



SCRUTINY COMMISSION – 6TH SEPTEMBER 2023

CORPORATE ASSET MANAGEMENT PLAN 2022 - 26 **ANNUAL PERFORMANCE AND STRATEGY UPDATE REPORT** **2022 – 2023**

REPORT OF DIRECTOR OF CORPORATE RESOURCES

Purpose of Report

1. The purpose of this report is to set out the performance achieved against the County Council's Corporate Asset Management Plan during 2022-2023, outline changes in strategy and provide details of the work programmed for 2023 - 2024. The full Annual Performance and Strategy Update is appended to this report.

Policy Framework and Previous Decisions

2. The Council's Strategic Plan 2022 - 2026, approved by full Council on 18 May 2022, provides a strategic planning framework for the Council which will ensure that all service plans and strategies contribute to delivery of the Council's vision for Leicestershire. It sets out five strategic outcomes, namely 'Clean and Green, Improved Opportunities, Great Communities, Safe and Well and Strong Economy, Transport and Infrastructure'.
3. The Medium Term Financial Strategy (MTFS) 2023 - 27 was approved by the County Council on 22 February 2023. This includes the allocation of resources to fund the Capital Programme up to 2026/27.
4. The Scrutiny Commission considered the Corporate Asset Management Plan (CAMP) 2022-26 in September 2022 prior to its approval by the Cabinet on 23 September 2022.
5. The CAMP is aligned with the Council's Strategic Plan and promotes the management of the Council's property assets in a way that contributes to the achievement of the five strategic outcomes and together with the MTFS supports the Council's corporate and service priorities. The CAMP includes the requirement that a performance and strategy update report be presented annually to the Scrutiny Commission.

Background

6. The CAMP outlines the framework for the future management of all the Council's property assets (including the IILP direct property portfolio), for the period 2022 – 2026 driving the portfolio's future strategic direction whilst continuing to demonstrate best practice in its delivery, noting that the primary purpose of these properties is support the delivery of County Council services as efficiently and effectively as possible.
7. The CAMP aligns with the Strategic Plan which embodies and drives the Council's wider strategic objectives and provides the basis of all its activities, including the management of its property assets, necessary to deliver its vision for Leicestershire over the period to 2026.
8. The key ambitions of the CAMP for the period to 2026 are:-
 - To create a greener estate which is moving towards energy self-sufficiency;
 - To ensure the focus on delivering capital projects that make a positive difference is continued with projects being delivered on-time, within budget and procured in a way that achieves value for money;
 - To have well maintained, energy efficient buildings with 70% of repairs and maintenance being delivered through a planned programme; and,
 - To rationalise the portfolio through a proactively managed asset challenge process supported by governance that facilitates early decision making enabling potential benefits to be maximised.
9. Whilst the CAMP covers the four-year period to 2026 it is subject to ongoing review throughout that period to take account of any changes to the Council's strategic objectives and the availability of resources to support its delivery.
10. The full Annual Performance and Strategy Update which is appended to this report provides a comprehensive review of performance during the 2022-23 year, necessary to provide transparency and demonstrate that value for money is being achieved in the management of the Council's assets together with a review of strategy changes and an action plan, aligned with the MTFs, for the period to 2027.

The Portfolio

11. As at 1st April 2023, the Council's portfolio comprised a total of 731 freehold and leasehold property assets with a combined value of £469 million. Such properties range from the County Hall campus, locality offices, schools, depots, libraries, farms and industrial units and land acquired to support roadbuilding and schools programmes.
12. The overall number of property assets increased by 88 from 643 in 2022 partly as a result of additional purchases and the development of new assets as detailed in paragraph 19 below, but principally as a consequence of a review of

the data held on the property information system prompted by work on the asset challenge.

13. The overall asset value of £469 million for 2023 represents a fall of £183 million compared to the previous year (£652m). Following guidance from, and in agreement with, the Council's external auditors Grant Thornton, the value of every academy school building owned by the Council was reduced to £1.00 to reflect the fact that the County Council would receive only nominal income (or benefit) from such properties for the remainder of their 125 year lease. Accordingly, the £158m of direct property assets held by IILP now represents the largest individual share (34%) of the Council's overall property portfolio.
14. There are currently 115 non-operational assets within the Council's property portfolio with a combined value of £29m, down from £48m in 2022 reflecting the effect of completed sales, the ongoing delivery of infrastructure and re-valuation. The split by value of these properties is as follows:
 - Land in Advance (property acquired to support infrastructure projects and future service needs) - £9m
 - Managed Assets (assets managed corporately including those previously held by services which generate income) - £6m
 - Surplus Properties (properties surplus to the needs of services being considered for disposal- £3m
 - Land held for Sale (properties within the disposal process) - £11m
15. The MTFS 2023 – 2027 has allocated £509m of funding to support the delivery of the capital programme over the 4-year period. Of this total, projects to the value of £351m (69%) have a property input. These include the delivery of the school place programme, the IILP investment programme and the planning and delivery of major infrastructure projects. In 2023 – 2024 the proportion of property related projects rises to 72% and have a value of £91m.
16. The estimated future liabilities in respect of essential maintenance, repair and improvements required to meet Health and Safety and regulatory compliance totals £50.6 million for the whole of the Council's property portfolio, down from £55.8m in 2021-2022; £1.3m being in the most urgent priority 1 category which requires issues to be addressed within 12 months. The current year's Central Maintenance Fund allocation is £2.59m.

