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Capital Strategy and Asset Management Plan 2007-2010

Forward

As the Council's Cabinet portfolio-holder responsible for Asset Management and Resources I am delighted to invite you to read the Council's Capital Strategy and Asset Management Plan 2007-2010.

The effective management of public finances and property assets is fundamental in supporting the Council's commitment to improving the delivery of its services.

Our capital spending plans directly influence how we manage our operational and non-operational property and we continue to challenge the role that property has to play in supporting our service objectives.

Community groups throughout the borough are taking a more direct role in managing properties that once were solely managed by the Local Authority or other public bodies. We are keen to empower our communities to become more involved in this process while, at the same time, we wish to ensure that this occurs in a controlled and responsible manner.

I hope that on reading this document it will be evident that colleagues are adopting a practical approach to capital and property management and I would encourage you to let me know if you have any further suggestions on how these processes can be developed further.

Councillor Marlene Haworth
Cabinet Asset Management and Resources Cabinet Portfolio-holder.

Hyndburn Borough Council

Capital Strategy and Asset Management Plan 2007-2010

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CAPITAL STRATEGY

Background

1. The Capital Strategy sets out how the Council will deal with the assets it owns, how it will spend capital resources, the financial impact of capital spend and its overall financing and approach to debt financing.
2. The key aspect of the Capital Strategy is to “make a difference” by the Council effectively using the capital resources it has at its disposal to support the delivery of its overall objectives as outlined in its Community Strategy, its policy documents and individual Cabinet Reports.
3. The Council has an asset value of £33.6 million at the 31st March 2006, with loans of £17.8 million. This gives a net balance sheet value of £15.8 million. The financing cost of the current loans is estimated to be £691,000 in 2006/07 which represents 5.6% of the General Revenue Budget and is equivalent to 13.8% of a reduction in Council Tax.
4. Items covered under the capital strategy consist of the traditional land and buildings, but also includes the purchase of major pieces of machinery and vehicles, IT Hardware and Software etc. The Council also funds expenditure on assets which it does not own from within its Capital Strategy. Typically these would be grants to assist private home owners or landlords improve properties to assist with the regeneration of a neighbourhood or street.
5. The Capital Resources of the Council are fluid and complex. The Council has bought, acquired and been gifted a wide variety of land, buildings and other types of assets. It has developed some of these assets and disposed of others. Its need for certain assets and their importance to the Council changes and evolves over time. Certain assets appreciate in value, while others stagnate or even decline. Some assets bring revenue income in the form of rental, while others are a draw on capital and revenue resources due to maintenance, repair, insurance and staffing costs. Some assets are key for operational or community purposes and provide the most cost effective manner of incurring costs to deliver a service. Others may be held for historical reasons or because costs of disposal is prohibitive or a market for the successful disposal of the asset does not exist at the current time.

Key Aspects of the Capital Strategy

6. Affordability---the Council remains committed to having a Capital Strategy and Annual Programme which lowers the revenue impact from its current levels. This limits the likelihood of additional capital borrowing and sets aside capital receipts for the repayment of borrowing. Capital activity is to be primarily funded via external sources of funding. (Borrowing will be available for projects in which the principal interest cost can be paid directly from savings achieved by the capital spend)
7. External Funding---the Council will access external funding and comply with the requirements to use that funding for specific ring-fenced purposes if this is a condition of the Grant Awarding body. The Council will look to use any flexibility it has to use any capital

money provided under grant conditions to meet its overall objectives. When funding is provided without restrictions, the money will be used to fulfil the Council's primary objectives.

8. Rationalisation of Assets---the Council needs to constantly review the mix of its asset and assess the importance and relative worth of items in its ownership. It will need to determine which assets require acquiring, enhancing or disposal and how to achieve this within the most cost effective manner.
9. Effective Treasury Management—it remains a key ingredient of the Capital Strategy to ensure that borrowing costs remain low and the risk from interest rates movements are minimised to the Council. The Council needs to ensure it has a balanced portfolio of loans, mixed between fixed and variable and short and long term and that a variety of institutions are used. It is not the intention to increase borrowing at the current time, however if cost effective opportunities present themselves for re-balancing of the current mix of loans, these will be taken.

Affordability

10. The Council has a clear limitation on how much it can spend on Capital Projects. It has the option to borrow money to finance Capital spend. This however comes at a cost in interest charges on the Council's Revenue Account. Until 2003/04, the cost of borrowing by the Council was significantly increasing each year and was predicted to continue to consume a larger proportion of General Fund expenditure. This had the effect of forcing the Council to make budget reductions in other areas of service provision, as the overall money available was limited by the Government settlement and the amount that could be raised by Council Tax. The Council therefore altered its policy on Capital spend to limit expenditure in the future to affordable schemes and to use capital receipt to repay debt. This change in policy has led to a significant decrease in the level of borrowing and has been a major contributing factor to the Council's financial recovery. In 2003/04 the Council had outstanding loans of £50.2m with a prediction that they would increase by £2m a year and borrowings were costing the Council around £2.9 million in revenue costs. In 2006/07 loans have fallen to £17.8 million and borrowing costs have reduced to a predicted £691,000.
11. The extent of the current capital programme is therefore controlled by the policy commitment to reduce debt, thereby reducing the cost falling on the Revenue Account. The Council's Revenue Account remains under severe pressure from external cost pressures and ensuring that debt related costs are driven downwards provides the Council with more flexibility and options in managing its general service provision within its available financial resources. This effectively curtails any expenditure which requires borrowing to finance it and looks to use capital receipts to allow the repayment of loans as the opportunity arises. The current debt portfolio allows the potential to repay debt in the short term should any LOBO¹ loans be recalled by the Banks should the Council have amassed sufficient Capital Receipts to fund the repayment of the loan. Current indications are that Capital Receipts for the use of Debt Repayment will be sufficient during 2006/07 to allow such a call on one LOBO instrument for around £1.2 million. However while interest rates are in a period of increase and the probability of a recall has increased significantly as our borrowing rates are below base rates in some cases, the current assessment from Capita Sector, our Treasury Management Advisers, remains that the likelihood of any Banks recalling a LOBO at current rates remains low.

