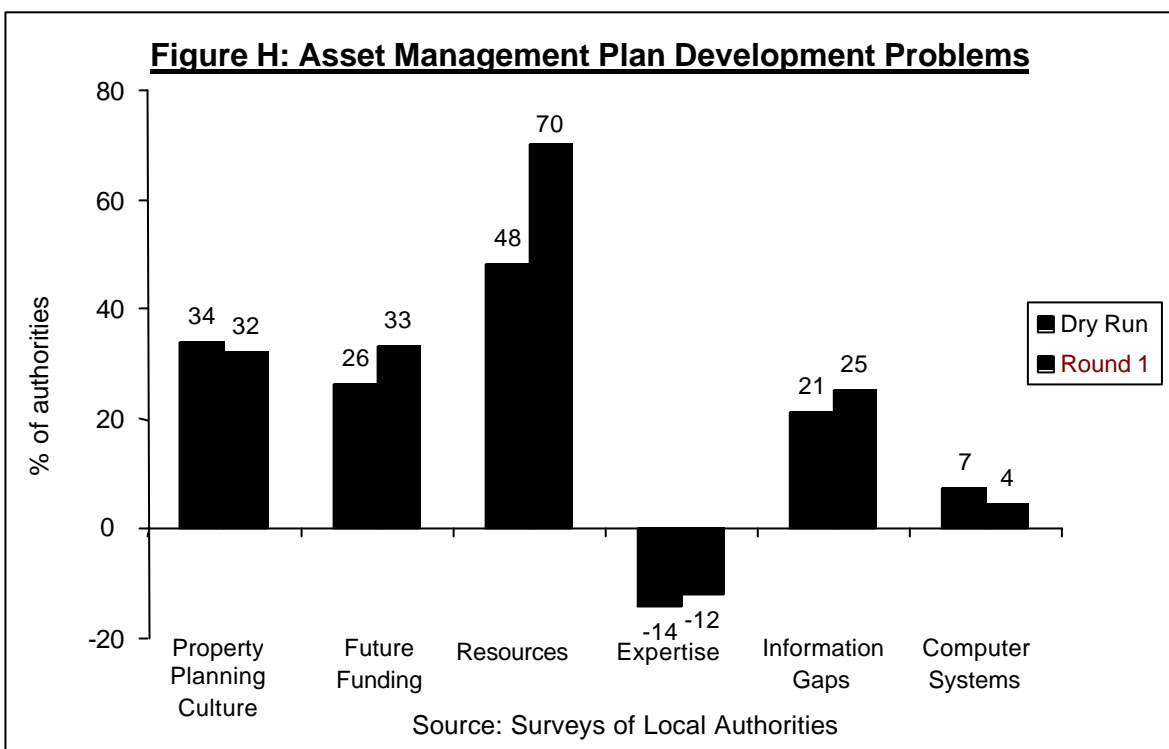
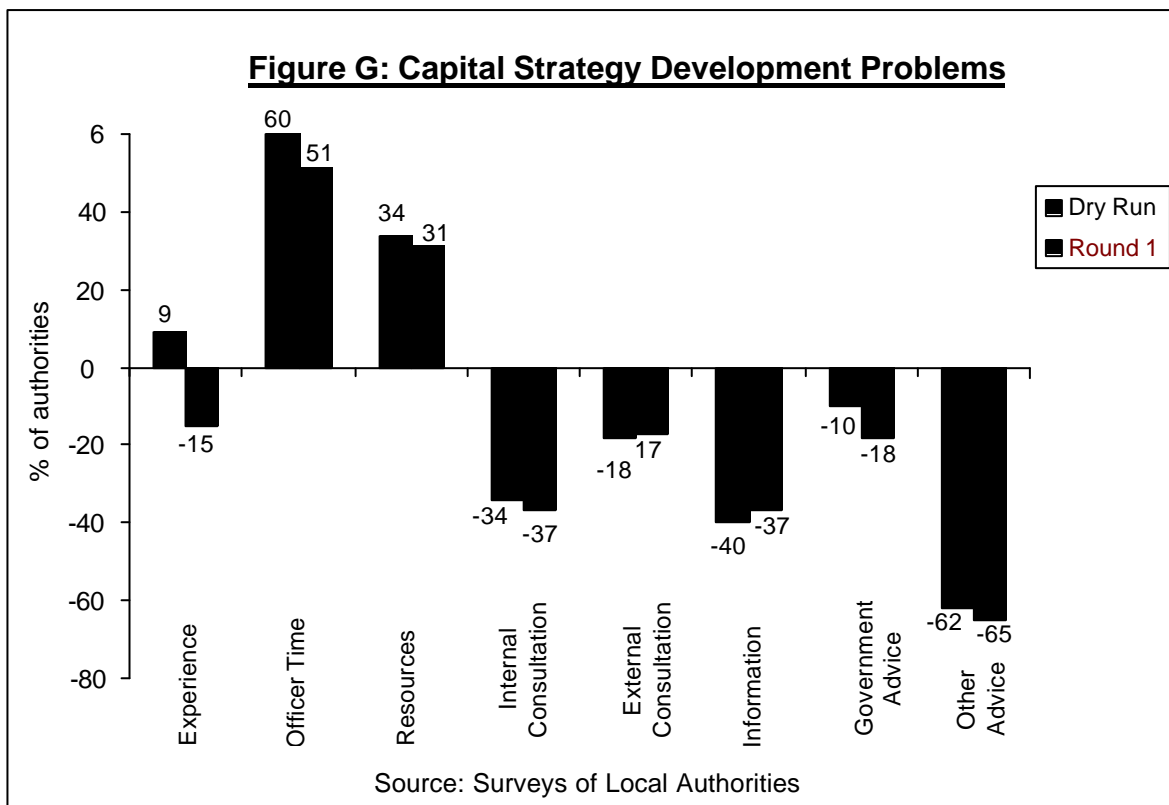


Source: Surveys of Local Authorities

**Figure F: Objective/Priority Setting in Asset Management Plans**



Source: Surveys of Local Authorities

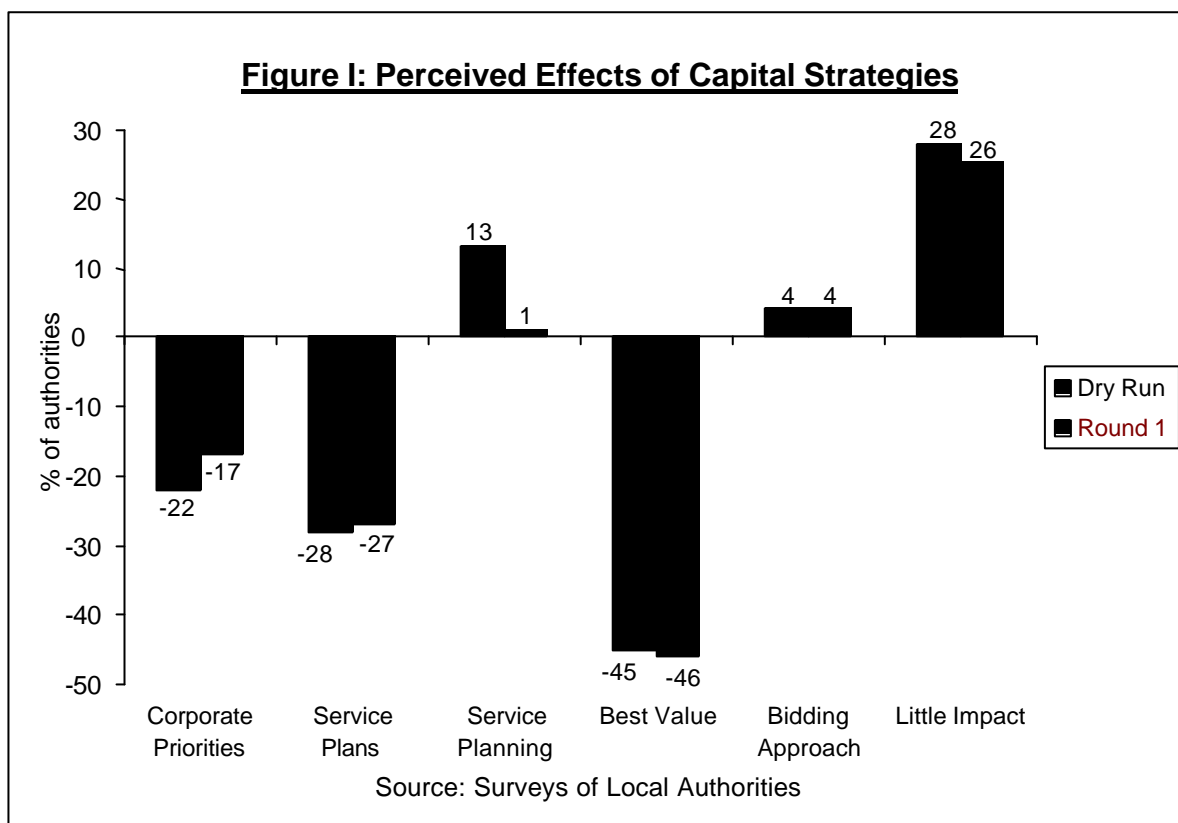


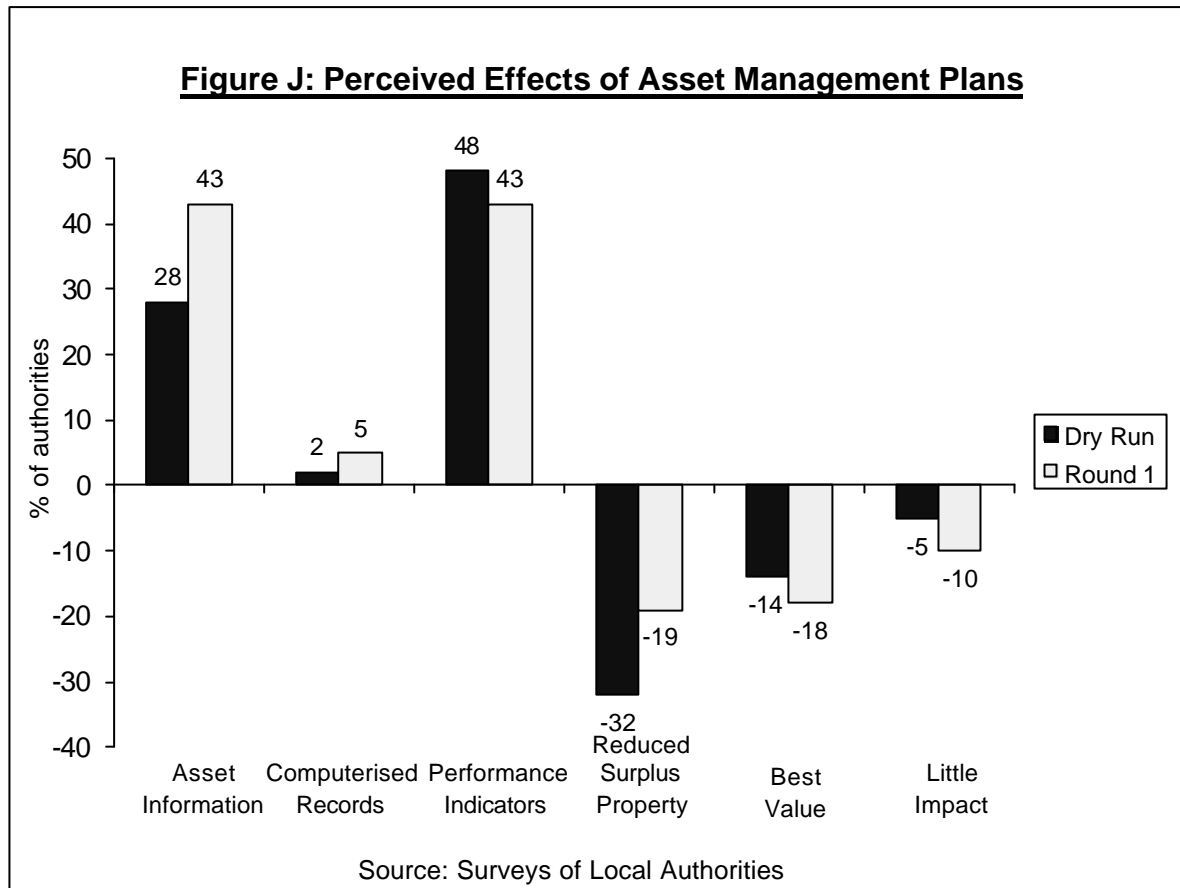
- 2.25 Figure G shows that authorities perceive there are only two significant development problems in relation to capital strategies: officer time (+51%) and, to a lesser extent, resources (+31%). There is some suggestion that officer time was less of a problem in Round 1 than during the “dry run” (down from +60% to +51%), reflecting the development work that had already been undertaken. This is also reflected in the fact that a lack of experience, which was perceived to be a minor problem during the “dry run”, was not viewed as being a significant issue in Round 1 (down from +9% to minus 15%).
- 2.26 Figure H shows authorities continue to perceive that there are a wider range of development problems in relation to asset management planning than capital strategies, notably a lack of resources (+70%), uncertainty over future funding for property issues (+33%), a culture of property planning at a service level (+32%), and gaps in the information held on property assets (+25%). Figure H also shows respondents to the survey did not perceive that a lack of expertise is a significant problem. This view is endorsed by the case study work, although expertise may become more of an issue when authorities move from a focus on process issues to implementation.
- 2.27 The most significant change between the “dry run” and Round 1 is the increased perception of a lack of resources as the key development problem (up from +48% to +70%). This reflects the work undertaken by authorities on asset management planning and hence their growing awareness of the scale of the property issues they face and the resources that will be required to address them. The same factor also lies behind the increased significance attached to uncertainty over future funding for property expenditure as a development problem (up from +26% to +33%). Given the priority attached by many authorities to assembling a comprehensive database of their property assets, it is interesting that the significance of gaps in the information held on property assets as a development problem has not fallen (up from +21% to +25%).
- 2.28 As we discuss in Section 3, the results of the case study work are not entirely consistent with the perceptions of respondents to the Round 1 survey. Whilst resources and officer time represent important issues for authorities, we have identified a number of other fundamental barriers to a faster pace of change, including weaknesses in relation to the development of corporate working, strategic thinking and decision-making and the organisation of property and asset management.

## Perceived Effects

2.29 **Figure I** (capital strategies) and **Figure J** (asset management plans) show the perceptions held by local authorities of the effects to date of the two elements of the policy initiative.

2.30 In both cases, the data shown represents the balance of “agree strongly/agree somewhat” responses minus “disagree somewhat/disagree strongly”, with the following weights being given: 1.33 to “agree/disagree strongly” and 0.67 to “agree/disagree somewhat”. As a result, a higher positive value indicates a greater significance for the factor, whilst a negative value indicates that the factor is not significant.





2.31 Figure I shows authorities still perceive that capital strategies have had little impact to date (+26%). Non-metropolitan district councils were around 44 percentage points more likely than other authorities to state that there had been little effect to date as a result of the capital strategies. At the time of the “dry run”, it appeared that the introduction of capital strategies may have been having at least some effect on the approach of authorities to service planning (+13%), if not on the service plans themselves, but even this impact is not evident from the results of the Round 1 survey (+1%). Capital strategies are still perceived to have a minor effect on the approach of authorities to bidding for capital funding (+4%). Comparing the results for the “dry run” and Round 1, there is some suggestion that capital strategies may be having a growing effect on corporate capital spending priorities (up from minus 22% to minus 17%), a potential trend which will need to be monitored in future surveys.

- 2.32 As we discuss in Section 3, the results of the case study work are not entirely consistent with the perceptions of respondents to the Round 1 survey. In particular, the introduction of the Single Capital Pot, and the resulting availability of at least some unallocated funding for capital projects, has encouraged some authorities to develop, formalise and implement their approach to the prioritisation of capital expenditure in line with corporate objectives and priorities. The corporate capital strategies have been a key element in this process.
- 2.33 Figure J shows authorities continue to perceive that asset management plans have had two key effects to date: the introduction of property performance indicators and knowledge of assets held (both +43%). The most significant changes between the “dry run” and Round 1 have been the effect on asset information (up from +28% to +43%), which reflects the work being undertaken on corporate property databases, and the reduction in the amount of surplus property (up from minus 32% to minus 19%). Whilst any effect on reducing the amount of surplus property is not yet perceived to be significant, continuing change in relation to this issue will need to be monitored in future surveys.

## Property Data and Performance Monitoring

- 2.34 Local authorities were asked whether they currently use, or plan to use, local property performance indicators (pPIs) in addition to those developed centrally by ODPM. The results for both the “dry run” and Round 1 surveys are shown in **Table 2.3**.
- 2.35 Table 2.3 shows that, comparing the responses to the Round 1 survey with those for the “dry run”, a significantly greater proportion of authorities are currently using local pPIs, and a significantly smaller proportion are either not using or not planning to use local pPIs. Larger authorities are over twice as likely to be using local pPIs currently as non-metropolitan district councils, whilst the latter are over four times more likely than the former to be neither using nor planning to use local pPIs.

| <b>Table 2.3:</b>  |                          |                        |                           |
|--|--------------------------|------------------------|---------------------------|
| <b>Use of Local Property Performance Indicators</b>                  |                          |                        |                           |
|  | <b>“Dry Run”<br/>[1]</b> | <b>Round 1<br/>[2]</b> | <b>Variance<br/>[2-1]</b> |
| We currently use local property performance indicators               | 28%                      | 38%                    | +10%                      |
| We plan to use local property performance indicators                 | 55%                      | 52%                    | -3%                       |
| <b>Sub-total</b>   | <b>83%</b>               | <b>90%</b>             | <b>+7%</b>                |
| We do not use, or plan to use, local property performance indicators | 17%                      | 10%                    | -7%                       |
| <b>Total</b>   | <b>100%</b>              | <b>100%</b>            | <b>-</b>                  |
| Source:<br>Surveys of Local Authorities.                             |                          |                        |                           |

2.36 The “dry run” survey showed that most authorities possessed a central asset register and a property terrier/database. Authorities are increasingly using GIS links, with the proportion in relation to asset registers rising from 13% at the time of the “dry run” survey to 20% in Round 1, and the corresponding proportion in relation to property terriers/databases rising from 35% to 37%.