Performance in 2022 - 23

17. The Annual Performance and Strategy Update attached as an Appendix to this report sets out in detail the overall performance of the Council's property portfolio during the 2022/23 financial year against the CAMP 2022 – 2026.; the following paragraphs providing a brief overview.

Action Plan 2022 - 2026

18. The initial CAMP Action Plan was developed for the period 2022 – 2026 and included as an appendix to the CAMP. The Action Plan is divided into three

sections covering the property related input to the delivery of the MTFS capital programme, the reviews and strategy updates necessary to support service delivery and improvement, plus the ongoing annual property management programme.

Capital Programme Projects

19. The Action Plan detailed 53 capital programme projects which have a property related input. 27 of these projects were either due for completion during 2022-2023 or had a phase of works due for completion in that year. Of the 27 projects identified, 21 (78%) were completed on schedule. Further, of the ongoing projects due for completion in future years, 80% are currently on or ahead of schedule. The following were among the projects successfully completed in 2022-23:
- Foxbridge Primary School, Castle Donnington
 - The provision of land to support SEND securing funding for a new school at Farley Way, Quorn
 - Acquisition of 4 Multi-functional Properties to support Children's SCIP including the securing of match funding.
 - Redevelopment of the Kibworth Recycling and Household Waste Site
 - Achieving entry onto the land required for the Melton Mowbray Distributor Road (N & E Sections)

Reviews and strategy updates

20. A programme of 23 property reviews and strategy updates, necessary to support service improvement were detailed in the CAMP Action Plan and due to be undertaken in 2022-2023. Of these 15 (65%) were completed on schedule with work on the remaining 8 ongoing and due for completion within a timescale that does not impact service outcomes. In addition to the development and adoption of the CAMP itself, the following are of note:
- Asset Management Processes and Procedures - The review has been undertaken in parallel with work on the asset challenge. New procedures, together with supporting documentation, have been developed for acquisitions and appropriations; the existing disposals procedure being seen as fit for purpose. The three processes are detailed in the appended report (at Appendix A).
 - IILP Strategy - As part of the MTFS, and in response to changes to Treasury Guidance in relation to prudential borrowing, a revised Strategy for the investment portfolio, including the repurposing of this to the Investing in Leicestershire Programme (previously the Corporate Asset Investment Fund), was developed and subsequently approved by County Council, as part of the MTFS. Performance against this Strategy is the subject of a separate report elsewhere on the agenda for this meeting.

Annual Property Management Programme

21. In respect of the Annual Property Management Programme comprising 9 equally important “business as usual” functions, the following programmes were developed at the start of the year.
- Future development sites programme
 - Asset and insurance valuations programme
 - Central maintenance fund repair programme
 - Condition and regulatory compliance surveys programme
 - Ongoing management of all let property within the portfolio
 - Freedom of information requests
 - Management of traded services
 - Disposals programme
 - Maintenance programme and updating of the property asset management system
22. The first 7 programmes were completed satisfactorily within the year. However, the disposals programme overran due to completions being delayed into 2023 - 2024 and the programmed maintenance and updating of the property information system has been re-evaluated as a result of work on the asset challenge.