¹ LOBO—these are Lender Option Borrower Option lending instruments in which the Bank sets an initial low interest rate, followed by a stepped rate increase to a fixed amount for the rest of the loan period. Essentially it combines a brief discount period (usually for 1 or 2 years) and then a fixed rate and in some ways is a hybrid of a loan offered with a discount and a loan offered at a fixed rate. Where it differs from commonly marketed products is that the Bank has an option to increase the fixed rate at any point after the initial discount period ends. If the Bank exercises this option, the borrower then gets an option to terminate the loan and to seek financing from another source.

Determining Priorities

11. There are a number of key considerations in determining the priorities for any capital programme in any particular year. These include the strategic fit with the Council's objectives, availability of external funding for the project, the ability to lever other funding, project risk and the potential for slippage, Member support, and the potential savings that could be generated or the scope to forgo costs or generate income.
12. The Council will look to determine which Capital schemes it supports by a rigorous and transparent process of evaluation against its Corporate Objectives. There are clear guidelines for determining the allocation of resources to competing individual project bids on an annual basis. Bids are submitted in a standard manner each year and go through a series of processes to determine their strategic fit and funding requirements. Member involvement is used to ensure that the priorities of the Council are fully considered when finalising the list of projects.
13. Funding sources for the proposed projects also remain a key influencer in decision making, as it may be possible to support a particular project and achieve an outcome with little or no Council funding of the scheme. While a particular scheme may not be as highly ranked compared to other Council schemes, the ability to progress the scheme because of external support will boost its relative ranking.
14. The Council also needs to consider the risk around any project and whether it is able to complete a particular project. The Council will therefore rank projects higher that it has a greater degree of certainty over its delivery than those that are risky and may lead to increased costs, only partial delivery of objectives or abandonment. In general the Council will be looking to support projects that are manageable within its own resources, have a low likelihood of cost overruns, are within the ability of the management team to control effectively and have clear and measurable deliverables which can be quickly realised.

External Funding

15. The Council has significant access to external funding to finance its capital spend and this provides its most important resource for capital spend. Most of this funding, ring-fences the grant to specific purposes, however there are flexibilities within all grant funding schemes that the Council looks to use this money to assist it with delivering its overall programme objectives. Given the availability of money, it is sometimes necessary for the Council to accept that its priorities do not match those of the funders and that it needs to re-prioritise its spend objectives within the overall portfolio of projects it is advancing. However in the vast majority of cases the funding accessed is directly as a result of the Council's objectives fitting with the grant funders objectives.
16. Housing Market Renewal Funding via the Elevate Programme is currently around £6m per year and is expected to continue at this level over the coming period. In addition, the

Council has the opportunity to recycle monies generated from within the Housing Market Renewal Programme to generate additional cash to spend in this area. The extent to which the recycling of resources generated from capital receipts can be treated as additional monies or top sliced from planned allocations is currently under discussion by the 5 partner Local Authorities, the Elevate Board and the Department for Communities and Local Government.

17. The current Government regime introduced in 2006/07 directly funds the Council via a Capital Grant. This replaced the system of Credit Approvals and funding via contributions to revenue that previously existed. In 2006/07 this was equivalent to £2.7m and a similar figure is expected over the next 2 years. There is no direct ring fencing of this money and the Council has used the opportunity to determine how to assign the spending from these funds to its priorities. However the potential exists for the Government to alter the criteria around the award of this grant and to make it more specific to housing or housing needs. If this change occurs, we will need to review our approach within the overall Capital Strategy.
18. Other sources of Grant for Capital Spend include SRB, ERDF, and Planning Delivery Grant

Rationalisation of Assets

19. The Council holds a large portfolio of assets and needs to regularly revisit the need to continue to hold individual assets. The Council has recently embarked on a rationalisation of its own accommodation space. Expensive rented office accommodation has been exited at an appropriate break point in a lease agreement and staff transferred to other buildings that the Council owns and where spare capacity existed. Further moves continue to be considered, with changing work patterns and use at place such as Cannon Street and Willows Lane. The move from rented office accommodation to spare capacity within the Council's owned buildings has an immediate impact on the Revenue Account, reducing payments out in rent and easing budgetary pressures.
20. The Council also owns extensive land and buildings which it holds for no direct operational purpose. Some of these assets have little financial value to the Council, are unlikely to appreciate in value in the medium to long term, have costs associated with their ownership including maintenance, repair, insurance and staffing costs and whose disposal could potentially generate a capital receipt. As these types of assets are identified and available resources exist they can be sold by the Council. In a number of cases it is possible the sale will also generate a more positive community use of the space or asset as the new owner will look to develop the asset in a positive manner.
21. Commercial assets held by the Council potentially provide a revenue income stream to the Revenue Account and assist with the overall funding of the Council. However the Council needs to ensure that the rental income from these properties and assets generates an appropriate return for the value the Council has tied up in them. In circumstance when the ratio of rental income to capital value is low, the Council should look to market these properties. In a number of areas the Council has commercial rentals in place and needs to consider whether it has any strategic role in being a commercial landlord. Historically decisions were taken to acquire or establish properties to provide a boost to the local economy. However with relatively high levels of employment locally and the private sector showing it is able to develop sites for business opportunities without local authority

intervention, the need and role for a local authority presence in this function is diminished and we should continue the trend of disposing of these properties as the opportunity arises.