2.37 The results of the Round 1 survey indicate that there has been little, if any, change in the extent of benchmarking of property management performance by authorities with external organisations since the “dry run”. Thus, 53% of respondents to both the Round 1 and “dry run” surveys reported an involvement in benchmarking activity. Most of this benchmarking activity is with clusters of similar authorities or neighbouring councils.

## Conclusions

2.38 There was little difference between the approach of authorities to Round 1 and the “dry run”. The key points to note are as follows:

- there was no linear relationship between the resources invested by authorities and the assessment outcome, although “good” authorities tended to commit more officer time during Round 1;

- whilst there is some evidence that a greater proportion of authorities circulated copies of the final documents to elected members in Round 1 than during the “dry run”, the overall trend is, if anything, towards less internal consultation;
- in terms of the setting of objectives and priorities, there is some evidence that authorities are taking a more corporate and strategic view of capital expenditure;
- there is an increased perception amongst authorities of a lack of resources as the key development problem in relation to asset management plans, which may reflect the work undertaken to date and hence their growing awareness of the scale of the property issues they face and the resources that will be required to address them;
- authorities still generally perceive that capital strategies have had little impact to date, whilst asset management plans are seen as having led to the introduction of pPIs and better knowledge of assets held.

### 3 PROGRESS SINCE THE “DRY RUN”

#### Key Points

- Most case study authorities have continued to focus on developing their management arrangements. Key areas requiring attention are the link between corporate and property objectives, strategic leadership, corporate working, and the central organisation of property management.
- The other areas where the case studies have generally made most progress are the development of links between the corporate centre and service areas, approaches to the prioritisation of capital schemes and corporate property databases.
- The key barriers to a faster pace of progress are the relatively weak development of corporate working and resources, followed by strategic leadership, the organisation of property services and the position of the CPO.

#### Introduction

3.1 In this Section, we discuss the progress made by the case study authorities since the “dry run” under the following four headings:

- Management Arrangements;
- Areas of Progress;
- Barriers to Progress;
- Conclusions.

#### Management Arrangements

3.2 The baseline report included a focus on the management arrangements that local authorities were putting in place in order to respond effectively to the new corporate capital strategy and asset management planning agenda. In particular, we identified the following six good practice criteria:

- **Criterion 1:** there is a **clear corporate framework** within which authorities can develop and implement their strategies and plans. There are two distinct aspects to this framework:

- **Criterion 1A:** a clear and explicit link between corporate objectives and priorities as expressed, for example, in the Community Strategy, and the objectives and priorities of both the capital programme and property and asset management;
- **Criterion 1B:** integral involvement in the process of all key service areas in the authority represented by officers at an appropriately senior level;
- **Criterion 2:** there is a **clear distinction between strategic thinking/decision-making and operational issues**. Without this distinction, the capital strategies and asset management plans will generally lack direction and there can often be a focus on detailed issues, such as what to do about individual assets, the definition of property categories and the specification of databases, and hence an inability to see the “wood from the trees”. In order to have clarity, this distinction is generally best expressed in organisational terms through separate strategic and operational groups, although the work of the two groups needs to be closely linked;
- **Criterion 3:** there are **key officer drivers** of the capital strategy and asset management planning process. Officers from finance and property are generally a powerful combination in this context. They need to:
  - **champion** a corporate view of capital expenditure and the use of assets throughout the authority;
  - take a **strategic** view of the capital programme and asset management planning;
  - **manage** the implementation of the agreed corporate capital strategy and asset management plan;
- **Criterion 4:** there are **clear reporting lines to a strong corporate centre**. No specific management arrangements in relation to the corporate capital strategy and asset management plan, however appropriate, are likely to be successful in the absence of a strong corporate centre providing a clear lead for the process and ensuring that the decisions taken are then implemented;

- **Criterion 5:** there is an **integration of the development and implementation of the capital strategy and asset management plan**, rather than them being seen as separate initiatives that have a link only because they are part of a single government agenda;
- **Criterion 6:** there is a **central organisation of property and asset management**, because this provides the strongest basis for a corporate approach to capital expenditure and the use of assets. To the extent that some or all responsibility for property is devolved to individual service areas, this will make it more difficult to achieve a corporate response to the new policy agenda.

3.3 It was emphasised that none of the criteria are absolutes in the sense that they are either met or not met at all, and that it should be possible to work towards them over time. They are also not of equal importance, with two of the criteria being especially important:

- the existence of a strong corporate centre (criterion 4) is the most important because it will be instrumental in the establishment of a clear corporate framework (criterion 1) and can also impact directly on the presence of key officer drivers (criterion 3) and the central organisation of property and asset management (criterion 6);
- the other is the presence of key officer drivers (criterion 3) because this will impact on a clear distinction between strategic thinking and operational issues (criterion 2) and the integration of the capital strategy and the asset management plan (criterion 5).

3.4 We assessed the management arrangements of each of the case study authorities in terms of the six good practice criteria. **Table 3.1** summarises this assessment and identifies where the authorities have made significant progress since the “dry run”, although it is not possible to express in a tabular form the extent to which each of the criteria have been met.

3.5 The key points to note from Table 3.1 are as follows:

- at the time of the baseline visit, the criteria most generally met by the case study authorities were a clear distinction between strategic thinking/decision-making and operational issues (Criterion 2), the presence of key officer drivers (Criterion 3), and the integration of the development and implementation of corporate capital strategies and asset management plans (Criterion 5);

| Case Study  | Clear Corporate Framework            |                                  | Strategy-operation distinction | Key officer drivers | Reporting lines to strong corporate centre | Integration of CS and AMP | Central property management |
|---|--------------------------------------|----------------------------------|--------------------------------|---------------------|--|---------------------------|-----------------------------|
|   | Link to corporate objectives<br>(1A) | Corporate representation<br>(1B) |                                |                     |  |                           |                             |
|   | (1A)                                 | (1B)                             | (2)                            | (3)                 | (4)  | (5)                       | (6)                         |
| 1   | ✓                                    | ✓                                | ✓                              | ✓                   | ✓  | ✓                         | ✓                           |
| 2   |                                      |                                  |                                | P                   | P  |                           |                             |
| 3   |                                      | ✓                                | ✓                              | ✓                   | ✓  | ✓                         |                             |
| 4   |                                      | ✓                                | ✓                              | ✓                   | ✓  | ✓                         | ✓                           |
| 5   | ✓                                    | ✓                                | ✓                              | ✓                   | ✓  | ✓                         | ✓                           |
| 6   | ✓                                    | ✓                                | ✓                              | ✓                   | ✓  | ✓                         | ✓                           |
| 7   | ✓                                    | ✓                                | ✓                              | ✓                   | ✓  | ✓                         | ✓                           |
| 8   |                                      | P                                | P                              | ✓                   | P  | P                         |                             |
| 9   |                                      | ✓                                | ✓                              | ✓                   | P  | ✓                         | ✓                           |
| 10  |                                      | P                                | ✓                              | P                   |  | ✓                         |                             |
| 11  | P                                    | P                                |                                | ✓                   | ✓  | ✓                         | ✓                           |
| 12  | ✓                                    |                                  |                                | ✓                   |  | ✓                         |                             |
| 13  | P                                    |                                  | ✓                              | ✓                   |  | P                         |                             |
| 14  | P                                    | P                                |                                | ✓                   |  | ✓                         |                             |
| 15  | ✓                                    | ✓                                |                                |                     |  | ✓                         |                             |
| <p>Note: A tick in a cell indicates that the authority largely or wholly satisfied the relevant good practice criterion at the time of the baseline case study visit. It should be noted that, in a few cases, a re-assessment has been made following the Round 1 visit. A "P" in a cell indicates that the authority has made significant progress towards satisfying the criterion since the baseline visit.</p> |                                      |                                  |                                |                     |  |                           |                             |
| <p>Source:<br/>Case Study Visits.</p>   |                                      |                                  |                                |                     |  |                           |                             |

- conversely, the criteria on which authorities needed to focus most of their attention were a clear and explicit link between corporate and property/capital programme objectives and priorities (Criterion 1A), involvement in the process of all key service areas in the authority represented by officers at an appropriately senior level (Criterion 1B), clear reporting lines to a strong corporate centre (Criterion 4), and a central organisation of property and asset management (Criterion 6);

- progress since the baseline visit has primarily been focused on a clear and explicit link between corporate and property/capital programme objectives and priorities (Criterion 1A), involvement in the process of all key service areas in the authority represented by officers at an appropriately senior level (Criterion 1B), and clear reporting lines to a strong corporate centre (Criterion 4);
  - the key areas requiring attention at the time of the Round 1 visit were a clear and explicit link between corporate and property/capital programme objectives and priorities (Criterion 1A), a clear distinction between strategic thinking/decision-making and operational issues (Criterion 2), clear reporting lines to a strong corporate centre (Criterion 4), and a central organisation of property and asset management (Criterion 6).
- 3.6 The baseline report also argued that the categorisation of the case studies based on meeting the management arrangements good practice criteria was likely to be a reasonable proxy for the current state of play in relation to the overall development and implementation of corporate capital strategies and asset management plans in these authorities. In order to illustrate this point, this categorisation was mapped onto the broad assessment of the “dry run” strategies and plans by the Government Offices (“high”, “medium” and “low”), showing that there was only a significant difference between our assessment and that of the Government Offices at the time of the “dry run” in relation to one out of the 15 case study authorities.
- 3.7 We have undertaken a similar mapping exercise of the results shown in Table 3.1 onto the outcomes of the Round 1 assessment process (“good”, “satisfactory” and “poor”). This is shown in **Table 3.2**. It should be emphasised that the former is a general view of how well positioned the authorities are in relation to the development and implementation of a corporate and strategic view of the capital programme and property assets, whilst the latter is a structured assessment of two documents against a set of specific primary and secondary criteria. In this sense, the two approaches may be measuring rather different things.

| <b>Table 3.2:<br/>Comparative Assessment of the Performance<br/>of the Case Study Authorities</b>  |   |  |
|--|---|--|
| <b>Case Study</b>  | <b>Round 1 Assessment Outcome<br/>(Capital Strategy/<br/>Asset Management Plan)</b> | <b>Management Arrangements<br/>Good Practice Criteria<br/>Assessment</b> |
| 1  | G/S   | G  |
| 2  | S/P   | P  |
| 3  | G/G   | S  |
| 4  | S/P   | G  |
| 5  | G/G   | G  |
| 6  | G/G   | G  |
| 7  | G/S   | G  |
| 8  | S/S   | S  |
| 9  | P/P   | G  |
| 10   | G/S   | S  |
| 11   | G/S   | G  |
| 12   | G/S   | P  |
| 13   | S/P   | S  |
| 14   | S/P   | S  |
| 15   | P/P   | P  |
| Note: Authorities meeting or making progress towards 6/7 of the management arrangements good practice criteria have been assessed as "good", 4/5 as "satisfactory" and 0-3 as "poor".<br>"G" = Good, "S" = Satisfactory, and "P" = Poor. |   |  |
| Source:<br>Office of the Deputy Prime Minister and York Consulting.  |   |  |

3.8 Table 3.2 shows that there is a significant difference between the two sets of assessments in relation to three of the case study authorities:

- case study No 4 (a unitary council) did not "sell" itself as well as possible in its Round 1 documents;
- case study No 9 (a county council) did unexpectedly poorly in Round 1 and is located in a region where assessment outcomes were significantly lower than elsewhere;
- case study No 12 (a non-metropolitan district council) is a small authority where the issues raised by the management arrangements good practice criteria did not prevent it from performing well in Round 1.

3.9 Consequently, there are factors that can explain the differences between the two sets of assessments. More broadly, whilst there is no evidence to suggest that it is possible for authorities to misrepresent fundamentally their approach to asset management planning and the capital programme, the case studies demonstrate that it is possible to present information in a way that can have a significant impact on the outcome of the assessment process, particularly if it relates to the primary criteria. For example, two of the case study authorities were in a comparable position in relation to their condition surveys at the time of the Round 1 submissions, but differences in their presentation of the situation resulted in one being assessed as having met all of the primary criteria (and went on to achieve a “good” rating), whilst the other was assessed as having failed the condition survey primary criterion (and hence received a “poor” rating).

### **Areas of Progress**

3.10 The second visits to the case study authorities showed that each council had made progress in a number of areas relating to the corporate capital strategy and asset management planning agenda. Inevitably, the areas of progress identified across the 15 authorities are diverse because they reflect the specific circumstances of each council. However, we have systematised the areas of progress under nine generic headings (plus an “other” category) and these are shown in **Table 3.3**, although it is not possible to express in a tabular form the scale of progress made under each heading.

3.11 Table 3.3 shows that, apart from the changes in management arrangements discussed earlier, the most common areas of progress amongst the case study authorities since the baseline visit have been in relation to developing:

- links between the corporate centre and individual service areas in connection with the capital programme and asset management planning;
- approaches to the prioritisation of capital schemes in line with corporate objectives and priorities;
- corporate property databases.

**Table 3.3:  
Generic Areas of Progress by the Case Study Authorities**

| Areas of Progress              | Case Study Authorities |   |   |   |   |   |   |   |   |    |    |    |    |    |    | Total |
|--------------------------------|------------------------|---|---|---|---|---|---|---|---|----|----|----|----|----|----|-------|
|                                | 1                      | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |       |
| Management arrangements        |                        | ✓ |   |   |   |   |   | ✓ | ✓ | ✓  | ✓  |    | ✓  | ✓  |    | 7     |
| Property database              |                        |   | ✓ | ✓ | ✓ |   |   | ✓ |   | ✓  | ✓  |    | ✓  | ✓  | ✓  | 9     |
| Property reviews               | ✓                      | ✓ | ✓ | ✓ |   |   | ✓ |   |   |    | ✓  |    |    |    |    | 6     |
| Capital scheme prioritisation  | ✓                      |   |   | ✓ |   | ✓ |   |   | ✓ | ✓  |    |    | ✓  | ✓  | ✓  | 9     |
| Involvement of elected Members | ✓                      | ✓ |   |   |   |   |   |   |   | ✓  |    | ✓  |    |    |    | 4     |
| Corporate approach to property |                        |   |   |   |   | ✓ | ✓ |   |   | ✓  |    |    | ✓  |    |    | 4     |
| Increased staffing/resources   | ✓                      |   |   |   |   | ✓ | ✓ |   |   | ✓  | ✓  |    |    |    |    | 5     |
| Links to service areas         |                        | ✓ | ✓ |   |   | ✓ | ✓ |   | ✓ | ✓  | ✓  |    |    |    |    | 7     |
| Asset disposals                |                        | ✓ |   | ✓ | ✓ |   | ✓ |   |   |    | ✓  |    |    |    |    | 5     |
| Other                          | ✓                      |   | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |    | ✓  | ✓  | ✓  |    | ✓  | 12    |

Source:  
Case Study Visits.

3.12 The following patterns are evident in relation to the progress made by the case study authorities:

- the two authorities (No 1 and No 5) that are furthest up the asset management planning learning curve are making incremental progress on a mixture of process and implementation issues. Looking to the future, it is unlikely that the two authorities will generally be able to make faster progress because of the advanced stage of development they have already reached on corporate asset management planning;
- the authorities (such as No 2 and No 15) that are at the lower end of the learning curve have been able to make faster progress in the short term, with the emphasis being largely, if not entirely, on process issues such as developing management arrangements and assembling property data;
- the authorities that are currently making the least progress are the two non-metropolitan district councils (No 12 and No 14) because they do not perceive that there are substantial benefits for them in taking a more corporate and strategic view of the capital programme and property assets. However, in one of these cases, the carrying out of a Best Value review of asset management limited the progress that could be made between the baseline and Round 1 visits;
- the authorities that are some way up the learning curve (such as No 4 and No 11) have, like those currently below them, been able to make significant progress in the short term and are beginning to make the transition from process to implementation issues.

3.13 Therefore, the progress made by the case studies thus far has been a function of their starting point on the asset management planning learning curve, whether they are a larger authority or a non-metropolitan district council, and specific local circumstances.

3.14 We have provided some examples (up to three per council) of the progress made by the case study authorities in **Table 3.4**. Further details are available in the case study reports. This illustrates that most of the case study authorities are responding positively to the requirements of the policy and introducing changes that should allow them to move up the asset management planning learning curve.