Performance Indicators

23. The CAMP recognised that to deliver effective economically viable property solutions it is necessary to monitor delivery and measure its effectiveness. The CAMP put in place a set of 25 realistic, but challenging, key performance indicators which, if achieved, would drive forward improvement year-on-year; the indicators falling within 3 main areas, namely:
- The CIPFA approved indicators in respect the condition, maintenance, sufficiency and environmental performance of the portfolio.
 - Local performance indicators relating to matters specific to the County Council such as the level of capital receipts.
 - The IILP performance indicators comparing the portfolios performance to market benchmarks
24. Overall, 16 (67%) of the 24 performance indicators capable of assessment were achieved in 2022 – 23, including those relating to required maintenance and total maintenance spend, the level of energy use and carbon emissions, construction contracts being completed within budget, the completion of the asset challenge programme together with 6 of the 9 IILP indicators. A further 1 (4%), of the level of planned maintenance was not achieved but showed an improvement in performance on the previous year. The remaining 7 targets (29%) were not achieved. These included indicators relating the level of urgent repairs, expenditure on energy (due to global market conditions), the timeliness of completing capital projects and the capital receipts target (due to delayed

completions). One indicator was not assessed due to lack of a current benchmark data, but current performance was noted.

Asset Challenge

25. One key local performance indicator was the target of completing the asset challenge in respect of a minimum of 2 local authority areas in the year. In addition to reviewing all the operational properties within Blaby District and Oadby and Wigston Borough, all non-operational property assets across the whole County was completed. The outcomes being detailed in the Appendix attached (at Appendix B).

Action Plan 2023 - 2027

26. The CAMP Action Plan is reviewed and refreshed annually. In response to changing economic conditions, available resources and demands on services the Action Plan 2023 – 2027 has been developed in collaboration with service departments; the action plan reflecting the work required to deliver the capital programme 2023/24 – 2026/27, the property reviews necessary to support future service improvement and the ongoing “business as usual” management of the portfolio. The full Action Plan is detailed in the Appendix attached; the following key actions being identified for 2023 – 2024:
- i. Meet the capital receipts target
 - ii. Maximise revenue income and potential cost savings
 - iii. Deliver the schools capital programme
 - iv. Progress the ACL project
 - v. Support the review and ongoing delivery of the SCIP programme
 - vi. Continue to deliver initiatives that support the Energy Strategy and Net Zero Carbon targets.
 - vii. Complete the development of the Decarbonisation Plan and programme its implementation
 - viii. Review the management and letting processes and procedures of the IILP rural portfolio
 - ix. Complete the Central Maintenance Fund Works programme
 - x. Further develop the property asset management system to support asset challenge

Resource Implications

27. The County Council’s financial position has been difficult for a number of years. The Council is now faced with the significant challenges linked to the war in Ukraine in terms of global energy and food supply and the resultant impact on inflation which have risen to levels not seen for many decades. The MTFS 2023/24 - 2026/2027 balances in year 1 only, has a funding gap of £13m in year 2 rising to £88m in year 4. Delivery of the MTFS requires savings of £150m to be made from over the period to 2026/2027 and identifies £37m of savings and proposed reviews that will identify further savings to reduce the £88m funding gap in 2026/2027.

28. The MTFS 2023 - 2027 which incorporates the investment strategy for that period provides funding of £509m for capital projects (updated to £538m at outturn to take account of slippage) for the period to 2026/27, 67% of which requires property input.
29. The updated CAMP Action Plan, outlined in the Appendix highlights how the financial resources that have been allocated to the Council's corporate property resources in the capital programme and MTFS programmes/budgets will be utilised. Delivery of individual projects detailed in the Action Plan included in the appendix attached will be considered against a clear business case methodology.

Equality Implications

30. There are no direct equality implications arising from this report. Any equality implications relating to individual projects and strategies detailed within the CAMP will be considered in detail as part of their individual governance process

Human Rights Implications

31. There are no human rights implications arising from this report.

Environmental Implications

32. The CAMP 2022 – 2026 seeks to maximise the potential of the Council's assets to contribute to the delivery of the environmental improvements, including the achievement of Net Zero 2030, contained within the Strategic Plan's Clean and Green Strategic Outcome.

Background papers

Cabinet – 22 June 2020 – 2020/21 Provisional Revenue and Capital Outturn
<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=6444&Ver=4>

County Council – 18th May 2022 – Strategic Plan (2022 – 2026)
<https://politics.leics.gov.uk/ieListDocuments.aspx?CId=134&MId=6482&Ver=4>

Scrutiny Commission – 7th September 2022 – CAMP 2022 - 2026
<https://politics.leics.gov.uk/ieListDocuments.aspx?CId=137&MId=6871&Ver=4>

Cabinet – 23rd September 2023 – CAMP 2022 - 2026
<https://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=6776&Ver=4>

County Council – 22nd February 2023 – Medium Term Financial Strategy 2023/24 – 2026/27
<https://politics.leics.gov.uk/ieListDocuments.aspx?CId=134&MId=6913&Ver=4>

Circulation under the Local Issues Alert Procedure

None.

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Appendix

Corporate Asset Management Plan Annual Performance and Strategy update report
2022 - 2023