Effective Treasury Management

22. It is important for the Council to effectively manage its loan portfolio and balance the immediate cost of interest payments and repayment of debt against a longer term view of managing the risk of future changes in interest rates and repayment dates.
23. We have only just escaped some interest rates that were in excess of 13%, that were entered into for long periods 10 or more years ago. It is therefore important to build into the portfolio of loans, regular break opportunities to allow loans to be repaid and access new interest rates. This has become more important recently, as rule changes around the accounting for premiums on the early repayment of loans, creates a significant block to switching out of existing loans in favour of lower rates. We therefore need to design into our portfolio a series of break opportunities to allow the termination of loans on favourable terms. As the existing portfolio has all long term debt, it will be necessary to exercise the option with any new loans which are taken out.
24. In any economic cycle, interest rates will fluctuate around a historical trend and be driven by market forces both at home and abroad. The timing of the need to borrow, can have significant impact on the rate of interest obtained. Borrowing at the top of the cycle when interest rates are at their peak can cost 2 to 3% more than borrowing at the bottom of the cycle. As loans typically are for periods of 30 years or more, on a £1,000,000, this can result in paying an extra £30,000 a year over 30 years. An additional cost of £900,000. It is therefore important that the Council has sufficient liquid resources to allow it to stave off any immediate pressures around borrowing, so it can determine when best to access the market for long term debt.
25. It is also important to have a mix between short and long term loans and between fixed and variable loans. Currently the Council's portfolio is skewed towards fixed term loans over a long period. All loans are also currently with commercial institutions rather than the Council's traditional borrowing source of the Public Works Loan Board (PWLB). This reflects the attractive loan rates accessible from the private sector currently and aggressive marketing by them to promote this business to local authorities. These loans were also taken out at a time when we had significant borrowing with the PWLB and were part of a strategy of balancing our portfolio away from the PWLB, which at the time dominated our portfolio. They also reflect a view from the Banks that interest rates over the next 30 years will be lower than current levels.
26. While we have a strong commitment not to borrow any additional amounts at the current time, should the opportunity to switch any current borrowing occur, we will look to re-balance our portfolio to a less skewed position to provide a more balanced and more diverse risk element to our borrowing. We will also look to examine the potential to establish better representation of variable rates of interest within the portfolio and to seek shorter periods of loan to allow the Council to take advantage of any long term strategic drop in interest rates and have a regular rolling programme of debts coming due for renewal. Currently almost all the debt is long dated, which means the opportunity to discharge the loan will not come for a considerable period. If interest rates in the United Kingdom eventually start to mirror US and Japanese rates, the current rates paid by the

Council which are the lowest we have enjoyed in 30 years, will appear to be high and potentially twice the going variable rate. Should the opportunity arise therefore the Council will look to develop its loan portfolio in this manner, even though this may indicate slightly higher short term costs.

Leverage

28. Leverage remains an important part of the Council's overall approach to its Capital Strategy. Significant sums can be obtained by organisations including the Council for projects that require match funding. Using part of the funding the Council has available to support match funding bids from its own resources to external funding organisations or to support community groups and other organisations provides an extremely effective method of drawing capital spend into the Borough. The Baxenden Youth Project recently secured over £100,000 using £20,000 of Council money as a base for attracting other funds. Grants to the Leisure In Hyndburn Trust allowed an Athletics Track to be built bringing over £400,000 of external funding to supplement the Council's contribution of £27,000.
29. Leverage provides a particularly powerful way of boosting the capital spend within the Borough and multiplying the effects of regeneration and improvements that would be beyond the Council's initial ability to deliver in a short period. It also promotes a wider community involvement and a sense of achievement and ownership for a variety of projects.

Project Management

30. The Council has improved its overall management of the Capital Programme in recent years through the Capital Programme Working Group(CPWG). The CPWG meets throughout the year to supervise and review the progress of capital projects and ensure they remain within budget and on time. Project management performance is now at a high standard and few projects now overspend. Any overspends are identified early and reported to CPWG and appropriate actions taken to review project deliverables and examine managing overspends within underspends elsewhere in the programme.
31. The Council has developed an appropriate methodology for Project Management within a Council of this size and training has been provided to enhance the skills of managers within the organisation around the complexities of delivering in a project environment.
32. Member involvement in project management has also been enhanced through the involvement of the Asset Management Portfolio Holder on the CPWG and regular reporting to Cabinet of progress on the Capital Programme.

Leasing

33. The Council has traditionally leased many of its assets with relatively short term life spans. Assets with useful lives of less than 15 years, typically, plant and machinery and computer equipment have been leased rather than purchased and funded via the capital programme. This course of action was largely prompted by the credit ceiling imposed on local authorities which limited how much could be borrowed—but did not limit leasing agreements which were a direct revenue cost. The removal of credit ceilings presents an opportunity in the future to re-examine the need to lease and provided funds that can be made available

within the Capital programme presents a potentially better route to meet the cost of such assets.

Maintaining and Enhancing Value

34. It is a key responsibility within the Capital Programme to provide funding to ensure that assets, particularly buildings are maintained and enhanced, so as to hold or improve their value. Buildings left without the necessary investment can quickly lose their relative value and deterioration in the fabric of a building can lead to sudden expensive repairs, poor operational performance and the potential for injuries.
35. The Council therefore needs to determine an appropriate amount to be set aside to invest in its assets each year, to ensure their value is maintained, maintenance problems are avoided and the risk of injuries are kept to a minimum.

Flexibility

36. While the Capital Strategy sets out how the Council should address its spending needs and provides a strong framework on how it should work effectively in this large and complex area, it is necessary to remember that the Council will also need to deal flexibly with what can be a large and complex area. The strategy provides key guidance in how to examine and approach capital investment decisions. However the overall objective for the Council remains the delivery of its Community Strategy and Corporate Objectives and it may be necessary to respond flexibly when required to maximise opportunities that occur to best serve those interests. Both the private sector and Government provide sudden opportunities to be involved and achieve projects that had not previously been considered and it is necessary to be guided by the Capital Strategy in these circumstances-but not completely constrained.