**Table 3.4:**

**Examples of Progress made by the Case Study Authorities**

| <b>Case Study<br/>No 1</b>  | <b>Case Study<br/>No 2</b>   | <b>Case Study<br/>No 3</b>  | <b>Case Study<br/>No 4</b>   | <b>Case Study<br/>No 5</b>  |
|---|--|---|--|---|
| New post of Corporate Services Director with responsibility for property. More effective "champion" of a corporate approach to property issues. | Local asset management plans developed by around 60% of service areas using a common pro forma.                        | Surveys of council properties completed and development of the corporate property database has continued.   | Due to high maintenance costs, office building released and swimming pool closed based on information collected for the corporate property database. | Operation of golf courses transferred to a private sector operator following three-year review of sports provision.           |
| Property Task Group of elected Members established with scrutiny and strategic review role.   | Review of the council's office accommodation recommends a rationalisation from 23 to two sites.                        | Space utilisation charges implemented from 1 <sup>st</sup> April 2002 to provide incentives for service areas to make more efficient use of property and identify surplus assets. | Implementation of the council's approach to scheme selection and prioritisation, allocating the discretionary element available through the SCP.     | Continuing progress on the corporate property database, with GIS data brought together and linked to the Gazetteer and UPRNs. |
| Fundamental review of the authority's office accommodation undertaken.  | New capital prioritisation system used for the first time, with departments submitting project bids using a pro forma. | Cabinet approval for rolling five-year review of the council's property portfolio. First area review started.   | Development of a tool to assist managers with understanding and implementing flexible working.   | Asset Management Unit taken over responsibility for energy monitoring.  |

| <b>Table 3.4:<br/>Examples of Progress made by the Case Study Authorities</b>                                     |  |  |  |   |
|---|--|--|--|---|
| <b>Case Study<br/>No 6</b>  | <b>Case Study<br/>No 7</b>   | <b>Case Study<br/>No 8</b>   | <b>Case Study<br/>No 9</b>   | <b>Case Study<br/>No 10</b>   |
| Recruitment of Head of Property in five Directorates.   | New central list of under-used and surplus properties being drawn up to support decision-making on the property portfolio.                                       | Purchase of Genesis software package for the corporate property database.  | Baseline Capital Programme developed to tackle £74 million maintenance backlog in a strategic and managed way. | Cabinet member with property experience allocated responsibility for asset management and is chair of the new Strategic Property Group.     |
| Section on property implications included in Corporate Toolkit used to develop service plans.                     | Review of the council's investment strategy undertaken, focusing on the link to the vision for 2010, social inclusion and community benefits.                    | Implementation of new approach to capital schemes involving integrated working between service areas and partner organisations.                    | Services encouraged to identify client liaison officers as point of contact on asset management issues.        | Group established to prioritise capital schemes across all service areas in line with corporate objectives and priorities.                  |
| Capital prioritisation scheme used to assess bids from service areas against three-year £20 million project fund. | Systems for the management of capital investment and property strengthened by purchase of the LOGOTECH capital monitoring programme and an IRR software package. | Three immediate asset management priorities identified: survey of properties in relation to the DDA, asbestos register, and up-to-date floorplans. | New scoring mechanism for prioritising capital projects developed and due to be piloted later in 2002.         | Asset Management Groups, chaired by the CPO, being established in all service areas to implement the corporate approach to property issues. |

**Table 3.4:**

**Examples of Progress made by the Case Study Authorities**

| <b>Case Study No 11</b>  | <b>Case Study No 12</b>  | <b>Case Study No 13</b>   | <b>Case Study No 14</b>   | <b>Case Study No 15</b>  |
|--|--|---|---|--|
| Made use of property data to inform decisions about retention of assets. For example, decision taken to dispose of 50% of commercial properties. | Best Value review of asset management planning undertaken.   | Planned maintenance budget of £1.5 per annum over a 10-year period established to reverse current 70:30 ratio of reactive to planned work.        | Revised criteria for assessment of revenue budget and capital programme, including revenue consequences of capital expenditure. | New system for developing the capital programme implemented, based on established policy-led budgeting approach for revenue. |
| Home working policy developed. Health and safety implications currently being considered.  | Consultations with divisional managers about perceptions of asset management planning.                       | Capital budget top-sliced to establish a pot of funding against which service areas submit bids in line with corporate objectives and priorities. | Corporate property database bought and data from paper-based terrier now being transferred.                                     | Property terrier transferred onto computer system. Consultant commissioned to undertake further condition surveys.           |
| Annual budget for condition surveys trebled to £150,000, and £0.5 million invested in new corporate property database.                           | Consultations with other local authorities and private sector providers about property portfolio management. | Purchase and installation of Manhattan property database system and population of the database.   |   | Commercial property portfolio being benchmarked against other investments to test its viability, using rates of return.      |

Source: Case Study Visits.

## Barriers to Progress

- 3.15 In general, the progress made to date by the case study authorities with the development and implementation of their corporate capital strategies and asset management plans has been slow. The key barriers to change that we have identified from the case study authorities are summarised in **Table 3.5**. It should be emphasised that these are barriers identified during the case study visits and do not reflect the responses of authorities to the survey (as discussed in Section 2).
- 3.16 Table 3.5 shows that the key barriers to a faster pace of change in terms of a more corporate and strategic view of the capital programme and asset management planning are the relatively weak development of corporate working and a shortage of resources. This underlines what was said earlier in relation to management arrangements good practice criterion No 4, namely that no specific arrangements, however appropriate, are likely to be successful in the absence of a strong corporate centre providing a clear lead for the process and ensuring that the decisions taken are then implemented.
- 3.17 The other key barriers identified also relate to the management arrangements good practice criteria. Criterion No 2 emphasises the need for strategic thinking and decision-making, Criterion No 6 highlights the central organisation of property and asset management as providing the strongest basis for a corporate approach to capital expenditure and the use of assets, and Criterion No 3 is about the need for key officer drivers.
- 3.18 We have provided some examples (up to three per council) of the barriers faced by the case study authorities in **Table 3.6**. Further details are available in the case study reports.

| <b>Table 3.5:<br/>Principal Barriers to Progress</b> |                               |          |          |          |          |          |          |          |          |           |           |           |           |           |           |              |
|--|-------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|--------------|
| <b>Barriers</b>                                      | <b>Case Study Authorities</b> |          |          |          |          |          |          |          |          |           |           |           |           |           |           | <b>Total</b> |
|  | <b>1</b>                      | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b> | <b>6</b> | <b>7</b> | <b>8</b> | <b>9</b> | <b>10</b> | <b>11</b> | <b>12</b> | <b>13</b> | <b>14</b> | <b>15</b> |              |
| Position of the CPO                                  |                               | ✓        | ✓        |          |          |          |          |          |          |           |           | ✓         |           |           | ✓         | <b>4</b>     |
| Organisation of property services                    |                               | ✓        | ✓        |          |          |          |          | ✓        |          | ✓         |           | ✓         |           | ✓         | ✓         | <b>7</b>     |
| Strategic leadership                                 |                               | ✓        | ✓        |          |          |          |          |          | ✓        |           |           | ✓         |           | ✓         | ✓         | <b>6</b>     |
| Corporate working                                    | ✓                             | ✓        | ✓        | ✓        | ✓        |          | ✓        | ✓        | ✓        | ✓         |           | ✓         | ✓         | ✓         |           | <b>12</b>    |
| Resources  | ✓                             |          | ✓        | ✓        |          | ✓        |          | ✓        | ✓        | ✓         | ✓         | ✓         | ✓         | ✓         | ✓         | <b>12</b>    |
| Other  | ✓                             |          |          |          | ✓        | ✓        | ✓        | ✓        | ✓        | ✓         | ✓         |           | ✓         |           | ✓         | <b>10</b>    |
| Source:<br>Case Study Visits.                        |                               |          |          |          |          |          |          |          |          |           |           |           |           |           |           |              |

| Table 3.6:<br>Examples of Barriers to Progress faced by the Case Study Authorities  |  |  |   |  |
|---|--|--|---|--|
| Case Study<br>No 1  | Case Study<br>No 2   | Case Study<br>No 3   | Case Study<br>No 4  | Case Study<br>No 5   |
| Corporate role of Property Management Service limited by scale of capital expenditure outside the SCP.                            | Now an acting CPO at an appropriate level, but is a need for a “champion” of a corporate approach at Director level.                           | Severe strains imposed on project management resources by the increase in the scale and complexity of the capital programme.                         | Total maintenance backlog of £20 million identified. Making significant inroads into this represents a major challenge. | Need to improve option appraisal, with the lack of corporate influence at the level of individual capital schemes leading to variations in practice. |
| Delayed introduction of Integrated Business System means full range of property performance data not available until Autumn 2003. | Property held by service areas that consider the assets as being “owned” by them, and managed by staff without formal property qualifications. | The CPO is the only person in the Treasurer’s Department with a property remit. This “isolation” leads to involvement in many peripheral activities. |   | Move to Area Board structure could have significant impact on asset management planning by undermining corporate working.                            |
| Significant ongoing work and resources required to keep the corporate property database complete and up-to-date.                  | The authority does not have a strong track record of corporate working and a corporate culture.  | Asset Management Group not playing a sufficiently strong strategic leadership role, driving forward the implementation of asset management planning. |   | Some property data held centrally and some in service areas. Not a fundamental barrier, but may limit efficiency of data management.                 |

| <b>Table 3.6:<br/>Examples of Barriers to Progress faced by the Case Study Authorities</b>   |  |  |   |   |
|--|--|--|---|---|
| <b>Case Study<br/>No 6</b>   | <b>Case Study<br/>No 7</b>   | <b>Case Study<br/>No 8</b>   | <b>Case Study<br/>No 9</b>  | <b>Case Study<br/>No 10</b>   |
| Resources to undertake full property surveys may not be available due to competition from other demands.   | Eligibility for wide range of funding sources for capital projects places premium on them being considered corporately.                          | The authority does not have a strong track record of corporate working and a corporate culture.  | Message of good asset management is only slowing percolating to service areas.  | Very strong service-based culture as a result of business group structure, such as in relation to the retention of space.               |
| Momentum of development of corporate asset management planning may be lost if the authority is not required to submit a plan every year.   | Risk that a major project to create a "single back office" may divert attention from the need to address other asset management planning issues. | There is not a corporate property services team, although the first tentative steps have been made in this direction.  | Disappointing results from Round 1 and Best Value review of asset management likely to impact on resources devoted to momentum of progress. | Will be some time before the corporate property database holds all information required to support effective strategic decision-making. |
| The authority has experienced a period of considerable corporate and structural change. A period of greater stability is required to embed asset management planning across the council. | Ongoing issue, at least in some areas, of departmentalism, which works against effective and consistent corporate approaches.                    | New Cabinet structure a factor of potential, rather than actual, importance. Greater engagement of the property portfolio holder central to a more corporate and strategic view of property. | Asset Management Group is not providing strategic leadership and driving forward implementation of asset management in the authority.       |   |

| <b>Table 3.6:<br/>Examples of Barriers to Progress faced by the Case Study Authorities</b>                         |   |   |  |  |
|--|---|---|--|--|
| <b>Case Study<br/>No 11</b>  | <b>Case Study<br/>No 12</b>   | <b>Case Study<br/>No 13</b>   | <b>Case Study<br/>No 14</b>  | <b>Case Study<br/>No 15</b>  |
| Limited availability of resources for capital investment.  | CPO has responsibility for industrial estates, but rest of property management undertaken by other service areas. As a result, the CPO is "isolated" and has limited influence on events. | Resources likely to be a limiting factor in moving from process issues to implementation, especially developing an expert client role with service areas. | Responsibility for property management currently split three ways, with service areas managing operational property, and centralised maintenance and non-operational sections. | Performance data only exists for the commercial portfolio. A paper-based system contains basic property data. A computer-based system is needed. |
| Need to ensure that a clear distinction is made between strategic thinking/decision-making and operational issues. | The authority does not have a strong track record of corporate working and a corporate culture.   | Progress on asset management planning has been driven by officers. Elected Members need to have more ownership in future.                                 | Elected Members have played little role in the capital strategy and asset management plan, which is indicative of a lack of strategic leadership.                              | Property functions currently split between two directorates. External auditors raised this as an issue to be reviewed.                           |
|  | Limited resources have been available to invest in asset management planning.   | Period of transition likely before new directorate structure established and begins to work effectively.  | Authority has a relatively small property portfolio and limited resources to devote to asset management.   | Section dealing with asset management has had two key posts vacant for several months.   |
| Source: Case Study Visits.   |   |   |  |  |

## Conclusions

- 3.19 The case study authorities have continued to focus on the development of the management arrangements through which they are responding to the new capital strategy and asset management planning agenda. This is indicative of the extent to which the emphasis is still on process, rather than implementation, issues.
- 3.20 The pace of progress in relation to a more corporate and strategic view of the capital programme and asset management planning has generally been slow, focusing in particular on the development of links between the corporate centre and service areas, approaches to the prioritisation of capital schemes and corporate property databases. The key barriers to a faster pace of change are the relatively weak development of corporate working and a shortage of resources.

## 4 ROUND 1 ASSESSMENT PROCESS

### Key Points

- The Round 1 assessment outcomes show a clear distinction between the relatively strong performance of the larger authorities (counties, metropolitan districts, London boroughs and unitaries) and the relatively weak performance of non-metropolitan districts.
- Assessment outcomes for capital strategies were significantly lower in the North East and Yorkshire and Humber. In relation to asset management plans, outcomes were significantly lower in the North East and significantly higher in the East Midlands.
- Round 1 saw a movement towards the assessment process being managed by local government and area teams, sometimes in conjunction, and away from housing teams. The role of the “dry run” as a learning process for the GOs was limited by a lack of continuity in staffing. There should be greater continuity between the Round 1 and Round 2.
- Most of the GOs adopted an approach to the Round 1 assessment process that was entirely based on the capital strategy and asset management plan documents without any contact with authorities.
- Local authority perceptions of the performance of their GOs are heavily influenced by the outcome of the Round 1 assessment process. However, the performance of most GOs is perceived to have improved, often significantly, between the “dry run” and Round 1.

### Introduction

4.1 In this Section, we review the Round 1 assessment process under the following seven headings:

- Assessment Outcomes;
- Management and Administration;
- Assessment Approach;
- Quality Control;
- Feedback;
- Performance of the Government Offices;
- Conclusions.

## Assessment Outcomes

4.2 **Table 4.1** shows the outcomes of the Round 1 assessment process for corporate capital strategies and asset management plans by type of authority and region.

| <b>Table 4.1:<br/>Round 1 Assessment Outcomes<br/>by Type of Authority and Region</b>   |                           |                     |             |                               |                     |             |
|---|---------------------------|---------------------|-------------|-------------------------------|---------------------|-------------|
| <b>Authority Type/Region</b>  | <b>Capital Strategies</b> |                     |             | <b>Asset Management Plans</b> |                     |             |
|   | <b>Good</b>               | <b>Satisfactory</b> | <b>Poor</b> | <b>Good</b>                   | <b>Satisfactory</b> | <b>Poor</b> |
| <b>Type of Authority</b>  |                           |                     |             |                               |                     |             |
| County  | 53%                       | 41%                 | 6%          | 59%                           | 29%                 | 12%         |
| Metropolitan District   | 53%                       | 44%                 | 3%          | 28%                           | 44%                 | 28%         |
| London Borough  | 39%                       | 55%                 | 6%          | 27%                           | 36%                 | 35%         |
| Unitary   | 47%                       | 49%                 | 4%          | 24%                           | 50%                 | 26%         |
| Non-Metropolitan District   | 23%                       | 58%                 | 19%         | 9%                            | 29%                 | 61%         |
| <b>All Authorities</b>  | <b>33%</b>                | <b>54%</b>          | <b>13%</b>  | <b>19%</b>                    | <b>34%</b>          | <b>48%</b>  |
| <b>Region</b>   |                           |                     |             |                               |                     |             |
| East  | 22%                       | 54%                 | 24%         | 9%                            | 33%                 | 57%         |
| East Midlands   | 31%                       | 58%                 | 11%         | 20%                           | 49%                 | 31%         |
| London  | 39%                       | 55%                 | 6%          | 27%                           | 36%                 | 36%         |
| North East  | 20%                       | 48%                 | 32%         | 4%                            | 36%                 | 60%         |
| North West  | 46%                       | 50%                 | 4%          | 17%                           | 39%                 | 44%         |
| South East  | 37%                       | 53%                 | 11%         | 23%                           | 15%                 | 62%         |
| South West  | 35%                       | 49%                 | 16%         | 22%                           | 41%                 | 37%         |
| West Midlands   | 29%                       | 61%                 | 11%         | 18%                           | 32%                 | 50%         |
| Yorkshire and Humber  | 23%                       | 68%                 | 9%          | 23%                           | 36%                 | 41%         |
| Note: All numbers have been rounded to the nearest 1%. As a result, the rows for capital strategies and asset management plans may not sum to 100%. |                           |                     |             |                               |                     |             |
| Source:<br>Office of the Deputy Prime Minister.   |                           |                     |             |                               |                     |             |

4.3 In order to interpret the assessment outcomes shown in Table 4.1, we have converted the results into a score by attributing a value of 5 for a “good”, 3 for a “satisfactory” and 1 for a “poor”. The average scores per authority by type of authority and region are shown in column 1 (capital strategies) and column 4 (asset management plans) in **Table 4.2**.

| <b>Table 4.2:<br/>Analysis of Assessment Outcomes by<br/>Type of Authority and Region</b> |                           |                         |                             |                               |                         |                             |
|---|---------------------------|-------------------------|-----------------------------|-------------------------------|-------------------------|-----------------------------|
| <b>Region</b>   | <b>Capital Strategies</b> |                         |                             | <b>Asset Management Plans</b> |                         |                             |
|   | <b>Actual<br/>[1]</b>     | <b>Adjusted<br/>[2]</b> | <b>Variance<br/>[3=1-2]</b> | <b>Actual<br/>[4]</b>         | <b>Adjusted<br/>[5]</b> | <b>Variance<br/>[6=4-5]</b> |
| <b>Type of Authority</b>  |                           |                         |                             |                               |                         |                             |
| County  | 3.9                       | n.a.                    | n.a.                        | 3.9                           | n.a.                    | n.a.                        |
| Metropolitan District   | 4.0                       | n.a.                    | n.a.                        | 3.0                           | n.a.                    | n.a.                        |
| London Borough  | 3.7                       | n.a.                    | n.a.                        | 2.8                           | n.a.                    | n.a.                        |
| Unitary   | 3.9                       | n.a.                    | n.a.                        | 3.0                           | n.a.                    | n.a.                        |
| Non-Metropolitan District   | 3.1                       | n.a.                    | n.a.                        | 2.0                           | n.a.                    | n.a.                        |
| <b>All Authorities</b>  | <b>3.4</b>                | <b>n.a.</b>             | <b>n.a.</b>                 | <b>2.4</b>                    | <b>n.a.</b>             | <b>n.a.</b>                 |
| <b>Region</b>   |                           |                         |                             |                               |                         |                             |
| East  | 3.0                       | 3.1                     | -0.1                        | 2.0                           | 2.3                     | -0.3                        |
| East Midlands   | 3.4                       | 3.3                     | +0.1                        | 2.8                           | 2.2                     | +0.6                        |
| London  | 3.7                       | n.a.                    | n.a.                        | 2.8                           | n.a.                    | n.a.                        |
| North East  | 2.8                       | 3.6                     | -0.8                        | 1.9                           | 2.5                     | -0.6                        |
| North West  | 3.8                       | 3.6                     | +0.2                        | 2.5                           | 2.5                     | -                           |
| South East  | 3.5                       | 3.5                     | -                           | 2.2                           | 2.3                     | -0.1                        |
| South West  | 3.4                       | 3.3                     | +0.1                        | 2.7                           | 2.4                     | +0.3                        |
| West Midlands   | 3.4                       | 3.5                     | -0.1                        | 2.4                           | 2.4                     | -                           |
| Yorkshire and Humber  | 3.3                       | 3.8                     | -0.5                        | 2.6                           | 2.8                     | -0.2                        |
| Source:<br>York Consulting Limited.   |                           |                         |                             |                               |                         |                             |

4.4 Column 1 and column 4 in the upper part of Table 4.2, relating to types of authority, show that:

- **capital strategies:** counties, metropolitan districts, London boroughs and unitaries were the strongest performers, whilst non-metropolitan districts achieved lower assessment outcomes;
- **asset management plans:** counties were the strongest performers, metropolitan districts, London boroughs and unitaries were above average, and non-metropolitan districts again achieved lower assessment outcomes.

