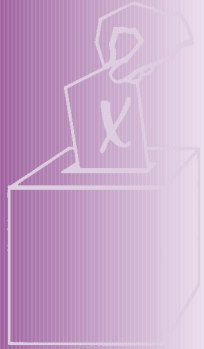




Service Quality



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**OFFICE OF THE
DEPUTY PRIME MINISTER**

**LOCAL AND REGIONAL GOVERNMENT
RESEARCH PROGRAMME**

Executive Summary

The Development and Implementation of Corporate Capital Strategies and Asset Management Plans

York Consulting Ltd

Introduction

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.

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%;

- Interviews 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

There was little difference between the approach of authorities to Round 1 and the “dry run”.

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.

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.

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.

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”

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.

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 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.

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 Corporate Property Officer (CPO).

Round 1 assessment process

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.

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).

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.

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.

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

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, 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.

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.

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

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.

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.

Some authorities, which have moved more rapidly up the learning curve than others, have begun to make the transition from process to implementation issues.

Further information

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This summary and full report are also available on the ODPM website:

<http://www.local.odpm.gov.uk/research/index.htm>

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