Asset Management Plan

1.0 Organisational Arrangements for Asset Management

- 1.1 Hyndburn Borough Council is committed to managing its land and buildings in order to optimise service benefits and financial performance. Hyndburn's Community Strategy (2003-2008) and the Corporate and Performance Plan (2004-2008) provide the strategic framework and the policy priorities within which the Council's assets are managed. This Asset Management Plan (AMP) documents the Council's systematic, measured and coordinated approach to the management and maintenance of its land and buildings. Underlying the AMP is a strong commitment to continuous improvement in order to improve the quality of life of Hyndburn residents and businesses. This plan supersedes the 2003-2006 plan.
- 1.2 The Council's Policy and Resources Committee, held on 22nd June 2000, approved the appointment of the then Head of Property Services as the Corporate Property Officer (CPO) for the purpose of co-ordinating the development of the Council's Asset Management Plan.
- 1.3 Since June 2000, the Corporate Property Officer has been working with a team of officer and councillor colleagues as the Asset Management Team (AMT) to produce and monitor the progress of the Asset Management Plan.
- 1.4 The formal terms of reference of the Corporate Property Officer and the Asset Management Team were approved by the Policy and Resources Committee held on 18th June 2001.
- 1.5 The role of the Corporate Property Officer is to co-ordinate the production of the Asset Management Plan in accordance with Government guidelines and to report regularly to Cabinet on the performance measures being taken to improve strategic asset management across the Council. The role of the Corporate Property Officer has been reported to all service managers within the Council.
- 1.6 The role of the Asset Management Team is to improve the Council's corporate asset management, to assist the Corporate Property Officer in the preparation and implementation of the measures identified in the Asset Management Plan and to consider all property-related decisions that are likely to have a significant impact on use of assets.
- 1.7 The Asset Management Team consists of the Corporate Property Officer and other members from his team, Planning, Parks and Open Spaces, Leisure and Finance. Political representation is provided by the Cabinet portfolio-holder responsible for Asset Management as well as representation from an opposition councillor.
- 1.8 The composition of this team is not fixed and other colleagues join it from time to time in order to ensure that specialist topics are adequately covered and debated. This ensures that all internal stakeholders are aware of the issues being considered by the AMT. The Corporate Property Officer is accountable to this team.
- 1.9 The Asset Management Team helps to develop corporate policy but does not have the authority to make formal decisions on behalf of the Council. Corporate Management Team, which is chaired by the Head of Paid Service and attended by strategic directors, receives

regular reports from the Corporate Property Officer and makes recommendations to the Council's Cabinet. The Cabinet is the Executive decision making body that determines Hyndburn's Asset Management policies and all major property transactions and other issues relating to Asset management and maintenance.

- 1.10 The Asset Management Team used to meet approximately every month and Corporate Management Team meets fortnightly. After meeting every month for the last 7 years the Asset Management Team workload has now shifted emphasis and meets to discuss strategic issues once per year. Any necessary communications are carried out via email or by direct contact between the relevant people. Less time is being spent on systematic processes and policy and more time is being spent on direct action - reducing operating costs, disposal of poor-performing non-operational property and release of assets for community use. The culture within the organisation has changed. Increasing emphasis is placed on performance management and consideration of whether to embark on processes that don't provide immediate service or community benefit.
- 1.11 The Corporate Property team has moved from the Council's regeneration agency and was incorporated within the Finance service in January 2005. This move has strengthened the relationship between property management and financial management. The Chief Finance Officer has a greater understanding of the Council's obligations and aspirations with regard to the Asset Management Plan. Both functions work hand in hand in ensuring that the Council's resources are managed effectively.
- 1.12 A key Asset Management theme has previously been the improvement of the Council's property records system. This initially concentrated on the provision of a networked asset management software package that could be accessed across the Council. Although, data management is still being strengthened through improvements to the Fixed Asset Register, the Council has recently concentrated its efforts on rationalisation of accommodation brought about through the Housing Stock Transfer process which has enabled the Council to condense office use at Scaitcliffe House and the Cannon Street offices. This has resulted in reducing liabilities through giving up leased space at the Globe Centre and generating additional revenue through letting surplus office accommodation at Willows Lane. Property records are considered to be "fit for purpose" for the current needs of the service.
- 1.13 The key priorities for Hyndburn Borough Council are well documented. Its primary objective is to make "Hyndburn a better place to live, work and visit". These priorities are explained in more detail within the Corporate and Performance Plan 2004-2008. The key themes are:
- Corporate Governance and Community Leadership
 - Community Safety
 - Housing and The Environment
 - Culture and Leisure
- 1.14 These themes reflect those set out in the Community Strategy 2003-2008 where additional priorities are also identified:
- Health and Social Care
 - Economy and Employment
 - Education and Employment

- 1.15 There are many examples of how the Council has used its asset base to promote these initiatives throughout the borough. The Council continues to proactively manage land and property in order to stimulate environmental improvements and provision of improved facilities for Hyndburn's communities.
- 1.16 Historically, the Council's land and property assets were held and managed by individual service committees. Hyndburn has adopted a policy whereby all property is held centrally as a corporate resource. Service Managers recognise that they no longer have a proprietary responsibility for such assets. As a result, a more consistent approach is taken on issues such as usage and building maintenance, recognising, however, that such assets must be managed effectively to support service delivery objectives and to support corporate cross cutting objectives.
- 1.17 Internal communication of our aspirations is important. Officers and Members recognise the importance of introducing practical measures to improve effectiveness of service delivery through asset management. This understanding is shared throughout the organisation. The council's participation in closer partnership working is enabling public services to improve throughout the borough and the region.
- 1.18 The Corporate Property Officer has briefed service managers regarding key changes in the Council's approach to the management of its property portfolio. An example of our "joined up" approach has been through the management of maintenance budgets. This is now controlled centrally through Facilities Management colleagues who are prioritising repairs on corporate rather than individual service needs
- 1.19 The CPO and his colleagues have engaged councillors in a series of seminars and site tours in recent years to enliven their interest and understanding of key asset management issues. Asset Management Team has accompanied several councillors on a tour of land and property assets that presented particular challenges. It is intended to continue to share this message. A further briefing of Members is scheduled for June 2007 in order to share some of the Council's achievements and to look at where further asset management progress can be made.