4.5 Therefore, the Round 1 assessment outcomes by type of authority show a clear distinction between the relatively strong performance of the larger authorities (counties, metropolitan districts, London boroughs and unitaries) and the relatively weak performance of non-metropolitan districts.

4.6 Column 1 and column 4 in the lower part of Table 4.2, relating to regions, show that:

- **capital strategies:** authorities in the North West were the strongest performers, followed by those in London. Authorities in the East Midlands, the South East, the South West, the West Midlands and Yorkshire and Humber were around the average, whilst those in the East and the North East were relatively poor performers;
- **asset management plans:** authorities in the East Midlands, London, the South West and Yorkshire and Humber were the strongest performers, those in the North West, the South East and the West Midlands were around the average, and authorities in the East and the North East were relatively poor performers.

4.7 However, regions contain different mixes of the five types of authority. Given the variation in the assessment outcomes achieved by the larger authorities and non-metropolitan district councils, the different mixes of authorities could be a significant factor in the observed variances between regions. As a result, we have calculated an adjusted average score for each region on the assumption that the split of outcomes for each authority type was in line with the national average. These adjusted scores are shown in column 2 (capital strategies) and column 5 (asset management plans) of Table 4.2, with the variations from the actual scores being shown in column 3 and column 6.

4.8 This shows that:

- **capital strategies:** assessment outcomes were significantly lower than expected in the North East and Yorkshire and Humber, somewhat higher in the North West, and around the expected level in the other five regions;
- **asset management plans:** assessment outcomes were significantly lower than expected in the North East and somewhat lower in the East and Yorkshire and Humber, and significantly higher than expected in the East Midlands and somewhat higher in the South West.

4.9 We do not know the extent to which these variations between regions reflect differences in the actual performance of local authorities or differences between the assessment approach adopted by Government Offices (GOs). However, the evidence does suggest that GO North East adopted a “tougher” approach than the others. This, and the other variations between actual and expected outcomes shown in Table 4.2, will need to be borne in mind when assessing local authority views on the performance of the GOs during Round 1.

### Management and Administration

4.10 **Table 4.3** summarises the arrangements made by the nine GOs in relation to the management and administration of both the “dry run” and Round 1 of the Single Capital Pot. It should be emphasised that the data on the number of staff involved is not strictly comparable because we have not been able to identify the number of full-time equivalents in each case. We have included the number of authorities in each region in order to provide an indication of the scale of the assessment task involved.

4.11 Table 4.3 shows that Round 1 saw a movement towards the assessment process being managed by local government and area teams, sometimes in conjunction, and away from housing teams. The likelihood of this trend was highlighted in our baseline report. We expect to see greater continuity between Round 1 and Round 2 than was the case between the “dry run” and Round 1 in relation to the management and administration of the assessment process, with a further two GOs moving to an area team structure but retaining the same central management arrangements.

| <b>Table 4.3:<br/>Administration and Management of the<br/>“Dry Run” and Round 1 Assessment Processes</b> |   |                  |  |   |           |                           |  |
|---|---|------------------|--|---|-----------|---------------------------|--|
| <b>Government Office</b>  | <b>Lead Section</b>   | <b>“Dry Run”</b> |  | <b>Round 1</b>                                |           | <b>Number of councils</b> |  |
|   |   | <b>No</b>        | <b>Assessors Councils per assessor</b> | <b>Lead Section</b>                           | <b>No</b> |                           | <b>Assessors Councils per assessor</b> |
| East  | Housing   | 4                | 13.5                                   | Local Government                              | 3         | 18.0                      | 54                                     |
| East Midlands   | Regeneration and Local Government                                 | 3                | 15.0                                   | Local Government (3 Area Teams)               | 13        | 3.5                       | 45                                     |
| London  | Local Authority Policy and Programme Co-ordination (4 Area Teams) | 16               | 2.1                                    | Area Teams                                    | 20        | 1.7                       | 33                                     |
| North East  | Strategic Partnerships and Local Government (2 Area Teams)        | 4                | 6.3                                    | Housing and Local Government Capital          | 3         | 8.3                       | 25                                     |
| North West  | Housing   | 2                | 23.0                                   | Communities Group (5 Area Teams)              | 20        | 2.3                       | 46                                     |
| South East  | Housing and Communities (4 Area Teams)                            | 8                | 9.3                                    | Housing and Communities (4 Area Teams)        | 17        | 4.4                       | 74                                     |
| South West  | 4 Area Teams  | 14               | 3.6                                    | Local Government and Housing and 4 Area Teams | 12        | 4.3                       | 51                                     |
| West Midlands   | Housing   | 3                | 12.7                                   | Local Government Modernisation                | 5         | 7.6                       | 38                                     |
| Yorkshire and Humber  | Local Government and Housing                                      | 2                | 11.0                                   | Local Government and Housing                  | 3         | 7.3                       | 22                                     |
| Source:<br>Government Office Consultations.   |   |                  |  |   |           |                           |  |

4.12 We are still of the view, outlined in the baseline report, that an area team structure, involving a larger number of GO staff, with an effective central management and co-ordination function provides the most robust basis for the assessment process. This stems in part from the fact that an area team structure provides a framework in which GOs can get closer to the local authorities in their regions and hence can have a better understanding of the context within which the strategies and plans have been prepared. However, as we discuss later, getting closer to local authorities and having a better knowledge and understanding of them is irrelevant if most GOs continue to adopt the same assessment approach as during Round 1, in which the use of any knowledge or material that was not in the capital strategy or asset management plan documents was explicitly excluded.

4.13 There is some evidence of GOs committing additional staff to the Round 1 assessment process, but this trend was by no means universal. In terms of the number of authorities per assessor (and subject to the caveat about full-time equivalents noted earlier), there are:

- three “outliers” with either a large number of authorities per assessor (GO East) or a small number (GO London and GO North West);
- a group with 3.5-4.5 authorities per assessor (GO East Midlands, GO South East and GO South West);
- a group with 7.5-8.5 authorities per assessor (GO North East, GO West Midlands and GO Yorkshire and Humber).

4.14 As a result of the internal reorganisations of a number of the GOs, the involvement of additional staff and the turnover of personnel, there was limited continuity between the “dry run” and Round 1 assessment teams. In five of the GOs, only one member of staff was involved in both assessment processes, whilst in two others 25% and 50% of the Round 1 teams had also been involved in the “dry run”. The role of the “dry run” as a learning process for the GOs was limited by this lack of continuity. We expect to see greater continuity between the Round 1 and Round 2 assessment processes because the internal structures of the GOs should be more stable and the scale and makeup of the teams should be much the same. Staff turnover and the movement of personnel within the GOs will inevitably lead to some changes, but we do not anticipate that this will be a significant problem.

- 4.15 As for the “dry run”, one only GO included a member of staff with relevant property expertise or experience in their Round 1 assessment team (although it was a different GO).
- 4.16 The training on asset management planning organised by ODPM in connection with the Round 1 assessment process was generally well-received by the GOs. The view was expressed by a number of officers that a greater focus on the assessment criteria and examples what constitutes strong and weak evidence would be helpful in any future training.
- 4.17 None of the GOs monitored the amount of time that was required to assess the Round 1 capital strategies and asset management plans. The estimates of the time taken to assess each individual document vary between 0.5 days and 2.5 days, with an average of around one day. This time estimate is likely to include reading the documents, preparing the assessment forms, clarifying any uncertainties with authorities, involvement in quality control and moderation, and provision of feedback.

### Assessment Approach

- 4.18 **Table 4.4** sets out the approach to the Round 1 assessment approach adopted by the nine GOs and, in particular, the policy adopted in relation to contact with local authorities between submission of the documents and the announcement of the outcomes.
- 4.19 Table 4.4 shows that in five of the GOs the assessment process was entirely based on the capital strategy and asset management plan documents without any contact with authorities, whilst in two other cases it was a paper-based exercise supplemented by telephone contact to clarify minor points. In the other two GOs, existing knowledge of councils was used in the assessments along with telephone contacts and, in one case, meetings with larger authorities.

| <b>Table 4.4:<br/>Government Office Approaches to the<br/>Round 1 Assessment Process</b> |  |   |
|--|--|---|
| <b>Government<br/>Office</b>   | <b>Assessment<br/>Approach</b>   | <b>Contacts with<br/>Local Authorities</b>  |
| East   | Paper-based exercise with no use made of existing knowledge about authorities  | Telephone contact to clarify minor points   |
| East Midlands  | Paper-based exercise with no use made of existing knowledge about authorities. Capital strategies and asset management plans treated as interchangeable documents in terms of meeting the criteria | Policy decision not to have contact during the assessment process   |
| London   | Existing knowledge used by those assessors with experience of authorities. Other assessors adopted an entirely paper-based approach  | Contact in those cases where assessors knew relevant information about authorities but it was not included in the documents   |
| North East   | Paper-based exercise with no use made of existing knowledge about authorities. Capital strategies and asset management plans treated as interchangeable documents in terms of meeting the criteria | Only contact to clarify minor points relating to meeting primary criteria. Eight authorities contacted leading to five receiving a "satisfactory" rating rather than a "poor" |
| North West   | Paper-based exercise with no use made of existing knowledge about authorities  | No contacts   |
| South East   | Paper-based exercise with no use made of existing knowledge about authorities  | Policy decision not to have contact during the assessment process   |
| South West   | Paper-based exercise with no use made of existing knowledge about authorities  | No contacts   |
| West Midlands  | Use of local knowledge and evidence from other documents, such as those submitted during the "dry run"   | Clarification meetings held with all county councils, metropolitan districts and unitary authorities. Non-metropolitan districts contacted by telephone or e-mail             |
| Yorkshire and Humber   | Paper-based exercise with no use made of existing knowledge about authorities  | No contacts   |
| Source:<br>Government Office Consultations.  |  |   |

4.20 There were two principal reasons why most GOs adopted a paper-based approach without any contact with authorities:

- **consistency** – in a context in which existing knowledge of GOs about authorities was patchy and uneven, it was felt that it would not be equitable for it to count in the assessments because this might disadvantage councils with which GOs had less contact. In addition, there was some concern that a move away from a paper-based approach might undermine the credibility of the assessment process and open it up to challenge;
- **resources** – holding meetings with authorities and assessing any further material submitted in response to contacts by telephone or face-to-face can be time-consuming and most GOs did not consider that they could resource such activity.

4.21 We recognise the concerns expressed by the GOs about consistency once the process becomes anything but entirely paper-based, although the fears of some about challenges to their decisions seem exaggerated. However, we do not regard a situation in which authorities were assessed as having not met assessment criteria because the evidence was not in the documents, although the GO knew full well that the criteria were being met in reality, as being neither sustainable nor credible. In our view, a little more inconsistency in the short term, until the knowledge of the GOs of their authorities becomes more even, is a reasonable price to pay for having assessments that are in line with reality as known by both parties to the process.

4.22 One of the issues highlighted in the baseline report was that GOs needed to get closer to the authorities in their regions, and hence to understand more about the context to which the capital strategies and asset management plans (and other documents) relate, if the assessment process is to become more effective. Seven of the nine GOs have now moved to an area team structure, although it will take some time for the corporate knowledge of local authorities to develop. However, this development will be irrelevant if the assessment of strategies and plans continues to be paper-based and does not reflect the wider local knowledge as it builds up. Without this wider input, there is at least a danger that GOs will continue to reward those authorities that are good at preparing documents, rather than those that are good at implementing a strategic and corporate view of their capital programme and the use of property assets.

- 4.23 In our view, the Round 1 assessment process implemented by GO West Midlands, involving clarification meetings with all larger authorities and telephone and e-mail contact with the districts, was highly effective. Their approach to the interpretation of the assessment criteria, the evidence that could be taken into account and contacts with authorities was both pragmatic and reasonable. Moreover, the evidence presented later does not suggest that authorities in the region view the process as having been anything other than reasonable. We do not see any reason, including the availability of resources, why all GOs should not implement such a process.
- 4.24 Another issue highlighted in the baseline report was proportionality. None of the GOs considered that the Round 1 assessment process had been proportional because the criteria used were the same irrespective of the scale of the capital programme or property holdings of authorities, resulting in the relatively poor performance of non-metropolitan district councils.
- 4.25 In relation to the inputs to the assessment process from the Social Services Inspectorate (SSI) and the Department for Education and Skills (DfES), the general view of the GOs was that the contribution from both was more useful than during the “dry run”, although still “far from perfect”. The improvement in performance was most marked in relation to SSI, with one GO commenting that their input was “helpful and fit for purpose” and another that they had provided a named regional contact who was “committed and helpful”. Some GOs expressed a continuing frustration that neither organisation could provide a regional overview.

## **Quality Control**

- 4.26 **Table 4.5** summarises the approach adopted by the GOs to internal quality control and moderation during the Round 1 assessment process.

| <b>Table 4.5:<br/>Quality Control During the Round 1 Assessment Process</b> |   |
|---|---|
| <b>Government Office</b>  | <b>Quality Control Approach</b>   |
| East  | Interpretation of the assessment criteria agreed jointly by assessors at the outset. All “poor” documents moderated. Informal contact between assessors in the office an important part of quality control  |
| East Midlands   | Training session for all assessors to agree interpretation of the assessment criteria held at the outset. Surgeries held in the middle and at the end of the process to discuss queries and borderline cases. Final calibration meeting held, with focus on “poor” documents                            |
| London  | Leaders of the four area teams played a moderating role both within and between teams   |
| North East  | Two capital strategies and asset management plans assessed initially by both assessors followed by a calibration meeting. All strategies and plans read by both assessors followed by a final calibration meeting   |
| North West  | Initial meeting on the interpretation of the assessment criteria. Queries during the process addressed to the Single Capital Pot team leaders. One-day moderation meeting held at the end. Informal contact between assessors an important part of quality control                                      |
| South East  | Initial calibration meeting held. The four area teams exchanged documents in groups of two  |
| South West  | Meetings of the whole assessment team held at the start and end of the process. The central management team held initial meetings with each of the area teams to discuss interpretation of the assessment criteria, and read a sample of documents. Assessors encouraged to read each other’s documents |
| West Midlands   | The team leader read all the “good” and “poor” documents and a sample of those rated “satisfactory”, as well as those for which she was responsible. Assessors encouraged to read each other’s documents. Informal contact between assessors an important part of quality control                       |
| Yorkshire and Humber  | All documents had a second reading by another assessor  |
| Source:<br>Government Office Consultations.                                 |   |

4.27 Table 4.5 shows that the approach to quality control and moderation adopted by the GOs during the Round 1 assessment process was varied, but typically involved an initial meeting to discuss the interpretation of the criteria, a final calibration meeting, and second reading of documents. In a number of cases, informal day-to-day contact between assessors is perceived to have been an important element of quality control and the achievement of consistency. In general, whilst the approach to quality control during Round 1 was somewhat unstructured, certainly compared to other assessment processes such as the Housing Investment Programme, there is no evidence that a lack of consistency between assessors within regions was a significant problem.

4.28 The same is not apparently the case in relation to the consistency of the assessment processes between regions. Table 4.2 suggested that GO North East and, to some extent, GO Yorkshire and Humber and GO East may have been “tougher” in their Round 1 assessments on capital strategies and/or asset management plans than the other six GOs. Whilst any such inconsistency has only relatively small financial implications for authorities, it will not enhance the credibility of the whole assessment process.

4.29 As during the “dry run”, there was little contact between the GOs during the Round 1 assessment process except through the G7 Group (the national group comprising one Grade 7 officer from each of the GOs). In general, these meetings were regarded by GOs as being useful, although they apparently tended to focus on the “bigger picture” rather than the details of the assessment process. We understand that ODPM is strengthening the arrangements for inter-regional moderation for Round 2 in order to ensure that any variation in assessment outcomes across the country reflects the performance of authorities and not the approach adopted by the GOs.

## **Feedback**

4.30 The approach adopted by the GOs to providing feedback to authorities on the Round 1 assessment process has been variable. Most GOs provided authorities with detailed written feedback and offered the opportunity of a face-to-face meeting if required. GO West Midlands held two regional events (one for larger authorities and one for districts) in order to highlight good practice, but will attend face-to-face meetings if requested. Two GOs provided feedback through regular contacts with authorities via their area teams.