- 1.20 Since embarking on a formalised asset management improvement process, there have been 2 main sources of guidance that have been considered:
- Asset Management guidance from Central Government
 - Implementing the improvement plan agreed with the Council's external auditors.
- 1.21 Central government guidance has previously been issued in connection with *Single Capital Pot* funding. There is no longer a requirement for those authorities that are considered to be "good" at asset management (such as Hyndburn) to submit AMPs for assessment. Performance is monitored through the Comprehensive Performance Assessment (CPA) framework and features in the Key Lines of Enquiry (KLOE) for the use of resources.
- 1.22 Hyndburn Borough Council is a member of the national Asset Management Network organised and run by IPF. This has been of valuable benefit to the organisation and it has been able to network and share best practice with other local authorities. The network has worked closely with central government agencies as the voice of local authority property professionals. This has provided a vehicle for central/local government consultation and has provided regular updates on the latest government thinking. The Council is also a member of the Association of Chief Estates Surveyors (ACES) and asset management has been identified as a key area for shared learning.
- 1.23 As far as implementing the Asset Management improvement plan agreed with the Council's auditors, some aspects of the plan have become quite historic and are considered no longer relevant - the initial audit plan was prepared in 2000. An example of changing priority is highlighted in the initial need to invest in establishing networked asset management software. Subsequent reports from the auditors have highlighted the need to improve the Asset Register. The Council has, therefore, re-assessed the need for this software and determined not to acquire a general asset management package. Instead, it has concentrated its efforts on ensuring that its most important core data is improved. The Council has arranged for asset valuations to be undertaken independently by the Valuation Office. The Corporate Property Officer and the Principal Accountant have overhauled the presentation of the register and the financial information that it contains.
- 1.24 In the last AMP, the Council acknowledged that property review plays a key role in reviewing the use, provision and performance of the Council's assets. Nevertheless, it also recognised that resource shortages and other pressing priorities compel the Council to be realistic about the priority that can be given to property review. There has been a singular property review exercise to identify and relocate services following Housing Stock Transfer and this has generated tangible financial and service delivery benefits. However, it is acknowledged that there is still a need to apportion office running costs between service areas across the Authority through systematic property review. This work is programmed for the future when staffing levels return to appropriate levels.
- 1.25 The Asset Management Team has been very much the catalyst for greater corporate working within the organisation. Councillors have become much more actively engaged in asset management issues during the last few years. The service has clearly obtained a higher profile - especially among Cabinet members. There have been problems with regard to staffing levels within the Corporate Property team over the last couple of years. The

Corporate Property Officer has only been partially successful in attracting resources to make the progress that he originally intended.

2.0 Consultation

- 2.1 Consultation with service managers, property users and occupiers plays a key role in the Council's Asset Management process generally and in the delivery of specific property related projects. Such consultation has involved large numbers of residents where a major regeneration scheme is planned or it can extend to specific occupiers with a contractual interest in a project such as the Accrington Market Traders.
- 2.2 The forms of consultations which the Council has adopted vary according to the progress of the project in question, the use to which the consultative information is to be put and the identity of consultees. For example, a community architect was specifically engaged to involve residents in contributing to the master planning process for Project Phoenix in West Accrington and the mix of the residential element of that scheme was determined following a door to door survey of residents needs.
- 2.3 The format of internal asset management consultations has included lunchtime seminars and service managers have also been invited to respond to a simple questionnaire exercise devised by the Corporate Property Officer. This sought information about property data collection/storage methods, sought views about referencing records (UPRNs) and corporate asset management software as well as highlighting key property objectives for service delivery.
- 2.4 The development of Scaitcliffe House in Accrington as the Council's new civic headquarters was a good example of involving all staff in a user survey to ascertain their general and service specific needs and preferences for the new building. This consultation took the form of supplying colleagues affected by the proposals with indicative drawings of the proposed offices in order to seek feedback and make design refinements accordingly. Meetings were convened with staff representatives who had sought their colleagues' views and fed their observations into the process.
- 2.5 A fairly new area of work for Hyndburn Borough Council has been the need to produce an Equality Scheme and to undertake Equality Impact Assessments. This will look at the manner in which services are delivered to a wide diversity of service users and will look at race, disability, gender, sexual orientation, religion and age. Provision of services to these groups can have an impact on how assets are used. From a property perspective, there are particular issues to address in respect of ensuring that facilities are fit for purpose in respect of these groups and the wider community.
- 2.6 The Corporate Property Officer has met with a reference group of the Physical Disability Partnership Board to consider aspects of access to the built environment. The group has offered to be consulted on disabled access issues and to act as a "secret shopper" as a means of improving services. It is evident that provision of facilities for the disabled requires consultation and feedback in order to ensure that community groups are engaged in the decision-making process. Disabled access is an area that the Corporate Property Team will be examining more fully during 2007/08.

3.0 Data Management

- 3.1 The Corporate Property Officer appreciates that effective records are the foundation for effective asset management and that good data forms the basis for informed management decisions. Over the past seven years the Council has significantly improved its property records. These improvements include: -
- Assembling and checking basic data on the Council's assets.
 - Creation of separate asset files for each of the Council's major assets and groups of assets.
 - Digitisation of the Council's ownership plans and asset records.
 - Linking these records to an OS base map to enable easy comparison.
 - The establishment of databases to assist with housing stock condition and resource accounting valuations and the collection of backlog repairs and condition details on the housing stock.
- 3.2 The Council's assets have been inspected, photographed, plans assembled and revalued. These processes have enabled the validity of the Council's property data to be tested and improved.
- 3.3 The mix of the Council's property portfolio has changed considerably over the last few years. The biggest change has been the transfer of the Council's housing stock to Hyndburn Homes Limited in March 2006. A comparison of the breakdown in the Council's assets between 2003 and 2006 is shown below. The value of the Council's assets has reduced from £79,517,816 to £33,323,294 over the 3 year period. The Council's non-operational property makes up only 14.13% (£4,709,096) of the value of its current assets. Albeit there have been fluctuations in each asset category, nearly all the £46 million difference is due to the stock transfer process. This has enabled the General Revenue Account Debt to be reduced by £11,835,262 and helped to secure improvements to housing stock by transferring ownership to the Contour Housing Group. At the time of writing, the adjustments to the Asset Register for the end of 2006/07 are being finalised.