4.31 The provision of feedback has sometimes been variable even within regions. For example:

- in one region, authorities in some areas received a feedback letter in January 2002 including an offer of a face-to-face meeting, whilst those in other areas received a copy of the Round 1 assessment sheets but did not get the opportunity to discuss the issues raised until a meeting in June 2002 held in connection with the preparation of the Round 2 submissions;

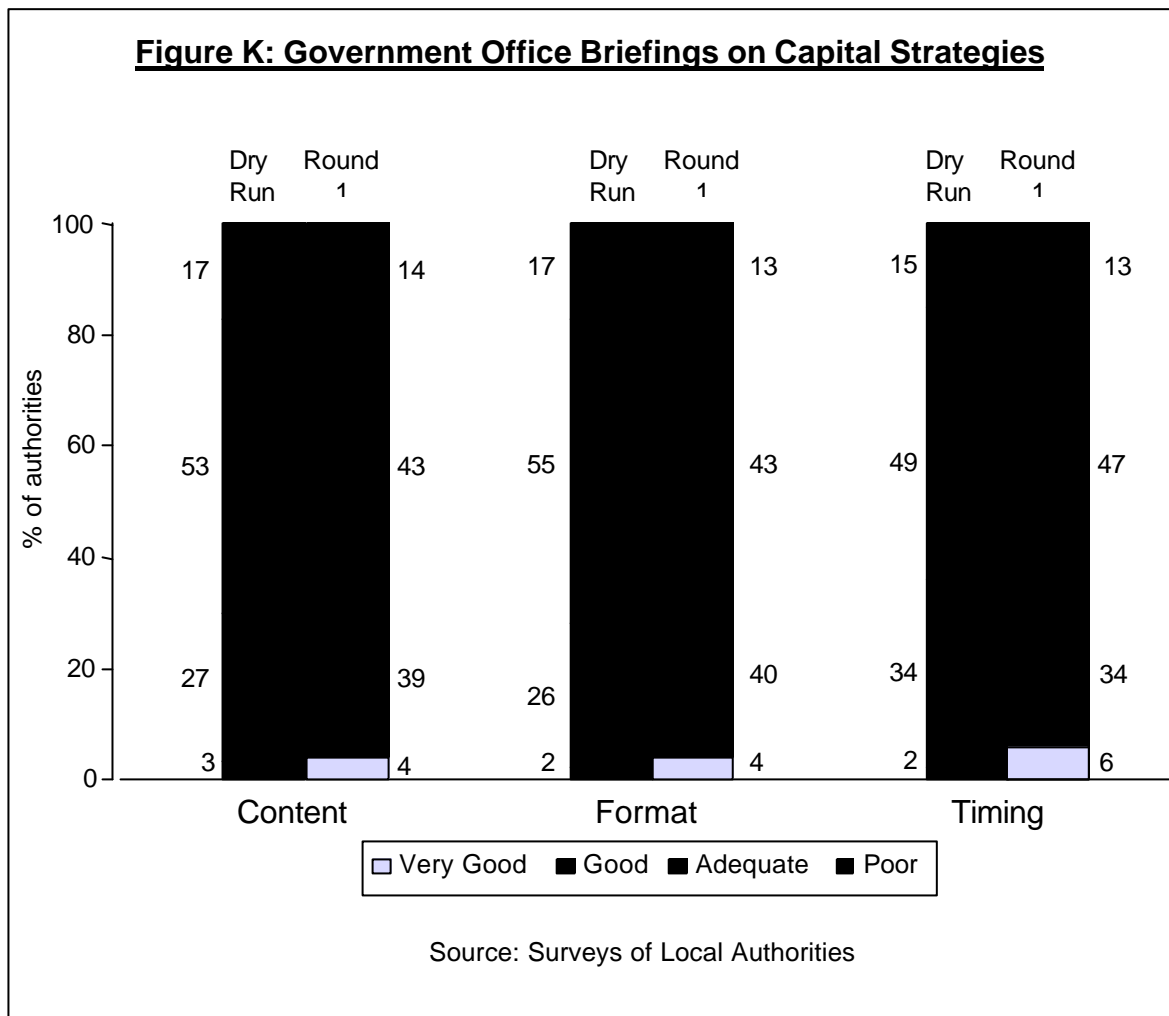
- in another region, all authorities were offered formal feedback meetings, but the format of these events varied between the area teams, such as in terms of whether they covered the Housing Investment Programme and Single Capital Pot assessments together or separately.

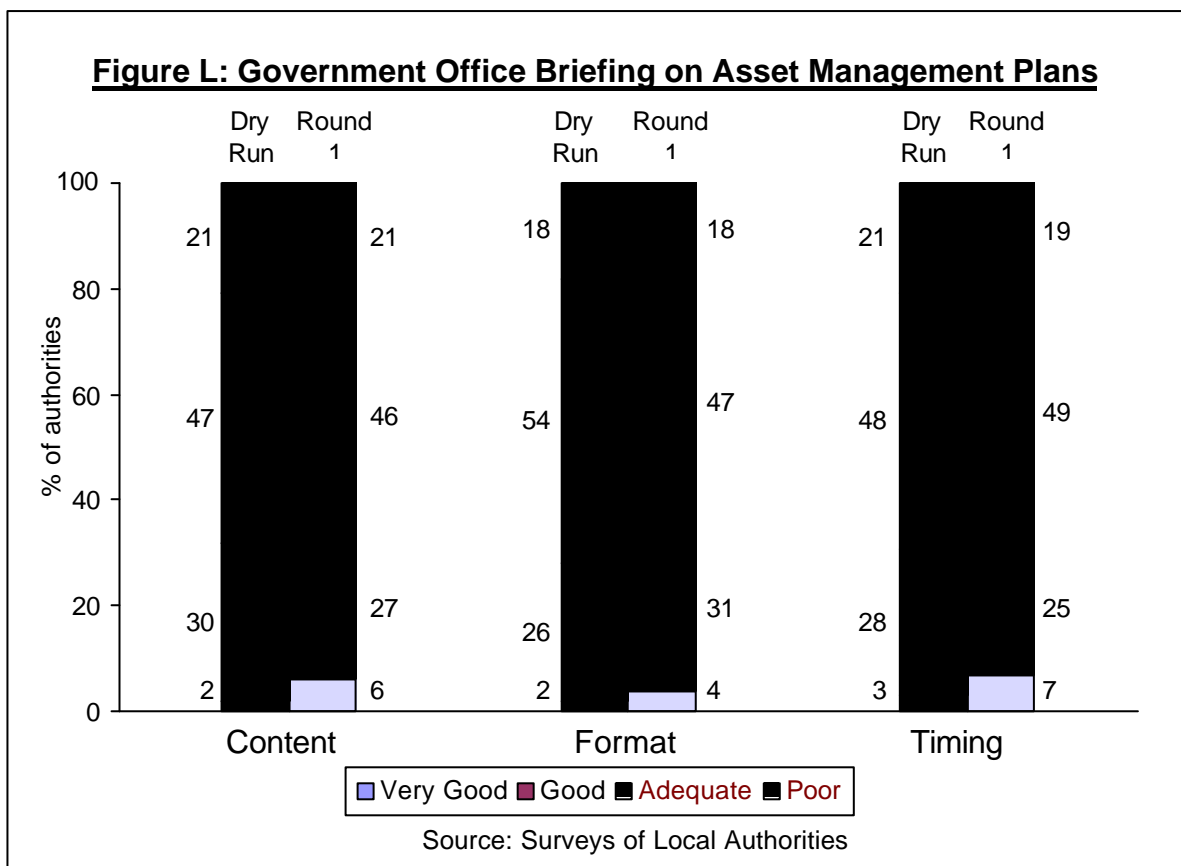
## Performance of the Government Offices

### Briefings and Other Events

- 4.32 Around 60% of respondents to the survey of local authorities recalled that their GOs had run briefing or other events on the development of both corporate capital strategies and asset management plans in the context of Round 1 of the Single Capital Pot. Officers from around 90% of these authorities attended the briefings.
- 4.33 **Figure K** (capital strategies) and **Figure L** (asset management plans) show the views of local authorities regarding the content, format and timing of GO briefings provided during the “dry run” and Round 1.
- 4.34 Figure K shows that authorities regarded the content, format and timing of GO briefings on capital strategies as all having improved in Round 1 compared to the “dry run”. Thus, the proportion rating the usefulness of the briefings as “very good” or “good “ rose from 30% to 43% in relation to their content, from 28% to 44% in relation to their format, and from 36% to 40% in relation to their timing. However, the fact that the modal response group in the Round 1 survey in each case was still only “adequate” indicates that there is no room for complacency amongst GOs.
- 4.35 Figure L shows that authorities considered there had been a less marked improvement in GO briefings on asset management plans in Round 1 compared to the “dry run” than on capital strategies. Thus, the proportion rating the usefulness of the briefings as “very good” or “good “ only rose from 32% to 33% in relation to their content and from 29% to 35% in relation to their format, and remained constant at 32% in relation to their timing.

4.36 Comparing the perceived quality of the briefings on capital strategies and asset management plans, the ratings given by local authorities for the latter are significantly lower than for the former. This is consistent with our discussions with the GOs, which have indicated that they have experienced difficulties in providing briefings on some of the more technical property issues related to asset management planning.

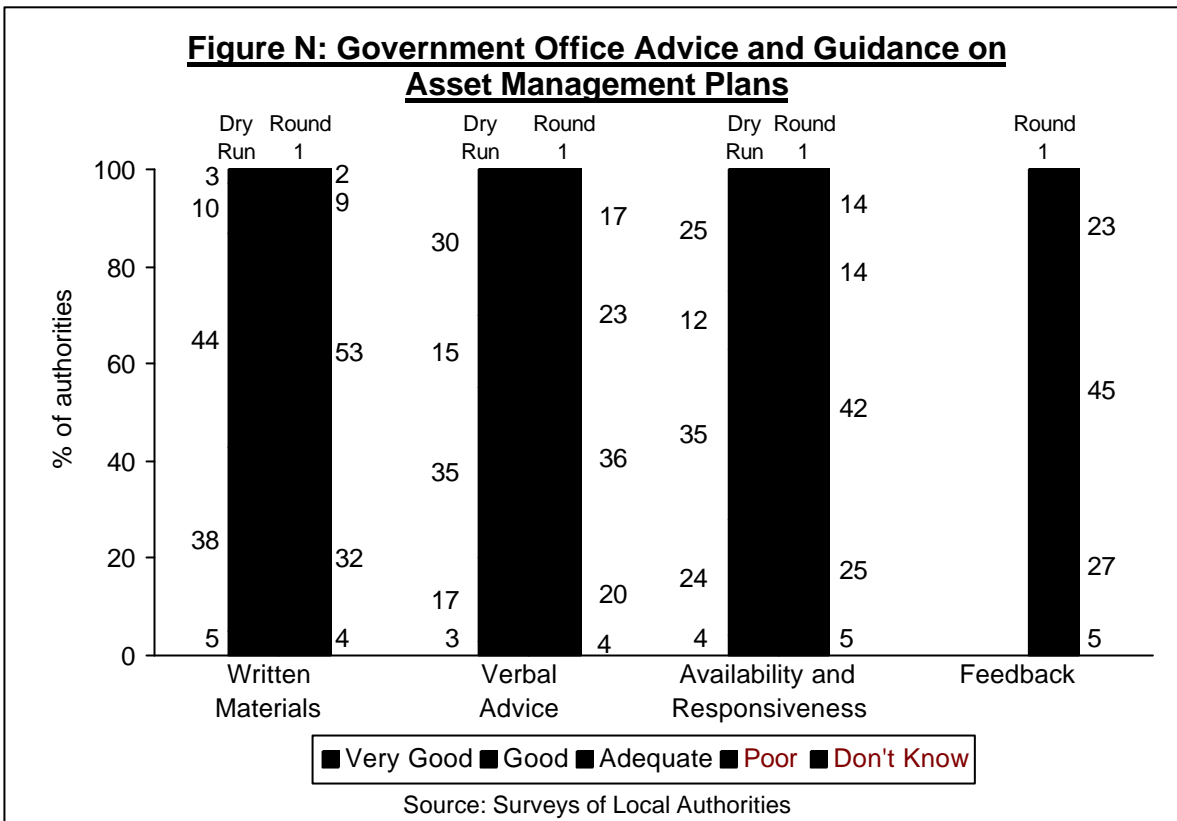
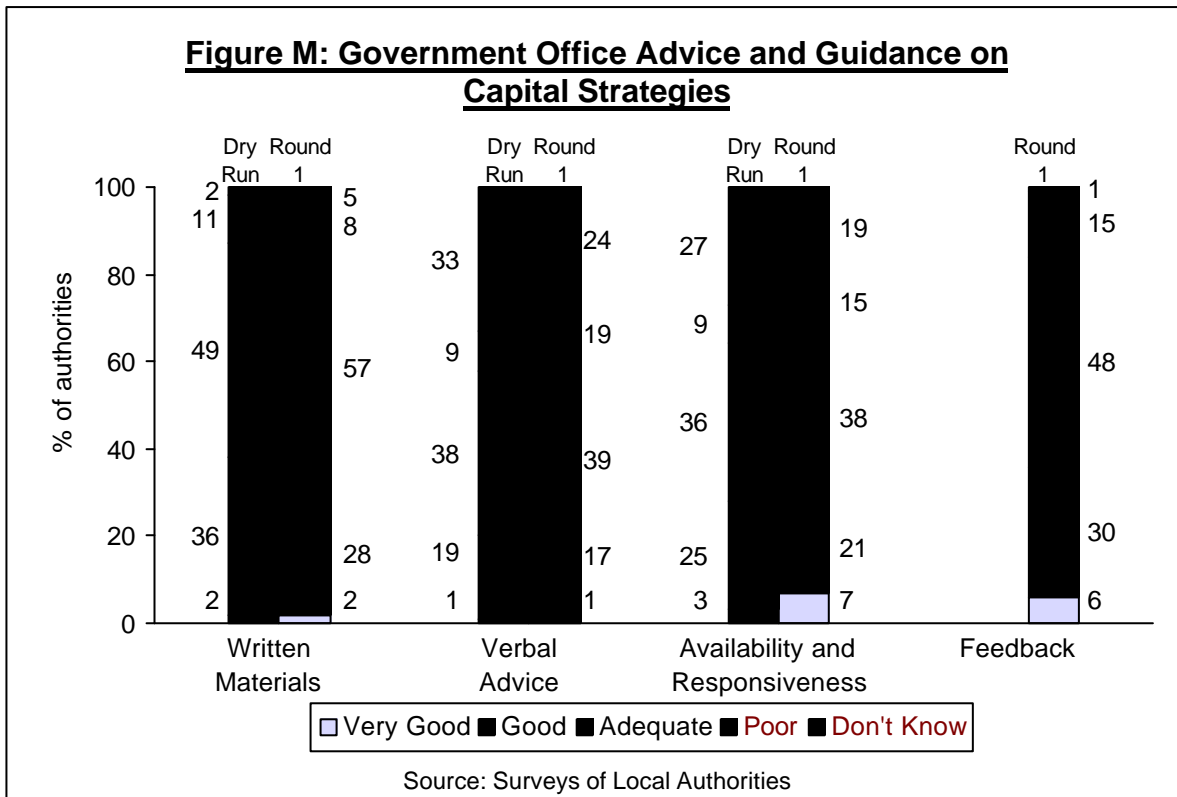




### Advice and Guidance

4.37 **Figure M** (capital strategies) and **Figure N** (asset management plans) show the views of local authorities regarding quality of the advice and guidance provided by GOs during the “dry run” and Round 1.

4.38 Figure M shows that authorities considered the quality of GO advice and guidance on capital strategies, if anything, declined during Round 1 compared to the “dry run”. Thus, the proportion rating the quality of the advice and guidance as “very good” or “good “ fell from 37% to 30% in relation to written materials and from 20% to 18% in relation to verbal advice, and rose marginally from 27% to 29% in relation to availability and responsiveness.



- 4.39 In contrast to the briefings, Figure N shows authorities considered that there had been a more marked improvement in relation to GO advice and guidance on asset management plans in Round 1 compared to the “dry run” than on capital strategies. Thus, whilst the proportion rating the quality of the advice and guidance as “very good” or “good “ fell from 43% to 36% in relation to written materials, it rose from 20% to 24% in relation to verbal advice and from 28% to 30% in relation to availability and responsiveness.
- 4.40 Also in contrast to the briefings, there is no evidence to suggest that the quality of advice and guidance provided by GOs on asset management plans is perceived by local authorities to have been lower than that on capital strategies. However, this is not entirely consistent with our discussions with the GOs, which have indicated that they have experienced the same difficulties in providing advice and guidance on some of the more technical property issues related to asset management planning as in relation to briefings.

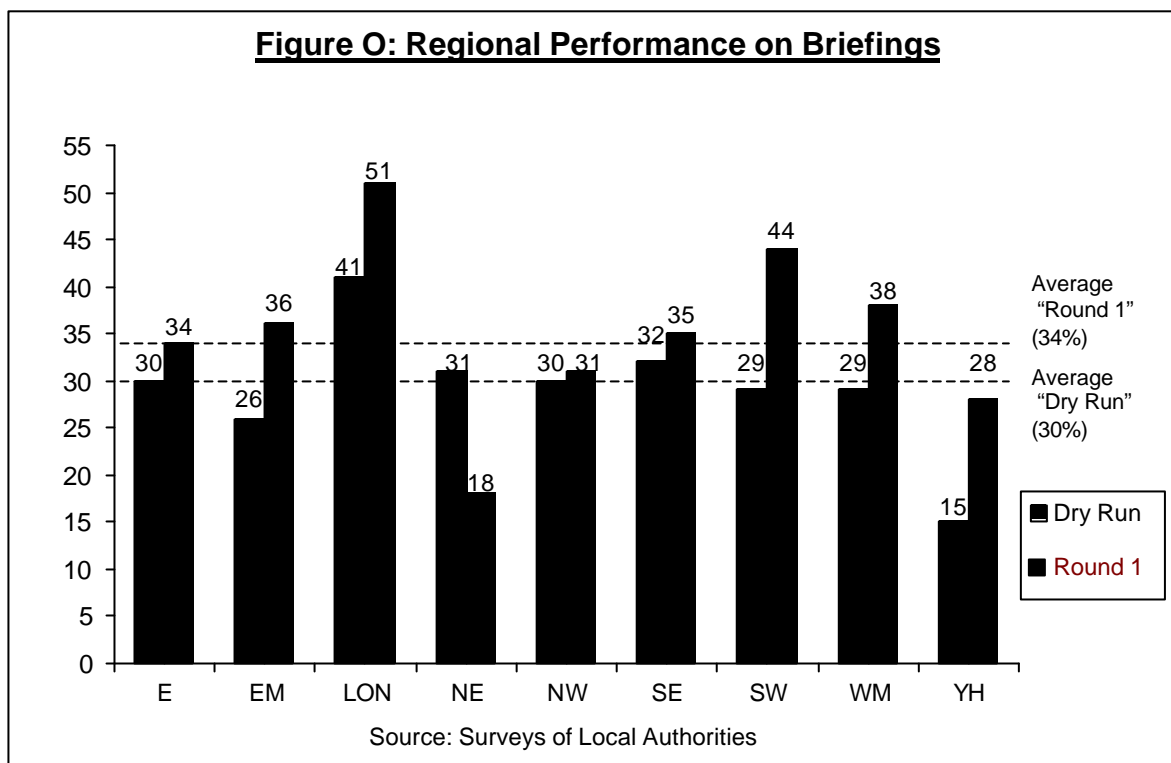
### **Feedback**

- 4.41 GOs were not required to provide any formal feedback on the “dry run” capital strategies and asset management plans, and hence it is not possible to make a comparison with Round 1.
- 4.42 Figure M shows that 36% of authorities regarded the feedback on their Round 1 capital strategy received from the GO as being either “very good” or “good”, 48% as “adequate” and 15% as “poor”. Figure N shows that the comparable figures in relation to asset management plans were 32%, 45% and 23%. This suggests that GOs may have found it more difficult to provide useful feedback on the more detailed asset management plan document.