(Graph removed from document)

- 3.4 Although the Asset Register is the heart of the organisation's property records system, the key to consistency of information across the Council is the Unique Property Reference Number (UPRN). UPRNs have been assigned to each asset in the Asset Register and the organisation is now starting to see the benefits of tracking capital expenditure through the Capital Programme and taking account of its impact on asset value. UPRNs are identified as part of the process of authorising capital projects and help to cross-reference records in order that the valuer undertaking asset valuations can start to anticipate impairment/enhancement valuation implications. The Council's Capital Programme gives priority to potential capital projects based on a formal, objective approval process. An example of the manner in which colleagues are collaborating to track the impact of Capital Programme spend on the value of assets is set out in Appendix 1. Appendix 2 shows a recent report to the Capital Programme Working Group setting out the Council's methodology for determining spending priorities in respect of Capital Programme funding bids.
- 3.5 For a small district Council, purchase of specific asset management software has been considered to be unrealistic. Nevertheless, when adequate staffing resources allow, the Corporate Property Officer would like to plot the boundaries of each property asset, together with its UPRN, on the digital mapping system. This will enable all service managers to identify the physical boundary of each asset in the Asset Register in order to take up the opportunity of ensuring that their own records system is consistent with the Council's core data. The diagram below continues to show how the UPRN is key to consistency for different records.

(Graphic removed from document)

- 3.6 The use of UPRNs and digital mapping information are an untapped resource that some parts of the organisation are now starting to appreciate. The Council's land ownership records in digital form were valuable in identifying the assets being considered for the stock transfer process. They will also prove to be essential in ensuring that the Land Registry registers the Council's land and property ownership in the near future.

4.0 Building Maintenance Backlog

- 4.1 The 2003/06 Asset Management Plan identified that the building maintenance backlog was assessed to be £435,138 in respect of operational assets that fell within maintenance priority levels 1-3 and that there was £nil backlog in respect of non-operational assets. In 2004/05, the backlog for operational assets increased to £575,028, reflecting additional assets that were inspected as part of the condition survey process. Corporate Management Team is aware of the potential inaccuracy in identifying the maintenance backlog – particularly in relation to non-operational buildings. There is a need to re-assess the level of backlog maintenance after the large amount of investment made into this area over the last 3 years, the changing shape of the Council's asset portfolio and fluctuations in the cost of works.
- 4.2 A piece of work to undertake during the life of this plan will be to refresh the information relating to building maintenance backlog. A staffing shortage within the Facilities Management team has made the priority to procure reactive maintenance and to organise planned improvements through revenue and capital funding respectively rather than refresh the backlog statistics. Nevertheless, the Facilities Management team add to their knowledge of known repairs and organise repairs and improvements in a logical manner in order to keep costs down and ensure that complimentary repairs/improvement schemes are undertaken at the same time. An exercise has been done to identify the current maintenance backlog and it is estimated that the operational assets backlog currently stands at £458,709. This figure does not include Accrington Market which, at one time, was under consideration for transfer into third party ownership as a means of securing capital funding for improvements to the Market Hall. Other non operational property currently excluded from a maintenance backlog calculation includes the council's industrial property portfolio. Nevertheless, much of the portfolio has been transferred out of council ownership over the last 4 years.

4.3 There has been a steady increase in both revenue and capital funding for asset maintenance and repair. In 2006/07, £129,000 was allocated for reactive maintenance and £138,000 was allocated for Capital Programme funded improvements. The revenue allocation for 2007/08 for reactive maintenance is £144,119 of which £15,000 is set aside for Legionella work. The Capital Programme allocation for 2007/08 for planned improvements is £326,000 which is broken down as follows:

In addition to these planned improvements, the Council has recently been engaged in replacing Oakhill Park Bandstand and Foxhill Pavilion which have been the subject of insurance claims brought about through fire damage. This has enabled a fresh look as to how these facilities are replaced. Appendix 3 shows how these capital allocations fit with the Council's overall Capital Programme.

4.4 There have been attempts to produce a planned improvement programme that will span a life of 10 years. The Capital Programme bid process secures details of potential funding over a 3 year project life. Nevertheless, Capital Programme funding is determined annually. Therefore, the Facilities Manager revises his capital spending plans annually. However, he takes account of the priority of repairs from the original building maintenance backlog condition surveys and agreed spending with the Chief Finance Officer who takes account of emerging corporate and service priorities.

5.0 Accommodation Strategy

5.1 The Council intends to continue its policy of recent years of keeping its accommodation needs under close scrutiny. Building on the successful exit, of office accommodation at the Globe Centre in Accrington, the Council is looking to further re-shape its accommodation needs to meet its ever changing role as a service delivery agent, contact point for the public and to house its administrative staff and perform its role in the local community. The accommodation strategy will be based around ensuring that the Council has the best possible accommodation for its needs at a cost that represents value for money for the local tax payer. It will be a continuing primary concern to focus our occupations in relatively low cost premises, to co-locate appropriate functions and derive the benefits that occur from working in close proximity. Additionally, the move to Scaitcliffe House in 2002 also demonstrated how the Council can act as a spur to re-development of an area of the town. The area around Scaitcliffe House is now being extensively developed on the back of the initial development undertaken by the Council. If such opportunities present themselves in the future, the Council will look to blend this objective into the other considerations within our strategy.

6.0 Market Redevelopment

6.1 The Council is committed to improving its Victorian Market Hall. This building stands in the centre of Accrington Town Centre and has been described as the “Jewel in Accrington’s Crown” It is a key feature of the local landscape and is an important offering in terms of the shopping experience of the Town Centre. It also has historical significance and is a Grade II listed building and contains 70 stalls. The Council intends to commit £1m over the next two years (2007/08 to 2008/09) in providing suitable access to the 1st floor of the Market Hall and making use of this space to enhance the business offer and commercial use within the Market. In addition other renovations and improvements will take place including updating and modernising the Traders’ Stalls on the Ground Floor, improving the layout of floor space, introducing measures to enhance the shopping experience and replacing the heating system.

7.0 Housing

7.1 Housing Market Renewal (HMR)

7.2 Between 2003 and March 2007 over £17.5M of Housing Market Renewal money has been received and spent in Hyndburn. The allocation for 2007-08 is £7,490,000.

7.3 HMR investment in property-based initiatives

7.4 The most significant investment in property-based regeneration is in the West Accrington & Church ADF (Area Development Framework – term used to denote an HMR study/intervention area). Within this the Project Phoenix clearance & redevelopment site is the main focus of intervention, with another project delivering improvements to the fabric of homes in the Princess Street area.