## Regional Performance

### Introduction

- 4.43 We have assessed the perceptions of local authorities of the quality of briefings, advice and guidance and feedback provided by their GOs and their overall performance during both the “dry run” (except feedback) and Round 1. This has been done by converting the responses to the relevant survey questions on both capital strategies and asset management plans into a numerical format with points of 5 for “very good”, 3 for “good”, 1 for “adequate” and 0 for “poor” and expressing the result as a percentage of the maximum score achievable. The overall performance is the sum of the other two (“dry run”) or three (Round 1) measures.
- 4.44 We show the perceptions of local authorities of the quality of briefings (**Figure O**), advice and guidance (**Figure P**) and feedback (**Figure Q**) provided by their GOs and their overall performance (**Figure R**) during the “dry run” and Round 1.



### Briefings

4.45 In relation to briefings, Figure O shows that the average performance of the GOs rose from 30% in the “dry run” to 34% in Round 1. In both cases this represents a rating of “adequate plus”. The perceptions of authorities about individual GOs were as follows:

- GO London (GOL) was rated relatively highly by boroughs in the “dry run” and significantly higher in Round 1;
- GO South West (GOSW) was also rated significantly above average by authorities in Round 1 and the perception of its performance improved markedly from below average in the “dry run”;
- both GO East Midlands (GOEM) and GO West Midlands (GOWM) were seen as having improved significantly from below average in the “dry run” to above average in Round 1;
- GO Yorkshire and Humber (GOYH) was rated below average in Round 1, but this represented a significant improvement compared to the “dry run”;
- the performance of GO North East (GONE) was perceived to have fallen significantly in Round 1 as other GOs improved, having been around the average in the “dry run”;
- the other three GO were all close to the average in both the “dry run” and Round 1.

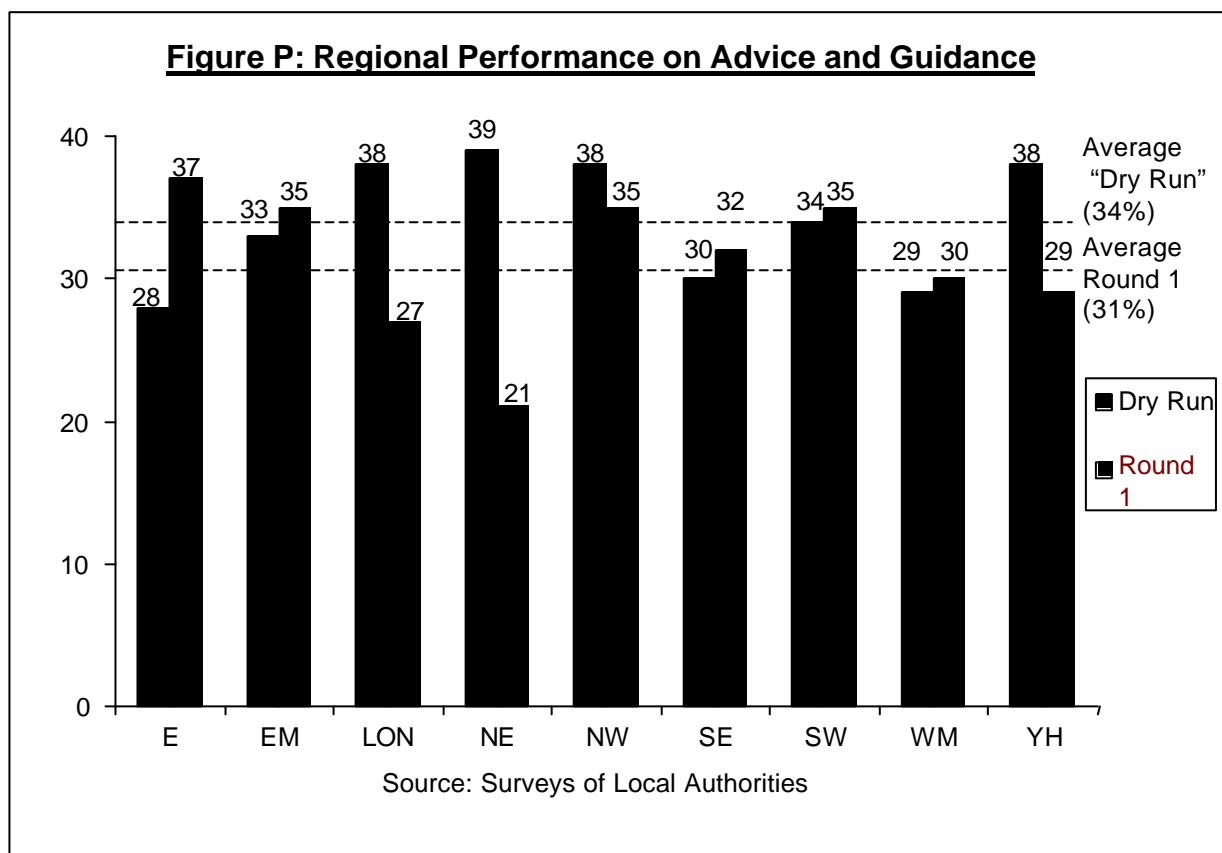
### Advice and Guidance

4.46 In relation to advice and guidance, Figure P shows that the average performance of the GOs fell from 34% in the “dry run” to 31% in Round 1. In both cases this represents a rating of “adequate plus”. The perceptions of authorities about individual GOs were as follows:

- the performance of GO East (GOE) was seen as having improved from significantly below average in the “dry run” to significantly above average in Round 1;

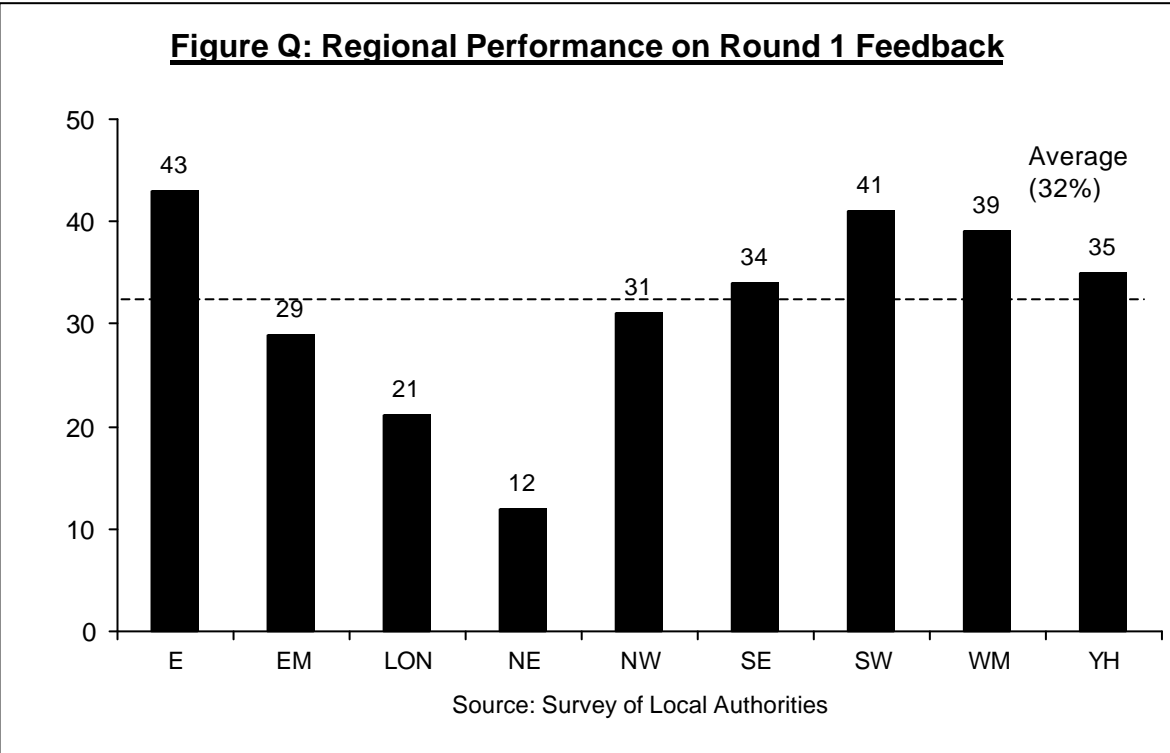
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- conversely, the performance of GOL, GONE and GOYH was seen as having fallen from significantly above average in the “dry run” to significantly below average in Round 1;
- the performance of the other five GOs was seen as being similar in the “dry run” and Round 1, with GOEM, GO North West (GONW) and GOSW rated higher than GO South East (GOSE) and GOWM.



Feedback

4.47 In relation to feedback, Figure Q shows that the average performance of the GOs in Round 1 was 32%, which represents a rating of “adequate plus”. GOE, GOSW and GOWM were all given a relatively high rating by their local authorities. As with advice and guidance, the performance of both GOL and GONE (and especially the latter) is perceived to have been relatively poor. The other four GOs were all close to the average of 32%.

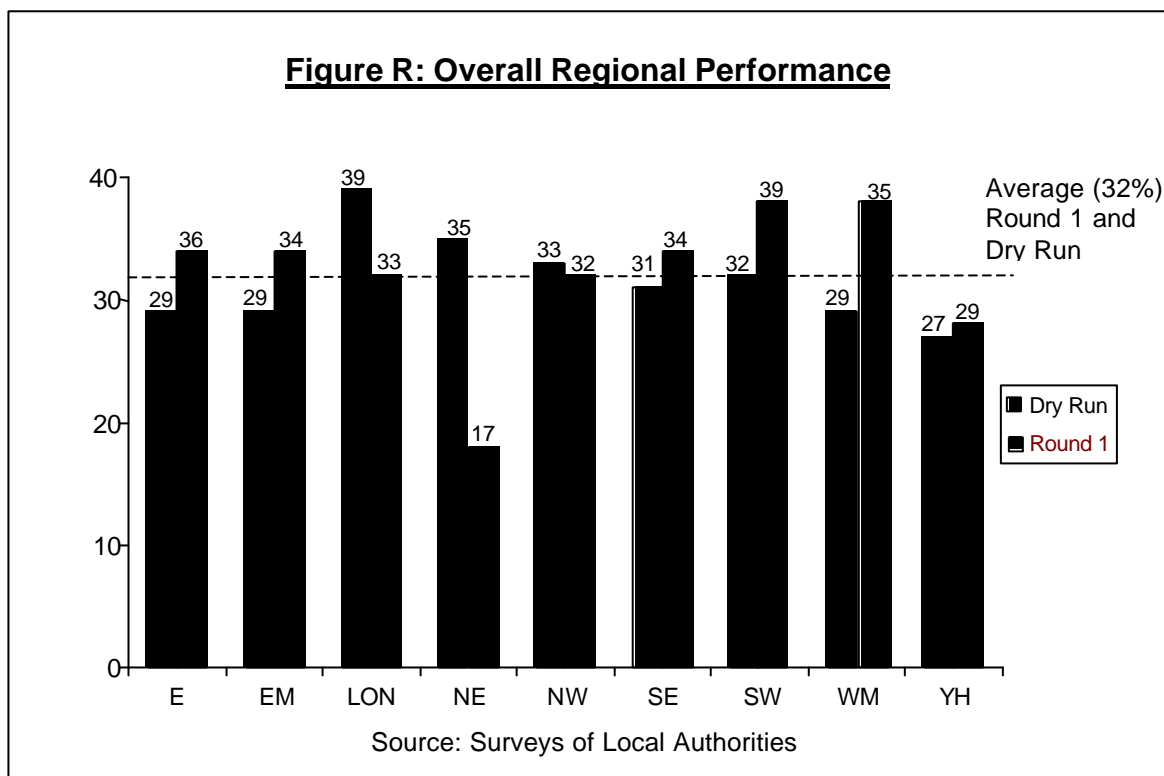


Overall Performance

4.48 In terms of their overall performance, Figure R shows that the average performance of the GOs was 32% in both the “dry run” and Round 1, which again represents a rating of “adequate plus”.

4.49 In Round 1, the strongest performer was perceived by local authorities to have been GOSW followed by GOE and GOWM, whilst GONE received a low rating. The performance of GOYH was also perceived to be below average. The other four Government Offices were all close to the average of 32%.

4.50 Compared to the “dry run”, GOE, GOEM, GOSW and GOWM were perceived to have improved their overall performance significantly, whilst the performance of GONE and GOL was perceived to have fallen significantly.



### Conclusions

- 4.51 In interpreting these results, it should be emphasised that the survey of local authorities was undertaken after the outcomes of the Round 1 assessment process were known. As a result, the perceptions of local authorities may have been influenced by these outcomes, and also more generally by the nature of the relationship between GOs and councils in their regions. As such, there may be an element of a “popularity poll” about the perceptions of quality, rather than a fully objective assessment of Round 1 performance.
- 4.52 In this context, it was noted earlier that the Round 1 assessment outcomes for capital strategies were significantly lower in the North East and Yorkshire and Humber, and outcomes for asset management plans were significantly lower in the North East and somewhat lower in the East and Yorkshire and Humber. Authorities perceived the performance of GONE and, to a lesser extent, GOYH to be significantly below average, with a sharp fall compared to the “dry run”.
- 4.53 **Table 4.6** sheds some light on this issue by analysing the perceptions held by local authorities of the briefing events, advice and guidance and feedback provided by their GOs, and of their overall performance, during Round 1, according to whether the authorities received a “good”, “satisfactory” or “poor” rating in the assessment process.
- 4.54 It should be noted that the percentages shown have been calculated in the same way as those in Figure O, Figure P, Figure Q and Figure R. In other words, the responses to the relevant survey questions on both capital strategies and asset management plans have been converted into a numerical format with points of 5 for “very good”, 3 for “good”, 1 for “adequate” and 0 for “poor” and expressing the result as a percentage of the maximum score achievable. The overall performance is the sum of the other three measures.

| <b>Table 4.6:<br/>Local Authority Perceptions of the Performance of<br/>Government Offices by Assessment Outcome</b> |                                   |                     |             |                            |
|--|-----------------------------------|---------------------|-------------|----------------------------|
|  | <b>Round 1 Assessment Outcome</b> |                     |             | <b>All<br/>Authorities</b> |
|  | <b>Good</b>                       | <b>Satisfactory</b> | <b>Poor</b> |                            |
| <b>Capital Strategies</b>  |                                   |                     |             |                            |
| Briefing Events  | 40%                               | 32%                 | 29%         | 36%                        |
| Advice and Guidance  | 32%                               | 31%                 | 24%         | 31%                        |
| Feedback   | 38%                               | 33%                 | 25%         | 34%                        |
| Overall Performance  | 37%                               | 32%                 | 26%         | 34%                        |
| <b>Asset Management Plans</b>  |                                   |                     |             |                            |
| Briefing Events  | 42%                               | 33%                 | 26%         | 32%                        |
| Advice and Guidance  | 32%                               | 32%                 | 33%         | 32%                        |
| Feedback   | 40%                               | 32%                 | 26%         | 31%                        |
| Overall Performance  | 38%                               | 32%                 | 29%         | 32%                        |
| Source:<br>Survey of Local Authorities.  |                                   |                     |             |                            |

4.55 Table 4.6 shows that, with the exception of advice and guidance on asset management plans, there is a positive correlation between the Round 1 assessment outcome and local authority perceptions of the performance of their GO. However, this may not mean simply that GOs are more popular with authorities that they rated as “good” compared to those which received a “poor” assessment. It may also mean that the Round 1 outcomes are also a proxy for the degree of commitment of councils to the whole corporate capital strategy and asset management planning initiative and hence the correlation may reflect the fact that “good” authorities have a more positive view of the whole process than “poor” authorities.

4.56 Therefore, these results suggest that the greater focus on inter-regional quality control that is planned for Round 2 should have a significant impact in the variances in the perceived performance of the GOs, although individual GOs should also look for ways in which to improve their management and operation of the assessment process, such as through greater knowledge of their local authorities and a more robust approach to internal quality control.

## Conclusions

- 4.57 There were significant differences in the outcomes of the Round 1 assessment process by type of authority, with a relatively strong performance by the larger authorities (counties, metropolitan districts, London boroughs and unitaries) and a relatively weak performance by non-metropolitan districts.
- 4.58 Even allowing for these differences between types of authority, there were also significant variances between the outcomes of the Round 1 assessment process by region. Outcomes were significantly lower in the North East and Yorkshire and Humber in relation to capital strategies, and significantly lower in the North East and significantly higher in the East Midlands in relation to asset management plans.
- 4.59 There was limited continuity between the “dry run” and Round 1 assessment teams. As a result, the role of the “dry run” as a learning process for the GOs was limited. We expect to see greater continuity between the Round 1 and Round 2 assessment processes because the internal structures of the GOs should be more stable and the scale and makeup of the teams should be much the same.
- 4.60 In most of the GOs the assessment process was entirely or largely based on the capital strategy and asset management plan documents. Seven of the nine GOs have now moved to an area team structure in order to get closer to the local authorities in their regions. In the context of capital strategies and asset management plans, this development will be irrelevant if the assessment process continues to be paper-based and does not reflect the wider local knowledge as it builds up. Without this wider input, there is at least a danger that GOs will continue to reward those authorities that are good at preparing documents, rather than those that are good at implementing a strategic and corporate view of their capital programme and the use of property assets.
- 4.61 Whilst the approach to quality control during Round 1 was somewhat unstructured, certainly compared to other assessment processes such as the Housing Investment Programme, there is no evidence that a lack of consistency between assessors within regions was a significant problem.

4.62 The same is not apparently the case in relation to the consistency of the assessment processes between regions. GONE and, to some extent, GOYH and GOE may have been “tougher” in their Round 1 assessments on capital strategies and/or asset management plans than the other six GOs. We welcome the fact that ODPM is strengthening the arrangements for inter-regional moderation for Round 2 in order to ensure that any variation in assessment outcomes across the country reflects the performance of authorities and not the approach adopted by the GOs.

4.63 There is generally a positive correlation between Round 1 assessment outcomes and local authority perceptions of the performance of their GO. As a result, the greater focus on inter-regional quality control should have a significant impact in the variances in the perceived performance of the GOs, although individual GOs should also look for ways in which to improve their management of the assessment process.

## 5 EVALUATION FRAMEWORK

### Key Points

- The key drivers of change identified so far in relation to the development and implementation of corporate capital strategies and asset management plans are:
  - **External:** Single Capital Pot, Best Value, education asset management planning, and Local Government Review;
  - **Internal:** shortage of capital funding, new political structures, debt-free status, and size of authority.
- We have identified 20 processes through which authorities are responding to the key drivers of change. These have been grouped under the headings of management, property data, capital programme, and strategies. We have summarised the current position of the 15 case studies in relation to these processes.
- We have identified 16 potential process outcomes, grouped under the same headings as the processes, from the development and implementation of corporate capital strategies and asset management plans by local authorities.
- We have identified eight potential process outputs. The extent to which these outputs have been generated by the corporate capital strategy and asset management planning policy initiative is being evaluated using Data Envelopment Analysis.

### Introduction

- 5.1 In this Section, we provide a framework for the evaluation of the development and implementation of corporate capital strategies and asset management plans by local authorities. It is intended that this will evolve and develop over the remaining 18 months of the assignment.
- 5.2 The framework has been based on our understanding of the corporate capital strategy and asset management planning policy initiative and the results of the first year of fieldwork, including two visits to each of the nine Government Offices and the 15 case study authorities and the “dry run” and Round 1 surveys of local authorities in England.

5.3 The objective of the evaluation framework is to summarise some of the key findings of the research to date and, most importantly, to provide a guide for the fieldwork and analysis during the rest of the research.

5.4 We have organised this Section under the following four headings:

- Key Drivers of Change;
- Local Authority Processes;
- Process Outcomes;
- Process Outputs.

### **Key Drivers of Change**

5.5 We have identified the following eight external and internal key drivers of change in relation to the development and implementation of corporate capital strategies and asset management plans by local authorities:

- **External Drivers:**
  - Single Capital Pot;
  - Best Value;
  - Education Asset Management Planning;
  - Local Government Review;
- **Internal Drivers:**
  - Shortage of Capital Funding;
  - New Political Structures;
  - Debt-Free Status;
  - Size of Authority.

5.6 At the outset, it should be emphasised that these eight drivers do not cover all the factors that are influencing authorities in this context. There will be a range of other influences in most cases, some of which are unknown. These could include, for example, shared learning and development, developments in the private sector, professional and managerial modernisation, the abilities and drive of key members of staff (this is one of the management arrangements good practice criteria identified in the baseline report), and economic changes in the local authority area.

- 5.7 One additional external factor raised in our discussions on the framework is the added impetus now being given to good asset management and, in particular, good capital planning, by the preparation of authorities for the new prudential system of capital finance. This will be a specific factor to examine in the surveys of local authorities and the case study fieldwork during the remainder of the assignment.

## External Drivers

### Single Capital Pot

- 5.8 The requirement for authorities to submit capital strategies and asset management plans as part of the Single Capital Pot process has been the key driver of change. We include within the definition of this process research leading up to the introduction of the Single Capital Pot initiative, such as the Audit Commission report entitled “Hot Property”.
- 5.9 The “dry run” survey of authorities showed that 68% of respondents identified the Single Capital Pot proposals as being “very important” in influencing them to develop their first corporate capital strategy (over twice the proportion for the next most important factor), whilst the comparable figure for their first asset management plan was 61% (also over twice the number for the next most important factor). This is confirmed by the fact that 81% of respondents prepared their first corporate capital strategy in 2000 and the first half of 2001, whilst the comparable figure for asset management plans was 86%.

### Best Value

- 5.10 The significance of Best Value as a key driver of change reflects the importance attached by the Inspectorate to the consideration of property issues in service reviews.

- 5.11 The “dry run” survey of authorities showed that 20% of respondents identified Best Value as being “very important” in influencing them to develop their first corporate capital strategy (the third most important factor after the Single Capital Pot and a shortage of capital funding), whilst the comparable figure for their first asset management plan was 22% (the second most important factor after the Single Capital Pot).
- 5.12 Early evidence from the case studies suggests that, even in the absence of the Single Capital Pot, Best Value would have stimulated authorities to adopt a more corporate and strategic approach to the management of their capital programme and property assets. However, it is likely that this process would have taken longer and, at least in the short term, it would have allowed more authorities to postpone the introduction of a more corporate and strategic approach to capital expenditure and asset management. The process would also have been more disjointed than in the context of the Single Capital Pot and the capital strategy and asset management planning landscape would ultimately have been much more variable.

#### Education Asset Management Planning

- 5.13 The education asset management planning process introduced by the Department for Education and Skills and the corporate process introduced by ODPM are separate initiatives. The education process was introduced earlier and hence has been running ahead of the corporate initiative.
- 5.14 The baseline survey of authorities showed that, of those respondents with responsibility for education, 25% identified the education asset management process as being “very important” in influencing them to develop their first corporate asset management plan (a less important factor than the Single Capital Pot but almost on a par with Best Value and a shortage of capital funding).
- 5.15 It is likely that, even in the absence of the Single Capital Pot, the education asset management process would have stimulated some authorities to adopt generally a more corporate and strategic approach to the management of their property assets.

### Local Government Review

5.16 The “dry run” survey of local authorities showed that the Local Government Review had not, in general, been a driver of the new policy agenda. Thus, only 1% of respondents identified it as being “very important” in influencing them to develop both their first corporate capital strategy and asset management plan.

5.17 However, the case studies of the new unitary councils showed that the Review has been a significant factor in some cases. The channels through which this has worked include:

- financial implications have generated pressures to create a single organisation rather than a confederation of individual service areas, thus supporting the more corporate approach required by the new agenda;
- the necessity to create a new organisation, bringing together staff, resources and “cultures” from previous authorities, represents an opportunity to build a more effective council in tune with the new agenda for local government;
- the volume of property transferred from the previous authorities, and the lack of data that came with it, has established the need for a more strategic approach to asset management planning.

### **Internal Drivers**

#### Shortage of Capital Funding

5.18 The shortage of funds for capital investment faced by most authorities over recent years has acted as a spur in some cases to the adoption of a more strategic view of the capital programme and the use of property assets. This operated by placing a premium on the most effective and efficient use of the available resources, whilst also providing an incentive to identify and dispose of surplus assets. However, the importance of this factor should not be overstated because, unlike many of the other drivers, a shortage of capital funding has existed at other times but has not led to change.

5.19 The “dry run” survey of authorities showed that 26% of respondents identified a shortage of capital funding as being “very important” in influencing them to develop their first corporate capital strategy (the second most important factor after the Single Capital Pot), whilst the comparable figure for their first asset management plan was 21% (the third most important factor after the Single Capital Pot and Best Value).

5.20 In this context, the scale of backlog maintenance was a specific driver. Whilst many authorities were unaware of the precise scale of the problem, they did at least know that it was significant. This underlined the need for more effective prioritisation of capital expenditure and clear decisions on property retention or disposal.

#### New Political Structures

5.21 Most authorities have now introduced a Cabinet system, including an elected member with formal responsibility for the property portfolio. This could enhance the profile of property and asset management issues and ensure that there is a fully transparent reporting structure from officers to members.

5.22 The Cabinet system could also establish a stronger basis for the development of corporate working and decision-making in authorities. At the same time, the wider portfolios of the new council committees, compared to the previous service committees, should assist in breaking down the old “silos”. Given that capital strategies and asset management plans are a corporate initiative, the changes in political structures could support the achievement of the objectives of the new policy agenda, although the case studies do not provide any evidence of this impact thus far.

#### Debt-Free Status

5.23 It is a widely held view amongst Government Offices that most debt-free authorities do not perceive a significant benefit from committing resources to the preparation of corporate capital strategies and asset management plans because they are not seeking credit approvals from central government, whilst the monetary rewards for submitting “good” documents are limited.

- 5.24 This is reflected in the fact that 21% of debt-free authorities received a “poor” rating for their Round 1 capital strategies and 65% received a “poor” rating for their Round 1 asset management plans, compared to 12% and 43% respectively for other authorities.
- 5.25 It should be pointed out that, to the extent that debt-free authorities have significant property holdings and/or capital programmes, they will also benefit from more efficient and effective asset management and hence from the introduction and ongoing implementation of corporate capital strategies and asset management plans.

#### Size of Authority

- 5.26 Many smaller non-metropolitan district authorities, with relatively small property holdings, have not perceived that investing significant resources in a more corporate and strategic approach to the capital programme and property management will generate substantial benefits.
- 5.27 This is reflected in the fact that 19% of non-metropolitan district councils received a “poor” rating for their Round 1 capital strategies and 61% received a “poor” rating for their Round 1 asset management plans, compared to 5% and 26% respectively for other authorities (although it should be emphasised that not all non-metropolitan district councils can be classified as “small” authorities).
- 5.28 The Round 1 assessment criteria did not allow Government Offices to reflect in the ratings given whether the asset management plans of authorities were proportional to their property assets. If, in the future, proportionality is built into the assessment process this will reveal more clearly the extent to which the size of authority is an important driver of change.

## **Local Authority Processes**

5.29 On the basis of the work to date with the 15 case studies, we have identified 20 processes through which authorities are responding to the key drivers of change outlined earlier in order to generate the outputs and outcomes set out later. We have organised these processes under the following four headings:

- Management;
- Property Data;
- Capital Programme;
- Strategies.

### **Management**

- authorities strengthen their corporate working systems and capacity in order to respond more effectively to the Modernisation Agenda as a whole, including the Single Capital Pot;
- authorities develop new management arrangements in order to respond more effectively to the new corporate capital strategy and asset management planning agenda;
- authorities identify a member of the Cabinet with specific portfolio responsibility for property issues and asset management;
- authorities appoint an appropriate member of staff, the CPO, with responsibility for the development of a corporate approach to asset management;
- authorities centralise their organisation of property services in order to provide the basis for a more corporate and strategic approach to asset management;
- authorities develop processes through which to consult with stakeholders, users and occupiers regarding property-related issues;
- authorities embed good practice in relation to asset management in individual service areas throughout the council.

### **Property Data**

- authorities collect information about the size, value, condition and other details of the property assets that they own;
- authorities develop corporate databases to hold the information collected on their property assets;
- authorities invest in information technology systems in order that all information on property in the council is held in a compatible format;
- authorities identify and use performance indicators for their property in order to monitor and improve the management of their assets;
- authorities participate in benchmarking clubs with other relevant organisations in relation to the performance of their property portfolio.

### **Capital Programme**

- authorities develop objectives for their capital programmes and property portfolios that are clearly linked to overall corporate aims and objectives, and the property implications of the latter are explicitly and clearly identified;
- authorities develop rolling three-year (at least) capital programmes, including forecasts of projected capital receipts from the sale of surplus assets;
- authorities develop formal approaches to the appraisal of the options available for meeting the objectives of proposed capital projects;
- authorities develop formal approaches to the prioritisation of proposed capital projects in line with corporate aims and objectives.

### **Strategies**

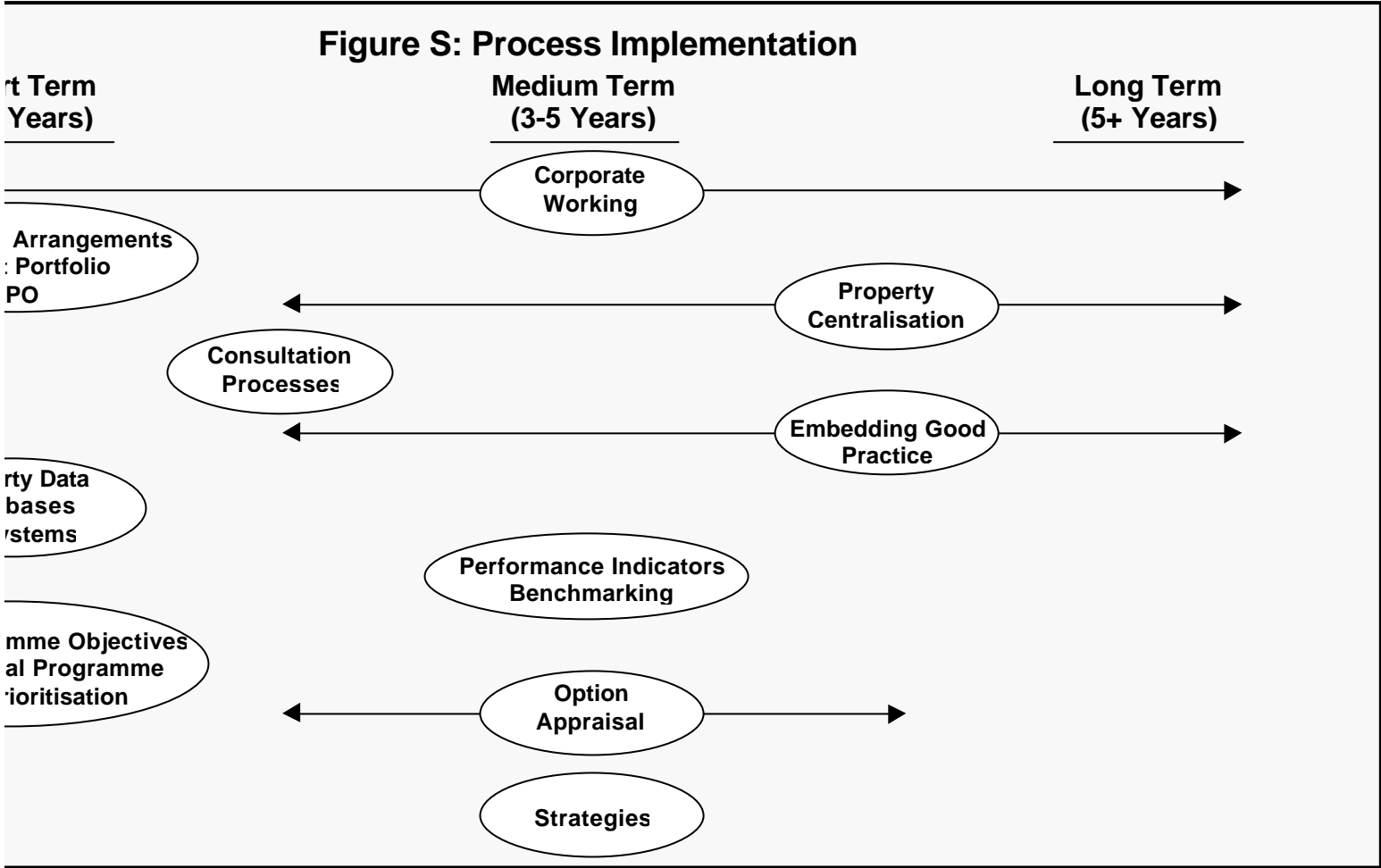
- authorities develop formal written strategies regarding the disposal of surplus land and property;
- authorities develop formal written strategies regarding the utilisation of space by staff, including a policy on flexible working;

- authorities develop formal written strategies regarding the sharing of properties/co-location with partners, stakeholders and other organisations;
- authorities develop formal written procurement strategies in line with the Best Value guidance and “Egan principles”.

5.30 In **Figure S** we outline, on the basis of the case study work, the order in which local authorities are implementing these processes and the key milestones on the road to more effective capital programme and property management. This indicates that:

- the initial focus of authorities is in three broad areas: management arrangements, Cabinet property portfolio and appointment of a CPO; property data, property databases and IT systems; and capital programme objectives, rolling capital programmes and capital prioritisation. The two key reasons for this focus is that they establish the foundations for the future implementation of a more corporate and strategic view of the capital programme and asset management and they are largely “process” changes that authorities can introduce relatively easily given resource and other constraints and their limited track record in this area;
- in the medium term, we expect to see authorities establishing processes to consult with stakeholders, using property performance indicators and benchmarking with other organisations in order to improve the management of property, developing formal approaches to option appraisal and formal strategies on property-related issues, and embedding good property management practice in service areas. These are implementation issues and hence are more difficult for many authorities to address and making significant progress will depend on establishing the process-oriented foundations in the short term;
- two of the processes will, in our view, exert a significant influence over both the speed with which, and the extent to which, authorities implement a more corporate and strategic view of the capital programme and asset management: strengthening corporate working and capacity and the centralisation of property services. The former applies to most, if not all, authorities and will be a long term development. The latter applies to those authorities that currently have a decentralised property management structure.

**Figure S: Process Implementation**



5.31 As we have argued in Section 3, the key constraints on the speed and extent of progress that authorities are making, and hence the implied critical success factors for the development of a more corporate and strategic view of the capital programme and asset management, are:

- the development of corporate working and capacity;
- the centralisation of property management;
- resources;
- strategic thinking and decision-making;
- effective management arrangements.