- 4.5 hectares of land have been assembled for redevelopment
- Keepmoat plc, the Council’s lead development partner, proposes to invest £50m in new housing in West Accrington
- a tenure-blind mixed residential development of 171 homes of 1-5 bedrooms addressing identified housing needs will start on the Phoenix 1 site in Autumn 2007 (an enclave of 8 bungalows for the elderly for Space Housing Association started on site in January 2007).
- More than 80 homes have been repaired, modernised or improved in the Princess Street area.
- A new East Lancs PCT community health centre is under construction on Blackburn Road (opening December 2007) funded through a LIFT (Local Improvement Finance Trust) investment of £7m on land provided by HBC following clearance of old outdated terraced housing.

7.5 In 2007-08 the HMR investment in West Accrington & Church ADF will continue to be used to purchase and clear outmoded and poor condition terraced dwellings and business premises. A further 50+ homes will be facelifted in the Princess Street area.

7.6 Up to March 2007, additional funding of £3.7m has been provided by various partners. This has complemented the HMR allocation and enabled more outputs to be achieved. A further £3.6m additional funding is anticipated in 2006-07.

7.7 Recovery of the housing market in Hyndburn

- over the period 2000 to the end 2006 average house prices have increased by 166%
- this growth has out-performed the national average of 101% and the north west average of 119% in the same period.

7.8 This represents a considerable revaluation of the residential property asset within the Borough. In part this increase is due to the direct investment programmes including HMR which serve to rebuild confidence in the area.

7.9 House price rises are of course a mixed blessing. We are now facing affordability issues as average incomes in Hyndburn are still much lower than in Lancashire and nationally. They have not increased in line with house prices. Also, the cost of acquisition of properties for clearance has risen with the result that allocation does not achieve as much.

7.10 Oswaldtwistle & Church Canal Gateway

7.11 For many years a significant blight on the main approach to Accrington from the west has been the derelict Church/Oswaldtwistle Gateway, area which includes the privately owned Commercial Hotel and listed Hargreaves Warehouse, as well as other run down private property. The Council has struggled to find a solution to this major eyesore. The nearby interventions through the HMR programme and the improved investment climate has enabled the Council to attract a major private sector developer, the Enza Property Group, to mastermind the regeneration of this derelict area.

7.12 The value of Council-owned sites within the Gateway area will be enhanced by the anticipated very significant investment. New canal side housing, new commercial premises and new leisure facilities will result from the regeneration programme now being planned.

8.0 Capital Receipts Generation

8.1 During 2006/07 £847,062 receipts were generated through the sale of land and property. Out of this sum, £550,000 was from the sale of land on the south side of Blackburn Road, Accrington for housing market renewal purposes. £40,000 was generated from the transfer of ownership of the land adjacent to Scaitcliffe House to Globe Enterprises Limited – this sum has been reinvested back into the company in order to raise the Council's financial stake hold in the company. Therefore, the net "spendable" receipts generated were £257,062.

8.2 Since the Council started to formally record capital receipts in 1993 it has disposed of close to £11 million of assets, not including the stock transfer or the sale of Council Houses under the Right To Buy process. The annual receipts figures are shown below.

(Graphic removed from document)

- 8.3 The Corporate Property Officer agrees potential receipts cases with the Chief Finance Officer, the Deputy Leader (Regeneration) and the Asset Management portfolio-holder throughout the year. Information sheets have been produced for forecast capital receipts that may come in during 2007/08 and beyond. The discussions regarding capital receipts generation consider the feasibility of releasing the asset, opportunities to maximise the receipt and any special circumstances whereby the Council may decide not to seek best consideration in accordance with Section 123 of the Local Government Act 1972. The target for capital receipts generation for 2007/08 has been set at £200,000.
- 8.4 From Autumn 2004, councillors have been keen to encourage members of the public to apply to buy land and property from the Council. This initiative was known as the “Bonfire” initiative and helped to identify demand from the public for asset purchase. This has helped the Council to decide those assets that it wishes to release for sale. Not all sales are demand-driven and a number of the assets identified through the initiative will be retained due to operational, planning or other strategic reasons. This initiative has now been completed and the Council Leader has reported progress to Cabinet.
- 8.5 The Council’s Scheme of Delegation for Chief Offices is currently being revised. This should raise the threshold that enables the Corporate Property Manager to dispose of assets without the need to seek Cabinet approval. This will allow receipts up to £20,000 to be automatically forwarded to the Legal team for completion.
- 8.6 Capital receipts progress is regularly reported to Cabinet and the Capital Programme Working group. Any disposals, either in part or in full, are taken into consideration in terms of the impact that they have on the Council’s Asset Register.

9.0 Statutory Responsibilities

- 9.1 **Legionella** – The Duty Holder (The Managing Director), the Responsible Officer (The Facilities Manager) and the Deputy (The Mechanical and Electrical Engineer) for the purposes of controlling this health risk were clarified at Corporate Management Team on 19th October 2005 . In 2006/07 several Legionella surveys were undertaken and, in 2007/08 further surveys are intended to be undertaken. £15,000 revenue has been set aside to undertake improvements to 42 buildings.
- 9.2 The person with the role of Deputy is no longer in post and the Facilities Manager is intending to fill this vacancy at the end of June 2007.
- 9.3 **Asbestos** – In 2006/07, it was intended to commission several asbestos surveys in order to add to the Council's knowledge of asbestos in its buildings. This work was identified as part of the Council's corporate Health and Safety Plan. Unfortunately, this work was not undertaken due to a staffing vacancy arising within the Facilities Management team. Nevertheless, it is intended to resume the asbestos surveys in 2007/08. £5000 has been allocated from the Capital Programme to undertake this work.
- 9.4 **Disabled Access** – The Council met its target to be 76.47% DDA compliant with regard to its public buildings before the end of 2006/07 (BVPI 156). The target for 2007/08 is 88.23%. £100,000 capital funding has been approved for the year and estimates are being sought in order to organise disabled adaptations as soon as possible.

10.0 Business Continuity – Property Implications

- 10.1 In March 2007, a generic property response was prepared for the emerging corporate service continuity plan. This exercise looked at how the Council would cope in the event that one or more of its offices becomes temporarily inaccessible. The response will vary according to the circumstances at the time but couple of scenarios have been suggested as a way forward:
- Setting up temporary use of the Ballroom at Accrington Town Hall
 - Establishing a portable building “village” on the car park at Hyndburn Sports Centre.
- 10.2 The corporate team considering service continuity matters has accepted the Corporate Property Officer's proposals. The Corporate Property team's service plan for 2007/08 identifies further work to firm up how these two options will be procured and costed.