5.32 We have mapped the performance of the 15 case study authorities against the 20 processes and this is shown in **Table 5.1**. The key points to note are as follows:

- most of the authorities are strengthening their corporate working and capacity and developing their management arrangements in relation to the development and implementation of their corporate capital strategies and asset management plans;
- all but one (No 12) of the authorities has adopted a Cabinet structure and nearly all of these have identified an elected member with portfolio responsibility for property;
- all of the authorities have appointed a CPO. However, in some cases the person appointed is not appropriate in order to fulfil the role. This is not because of their individual characteristics or competencies, but either because they are too senior in the authority (such as the Director of Resources) with many other competing responsibilities, or because of their position in the structure of the authority (for example, an individual officer in a department without any responsibility for property management);
- a number of authorities either already have a central property services team or they are taking steps, however tentative, to create one;
- developing consultation processes and embedding good practice in individual service areas are processes that few authorities, and generally the most advanced, have focused on to date;

**Table 5.1:  
Local Authority Processes – Performance of the Case Studies**

| Processes  | Case Study Authorities (1-15) |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
|--|-------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
|  | 1                             | 2   | 3   | 4   | 5   | 6   | 7   | 8   | 9   | 10  | 11  | 12  | 13  | 14  | 15  |
| Round 1 Assessment Outcome (CS/AMP):             | G/S                           | S/P | G/G | S/P | G/G | G/G | G/S | S/S | P/P | G/S | G/S | G/S | S/P | S/P | P/P |
| <b>Management</b>                                |                               |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| Strengthen corporate working and capacity        | ✓                             | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   |     | ✓   | ✓   | ✓   | ✓   | ✓   |
| Develop management arrangements                  | ✓                             | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   |     |     |
| Identify Cabinet member with property portfolio  | ✓                             | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   |     |     |     | ✓   |
| Appoint appropriate Corporate Property Officer   | ✓                             |     |     | ✓   | ✓   | ✓   | ✓   | ✓   |     | ✓   | ✓   |     | ✓   | ✓   |     |
| Centralise property services                     | ✓                             |     |     | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   |     | ✓   |     | ✓   |     |     |
| Develop consultation processes                   | ✓                             |     |     |     | ✓   |     | ✓   |     |     | ✓   |     | ✓   |     |     |     |
| Embed good practice in service areas             | ✓                             |     |     | ✓   | ✓   |     |     |     |     |     | ✓   |     |     |     |     |
| <b>Property Data</b>                             |                               |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| Collect information about property assets        | ✓                             | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   |     | ✓   |
| Develop corporate database to hold information   | ✓                             |     | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   |     | ✓   | ✓   | ✓   |
| Invest in information technology systems         | ✓                             |     |     | ✓   |     | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   |     | ✓   | ✓   | ✓   |
| Identify and use property performance indicators | ✓                             |     |     | ✓   | ✓   |     |     |     |     |     | ✓   |     |     |     |     |
| Participate in benchmarking clubs                | ✓                             | ✓   | ✓   |     | ✓   | ✓   | ✓   |     | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   |
| <b>Capital Programme</b>                         |                               |     |     |     |     |     |     |     |     |     |     |     |     |     |     |
| Develop capital and property objectives          | ✓                             | ✓   |     |     | ✓   | ✓   | ✓   |     |     | ✓   | ✓   | ✓   | ✓   |     |     |
| Develop three-year capital programme             | ✓                             | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   |
| Develop formal option appraisal approach         | ✓                             | ✓   |     |     |     | ✓   | ✓   |     |     |     | ✓   |     | ✓   | ✓   | ✓   |
| Develop formal capital prioritisation approach   | ✓                             | ✓   | ✓   | ✓   | ✓   | ✓   |     |     |     | ✓   | ✓   | ✓   | ✓   | ✓   | ✓   |

| <b>Table 5.1:<br/>Local Authority Processes – Performance of the Case Studies</b> |                                      |            |            |            |            |            |            |            |            |            |            |            |            |            |            |
|---|--------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| <b>Processes</b>  | <b>Case Study Authorities (1-15)</b> |            |            |            |            |            |            |            |            |            |            |            |            |            |            |
|   | <b>1</b>                             | <b>2</b>   | <b>3</b>   | <b>4</b>   | <b>5</b>   | <b>6</b>   | <b>7</b>   | <b>8</b>   | <b>9</b>   | <b>10</b>  | <b>11</b>  | <b>12</b>  | <b>13</b>  | <b>14</b>  | <b>15</b>  |
| <b>Round 1 Assessment Outcome (CS/AMP):</b>                                       | <b>G/S</b>                           | <b>S/P</b> | <b>G/G</b> | <b>S/P</b> | <b>G/G</b> | <b>G/G</b> | <b>G/S</b> | <b>S/S</b> | <b>P/P</b> | <b>G/S</b> | <b>G/S</b> | <b>G/S</b> | <b>S/P</b> | <b>S/P</b> | <b>P/P</b> |
| <b>Strategies</b>   |                                      |            |            |            |            |            |            |            |            |            |            |            |            |            |            |
| Develop formal disposal strategy  | ✓                                    | ✓          |            |            | ✓          |            | ✓          |            |            |            | ✓          |            | ✓          |            |            |
| Develop formal space utilisation strategy   |                                      |            |            |            | ✓          |            |            |            |            |            | ✓          |            |            |            |            |
| Develop formal property sharing strategy  |                                      |            |            |            |            |            |            |            |            |            | ✓          |            |            | ✓          | ✓          |
| Develop formal procurement strategy   |                                      | ✓          |            |            | ✓          |            | ✓          |            |            |            |            | ✓          |            |            |            |
| Note: G = Good, S = Satisfactory, P = Poor.                                       |                                      |            |            |            |            |            |            |            |            |            |            |            |            |            |            |
| Source:<br>Case Study Visits.   |                                      |            |            |            |            |            |            |            |            |            |            |            |            |            |            |

- the strong focus to date of all authorities, including the case studies, on property data and databases and associated information technology systems is reflected in Table 5.1;
- very few of the authorities are using property performance indicators to inform their property management activity and most have not yet moved beyond collecting the five indicators developed centrally by ODPM. The participation by authorities in benchmarking clubs is also not yet generally having a significant impact on property management performance;
- all of the authorities now possess at least three-year capital programmes and most have capital prioritisation schemes (although many are in the early stages of implementation). The focus for the future needs to be on linking corporate and property aims and objectives and capital scheme option appraisal;
- very few authorities, and generally the most advanced, currently possess formal strategies on key areas such as disposals, space utilisation, property sharing and procurement.

5.33 Therefore, Table 5.1 provides a summary of the focus to date of the case study authorities in response to the new policy agenda. Authorities that currently are the most advanced can be characterised as those which are doing most or all of the following:

- using performance indicators to inform their property management;
- consulting on the use of their capital funds and property assets;
- embedding good practice in individual service areas;
- using a formal approach to option appraisal for major capital schemes;
- implementing formal strategies in key areas such as property disposals.

5.34 As shown in Figure 5.1, these are the processes that we expect most authorities to be in a position to address in the medium term (3-5 years).

## **Process Outcomes**

5.35 We have identified 16 potential outcomes from the development and implementation of corporate capital strategies and asset management plans by local authorities. Process outcomes are defined as organisational, cultural and behavioural changes in local authorities that are generated by the introduction and development of corporate capital and asset management.

5.36 These outcomes, like the local authority processes, have been organised under the following four headings:

- Management;
- Property Data;
- Capital Programme;
- Strategies.

### **Management**

- authorities have a 3-5 year strategy that identifies the actions required to meet their future property requirements;
- authorities are using the results of consultations with stakeholders, users and occupiers regarding property-related issues in order to develop their capital programmes and asset management planning;
- authorities have successfully promoted a clear understanding in individual service areas of corporate aims and objectives as the key drivers of the capital programme and of the corporate ownership of assets. Evidence is available that this is reflected in the approach to service planning and in the service plans themselves;
- authorities operate an internal system of asset rents in order to encourage service areas to make the most effective and efficient use of the available property resources.

### **Property Data**

- authorities possess up-to-date and validated information on their property assets, which is held in computerised format using, where appropriate, the latest GIS and other technology;

- authorities have developed a set of property performance indicators and are using them to inform and enhance the management of their property portfolios;
- authorities are using their involvement in benchmarking clubs with other relevant organisations to improve the performance of their property portfolio and the management of their property.

### **Capital Programme**

- authorities demonstrate that they have achieved the objectives established for their capital programmes and property portfolios and that this has contributed to the achievement of overall corporate aims and objectives;
- authorities manage their available capital resources more effectively through rolling three-year (at least) capital programmes, including forecasts of projected capital receipts from the sale of surplus assets;
- authorities have improved the efficiency of the use of capital resources through the implementation of a formal approach to option appraisal;
- authorities have developed the capital programme in line with corporate aims and objectives through the implementation of a formal approach to the prioritisation of proposed capital projects;
- authorities are making the most effective and efficient use of the available capital resources in order to achieve improvements in service delivery and cross-cutting objectives such as regeneration and sustainable development.

### **Strategies**

- authorities have improved the identification and release of surplus property in line with corporate aims and objectives through the implementation of a formal written disposals strategy;
- authorities have optimised the utilisation of available space and increased the proportion of staff involved in home working and “hot desking” through the implementation of a formal written space utilisation strategy;

- authorities have increased the extent of property sharing/co-location with other organisations through the implementation of a formal written property sharing/co-location strategy;
- authorities have improved the efficiency of the use of capital resources through the implementation of a formal written procurement strategy in line with the Best Value guidance and “Egan principles”.

## **Process Outputs**

5.37 Process outputs are defined as the impact of the development and implementation of corporate capital strategies and asset management plans by local authorities in terms of:

- improved service delivery;
- value for money (space and monetary savings);
- cross-cutting outcomes.

5.38 We have identified the following eight potential process outputs:

- an improvement in the condition of property assets held by authorities (as measured by an increasing proportion of properties in Condition Categories A and B);
- a reduction in the number, area and value of surplus properties as a proportion of the total property portfolio of authorities;
- a reduction in the value of the maintenance backlog of authorities, and an increasing proportion of the total accounted for by lower priority work (Priority Levels 3 and 4);
- an increase in planned repair and maintenance as a proportion of the total expenditure on the repair and maintenance of properties by authorities;
- a reduction in the revenue running costs per square metre of the operational land and buildings of authorities;
- a reduction in management costs per square metre of the operational and non-operational land and buildings of authorities;

- a convergence on industry standards of the square metres of office space per person occupied by authorities;
- an increase in the ratio of the annual rental income to the asset register value of the non-operational properties held by authorities.

5.39 The extent to which these outputs have been generated by the corporate capital strategy and asset management planning initiative is being evaluated using Data Envelopment Analysis. We will outline the results of this analysis in future reports.

## 6 CONCLUSIONS

### Introduction

- 6.1 Most of the case study authorities are responding positively to the policy requirements and introducing changes that should allow them to move up the asset management planning learning curve.
- 6.2 Progress to date has been slow, focusing largely on process issues such as developing management arrangements, collecting and capturing data on property holdings, and taking a more medium term and strategic approach to the capital programme. This should provide the basis for the more efficient and effective use of property assets and capital resources and hence potentially lead to improved service delivery.
- 6.3 Some authorities, which have moved more rapidly up the learning curve than others, have begun to make the transition from process to implementation issues.
- 6.4 The key barriers to further progress are the relatively weak development of corporate working and capacity, a shortage of resources and, in at least some authorities, a decentralised system of property management.
- 6.5 We expect progress to continue to be slow and, to the extent that the key barriers are not overcome, it may stall altogether in some cases. At present, the evidence available to us does not suggest that the process of stimulating a more corporate and strategic view of capital expenditure and the use of property assets has yet become self-sustaining in many authorities.
- 6.6 As a result, external pressure on local authorities will need to continue in this area, through the annual assessment process (for those authorities not receiving a “good” rating in Round 2) and/or the comprehensive performance assessment framework and the guidelines for the new prudential capital finance regime.

- 6.7 We have organised the conclusions of this first interim report in terms of the 20 processes identified thus far through which local authorities are responding to the corporate capital strategy and asset management planning agenda, as outlined in Section 5, under the following four headings:
- Management;
  - Property Data;
  - Capital Programme;
  - Strategies.

## **Management**

### **Authorities strengthen their corporate working systems and capacity in order to respond more effectively to the Modernisation Agenda as a whole, including the Single Capital Pot**

- 6.8 The limited development of corporate working and a corporate culture has been highlighted, along with resources, as the key barrier to a faster pace of change in terms of a more corporate and strategic view of the capital programme and asset management planning. The development of clear reporting lines to a strong corporate centre was also identified as one of the good practice management arrangements criteria on which authorities needed to focus more of their attention.
- 6.9 This illustrates the extent to which making progress in relation to corporate capital strategies and asset management plans is dependent on much wider issues regarding the organisation, management and operation of authorities.

### **Authorities develop new management arrangements in order to respond more effectively to the new corporate capital strategy and asset management planning agenda**

- 6.10 Local authorities have continued to focus on the development of the management arrangements through which they are responding to the capital strategy and asset management planning agenda. This is indicative of the extent to which the emphasis is still on document preparation and assessment, rather than implementation.

6.11 The key good practice areas still requiring attention are:

- a clear and explicit link between corporate and property/capital programme objectives and priorities;
- a clear distinction between strategic thinking/decision-making and operational issues;
- clear reporting lines to a strong corporate centre;
- a central organisation of property and asset management.

**Authorities identify a member of the Cabinet with specific portfolio responsibility for property issues and asset management**

6.12 Most authorities have now introduced a Cabinet system, including an elected member with formal responsibility for the property portfolio. This could enhance the profile of property and asset management issues and ensure that there is a fully transparent reporting structure from officers to members.

6.13 The Cabinet system could also establish a stronger basis for the development of corporate working and decision-making in authorities, supporting the achievement of the objectives of the new capital strategy and asset management planning agenda. However, the case studies do not provide any evidence of this impact thus far.

6.14 On a wider point, the introduction of the overview and scrutiny functions of authorities with any form of new council constitution may mean that property issues and property management will receive more detailed attention than was previously the case.

**Authorities appoint an appropriate member of staff, the CPO, with responsibility for the development of a corporate approach to asset management**

- 6.15 Most, if not all, authorities have appointed a CPO and this officer will need to be one of the driving forces behind the more corporate and strategic view of the capital programme and asset management planning. However, the case studies show that in some cases the person appointed is not appropriate in order to fulfil the role. This is not because of their individual characteristics or competencies, but either because they are too senior in the authority (such as the Director of Resources) with many other competing responsibilities, or because of their position in the structure of the authority (for example, an individual officer in a department without any responsibility for property management).

**Authorities centralise their organisation of property services in order to provide the basis for a more corporate and strategic approach to asset management**

- 6.16 The Round 1 fieldwork has strengthened our view that those local authorities that have a central property services team are in a stronger position to respond to the requirements of the corporate asset management planning agenda.
- 6.17 We recognise that it will not be easy for authorities to move away from decentralised structures and, as some of the case studies indicate, progress in this direction is likely to be slow and tentative even when the benefits of more centralised arrangements have been recognised by the key players.

**Authorities develop processes through which to consult with stakeholders, users and occupiers regarding property-related issues**

**Authorities embed good practice in relation to asset management in individual service areas throughout the council**

- 6.18 Developing consultation processes and embedding good practice in individual service areas are processes that few authorities, and generally the most advanced, have focused on to date.

6.19 There was some evidence of greater consultation with external partners during Round 1 compared to the “dry run”, but still only a minority of authorities were involved. The trend, if anything, in Round 1 was towards less internal consultation prior to circulation of the final documents.

## **Property Data**

**Authorities collect information about the size, value, condition and other details of the property assets that they own**

**Authorities develop corporate databases to hold the information collected on their property assets**

**Authorities invest in information technology systems in order that all information on property in the council is held in a compatible format**

6.20 A strong focus of all authorities to date has been on the collection of property data, the development of corporate property databases and investment in associated information technology. This area was highlighted earlier as one of the principal areas of progress since the “dry run”. The key challenge for authorities is now to make use of this information in order to manage their property assets more effectively and hence to improve the efficiency and quality of service delivery.

**Authorities identify and use performance indicators for their property in order to monitor and improve the management of their assets**

**Authorities participate in benchmarking clubs with other relevant organisations in relation to the performance of their property portfolio**

6.21 Compared to during the “dry run”, a significantly greater proportion of authorities are currently collecting property performance indicators. However, there is no evidence to suggest that more than a few authorities, and generally the most advanced, are using these indicators to inform their property management activity.

- 6.22 A majority of authorities continue to participate in benchmarking clubs related to property management. However, there is no evidence to suggest that this participation is as yet having a significant impact on performance.

## Capital Programme

**Authorities develop objectives for their capital programmes and property portfolios that are clearly linked to overall corporate aims and objectives, and the property implications of the latter are explicitly and clearly identified**

- 6.23 Making a clear and explicit link between corporate and capital programme/property objectives and priorities is one of the good practice management arrangements criteria still requiring greater attention from authorities. Compared to the “dry run”, there is some evidence of progress being made in relation towards a more corporate and strategic view of capital expenditure, but less so in the context of the use of existing assets.

**Authorities develop rolling three-year (at least) capital programmes, including forecasts of projected capital receipts from the sale of surplus assets**

**Authorities develop formal approaches to the appraisal of the options available for meeting the objectives of proposed capital projects**

- 6.24 Most authorities now possess at least a three-year capital programme. The focus for the future needs to be on developing both a closer link between corporate and capital programme objectives and priorities and a more robust and formal approach to option appraisal. Generally only the most advanced authorities are currently using a formal approach to option appraisal when reaching decisions on capital projects.

**Authorities develop formal approaches to the prioritisation of proposed capital projects in line with corporate aims and objectives**

6.25 This area was highlighted earlier as one of the principal areas of progress since the “dry run”, largely as a result of the discretionary funding that was available through the Single Capital Pot. However, many of the approaches to capital project prioritisation are at an early stage of development and will need to be further refined and developed.

## **Strategies**

**Authorities develop formal written strategies regarding the disposal of surplus land and property**

**Authorities develop formal written strategies regarding the utilisation of space by staff, including a policy on flexible working**

**Authorities develop formal written strategies regarding the sharing of properties/co-location with partners, stakeholders and other organisations**

**Authorities develop formal written procurement strategies in line with the Best Value guidance and “Egan principles”**

6.26 Very few authorities, and generally the most advanced, currently possess formal strategies on key areas such as property disposals, space utilisation, property sharing and procurement.