11.0 Rating Appeals

- 11.1 Until recently, the Council's rating appeals were handled through in house valuation staff. In addition to lodging/negotiating these appeals, specialist negotiations were procured from external rating consultants on a “no win, no fee” basis. Due to staffing changes within Corporate Property team, from January 2005, the Council no longer have staff Council with rating valuation experience. In line with the modernisation agenda around efficiency and procurement, the Council intends to continue to outsource this work over the next few years.

- 11.2 There are a number of rating appeals that are outstanding from the 2005 rating list, including Accrington Market. Valuations for the 2010 rating list are now starting and the Valuation Office is encouraging potential appellants to start negotiations in order to ensure that fewer rateable values need to be re-negotiated after publication of the Rating List.
- 11.3 With no rating surveyors in post and with no revenue funding for consultancy advice for rating work for 2007/08, this is one area of work that is not being managed by the Council. There may be potential savings that it will fail to identify.
- 11.4 The letting of assets to the Leisure Trust as a charitable body has enabled the Council to benefit from rating liability. The reduction in rateable value of Accrington Town Hall to reflect the Leisure In Hyndburn's occupation has reduced the rates payable from £36,000 to £12,465. Officers are currently considering whether similar savings can be achieved on other property managed by the Trust.

12.0 Insurance Valuations

- 12.1 The valuation of the Council's land and buildings for insurance purposes has been undertaken in a patchy manner in previous years. Insurance valuations are based on rebuilding costs and this is a discipline undertaken by quantity surveyors. In 2006/07, 59 of the Council's public buildings were either valued or updated by a local quantity surveying firm.
- 12.2 A revenue growth item has been approved for 2007/08 and it is intended to roll out the valuation of other council-owned buildings in a systematic manner in accordance with the requirements set out in the Council's insurance policy.

13.0 Land Registration

- 13.1 The Council's Legal team secured funding for voluntary land registration during 2006/07. The benefit of registration will allow quick access and guaranteed accuracy of information relating to the Council's property. This process involves Land Registry staff working through the Council's deed packets and producing legal title/mapping data.
- 13.2 Preliminary meetings have taken place with Land Registry staff. The intention is to work through the Council's land ownership records by working sequentially through Ordnance Survey 1:1250 mapping "tiles".

14.0 Performance Management, Monitoring and Information

- 14.1 Overview and Scrutiny Committee and Corporate Management Team have considered reports on the Council's Asset Management Plan performance and acknowledge the need to recruit a qualified Estates Manager in order to improve capacity within the Corporate Property Team. There have been some major changes to staffing levels within the Corporate Property team brought about through financial savings, stock transfer and posts becoming vacant.
- 14.2 The Council's Asset Management Plan was assessed as "good" in 2003. The 2004/05 Comprehensive Performance Assessment report noted "*The Council has adequate*

arrangements in place for managing assets. The main factors in arriving at this assessment are:

- *Asset management activities are undertaken by a designated property officer, although generally activity tends to be reactive;*
- *Reporting on asset management to members is in place;*
- *The council has sought to improve use of assets, and has reviewed Council accommodation resulting in change of use at Cannon Street and the Globe Centre; and*
- *There is a maintenance programme and an assessment of backlog maintenance required, however due to capacity and financial resources, the Council does not have a formal plan, approved by Members and properly resourced, to reduce backlog maintenance”.*

14.3 The report went on to say:

“To improve arrangements in this area, the council will need to better link asset management and maintenance to medium term service and financial planning and determine performance measures to assess how the council’s assets contribute to the delivery of strategic objectives. Long term strategic planning for asset use and how assets are to be used to deliver objectives can be strengthened and regularly reported to members to evidence how the council has managed assets effectively at a strategic and service level”.

14.4 The Corporate Property Officer has reported to Asset Management Team, members and Corporate Management Team that the Council, like other Local Authorities, is expected to collect performance indicator information but that capacity within the team would present the Council with a problem.

14.5 Corporate Management Team has made the conscious decision that the Council will not be collecting the 7 Property Performance Indicators that have been prepared by the National Property Performance Management Initiative (NaPPMi – formerly COPROP). The benefits of collecting this data are outweighed by the need to implement improvements which are already known to the organisation. These indicators relate to 7 major themes incorporated within Asset Management Plans:

- PMI 1 A, B, C, & D : Condition & Required Maintenance (National Indicator)
- PMI 2 A, B & C: Environmental Property Issues (National Indicator)
- PMI 3 A & B: Suitability Surveys (Local Indicator)
- PMI 4 A, B, C & D: Building Accessibility Surveys (Local Indicator)
- PMI 5 A & B: (Capacity and Utilisation) – Office Portfolio
- PMI 6 A & B: Spend
- PMI 7 A, B, C & D: Time and Cost Predictability

14.6 The North West Branch of ACES have been looking at performance indicators and benchmarking and have decided to collect these 7 indicators as they are a national requirement. Hyndburn Borough Council will not be participating in this process for the time being despite being aware that this would be necessary to achieve level 3 assessment in the CPA for use of resources. The Council’s view is that these PIs are not particularly helpful or useful.

- 14.7 Nevertheless, some progress is being made with regard to obtaining management data. The Facilities Management Team have acquired specialist software for monitoring energy costs, the Senior Environmental Initiatives Officer is currently considering PMI 2 in respect of the impact on the initiative to make Scaitcliffe House “greener” where energy saving measures are being introduced and where waste is being reduced (paper and cardboard recycling as well as composting organic waste). In addition, capital and revenue spend are being more closely monitored than ever before.
- 14.8 Asset Management, by its nature is a continuing process. The Asset Management Plan has to adjust with changes in corporate direction. The Corporate Property team service action plan is appended as Appendix 4 to this document.
- 14.9 For further information regarding the Council’s Asset Management Plan please contact the Council’s Corporate Property Officer:

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