



## **SCRUTINY COMMISSION – 4<sup>TH</sup> SEPTEMBER 2024**

### **CORPORATE ASSET MANAGEMENT PLAN 2022 - 26** **ANNUAL PERFORMANCE AND STRATEGY UPDATE REPORT** **2023– 2024**

#### **REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

##### **Purpose of Report**

1. The purpose of this report is to set out the performance achieved against the Council's Corporate Asset Management Plan during 2023-2024, outline changes in strategy and provide details of the work programmed for 2024 - 2025. The full Annual Performance and Strategy Update (the Annual Report) 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) 2024 - 28 was approved by the County Council on 21 February 2024. This includes the allocation of resources to fund the Capital Programme up to 2027/28.
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 Investing in Leicestershire Programme (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 Report which is appended to this report provides a comprehensive review of performance during the 2023-24 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 2028.

### **The Portfolio**

11. As of April 2024, the Council's portfolio comprised a total of 728 freehold and leasehold property assets with a combined value of £507 million. Such properties range from the County Hall campus, locality offices, schools, depots, libraries, farms, offices and industrial units together with land acquired to support the roadbuilding and schools' programmes.
12. The overall number of property assets reduced by 3 from 731 in 2023 as a result of the number of disposals exceeding that of additional purchases and the development of new assets.
13. The overall asset value of £507 million for 2024 represents an increase of £38 million compared to the previous year (£469m). Having fallen substantially in

2023, as a result of the revaluation of academy schools, the rise in the total value of the portfolio this year is almost entirely due to the revaluation of the IILP rural portfolio. The revised valuation, which is a provisional figure and subject to a further review by external auditors, has been prepared by external consultants in accordance with new valuation guidelines introduced in October last year. Accordingly, the value of direct property assets held by IILP rose to £206m further increasing its share of the Council's overall property portfolio to 41%.

14. There are currently 105 non-operational assets within the Council's property portfolio with a combined value of £21m, down from £29m in 2023 and a further reduction 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) - £4m
  - 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- £1.m
  - Land held for Sale (properties within the disposal process) - £10m
  
15. The MTFs 2024 – 2028 has allocated £447m of funding to support the delivery of the capital programme over the 4-year period. Of this total, projects to the value of £273m (61%) 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 2024 – 2025 the proportion of property related projects represents 82% of the overall programme with a value of £121m.
  
16. The estimated future liabilities in respect of essential maintenance, repair and improvements required to meet Health and Safety and regulatory compliance totals £53.2 million for the whole of the Council's property portfolio, an increase of £2.6m compared to 2022-2023, largely as a result of high inflation in the construction sector. £1.3m (2.4%) 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 £2.83m.

### **Performance in 2023 - 24**

17. The Annual Report attached as an Appendix to this report sets out in detail the overall performance of the Council's property portfolio during the 2023/24 financial year against the CAMP 2022 – 2026.; the following paragraphs provide a brief overview.

18. The initial CAMP Action Plan was developed for the period 2022 – 2026 (included as an appendix to the CAMP) and updated and extended to include 2027 as part of the Annual Performance and Strategy Update Report 2022-23. 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 2023 -27 detailed 43 capital programme projects which have a property related input. 22 of these projects were either due for completion during 2023-2024 or had a phase of works due for completion in that year. Of the 22 projects identified, 17 (81%) were completed on schedule.
20. Of the ongoing projects due for completion in future years, 90% are currently on or ahead of schedule. The following were among the projects successfully completed in 2023-24:
- A new Primary School at Normandy Way, Hinckley
  - The planned extension of Rothley Primary School
  - The Bowman Academy, Shepshed
  - The further development of the SEND proposal for a new school at Farley Way, Quorn
  - Acquisition of 2 further Multi-functional Properties to support Children’s SCIP including the securing of match funding.
  - Delivery of a further phase of the Ways of Working Programme

#### Reviews and strategy updates

21. A programme of 23 property reviews and strategy updates, necessary to support service improvement were detailed in the Action Plan and due to be undertaken in 2023-2024. Of these 16 (70%) were completed on schedule with work on the remaining 7 ongoing and due for completion within a timescale that does not impact service outcomes. The completed reviews included:
- The review of Highways and Fleet Transport Depots portfolio
  - The review of the RHWS portfolio
  - The Renewable Energy Feasibility Study
  - The Corporate Buildings Decarbonisation Plan

#### Annual Property Management Programme

22. 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

The first 8 programmes were completed satisfactorily within the year. However, the programmed maintenance and updating of the property information system is being re-evaluated as a result of ongoing work on the asset challenge and the revisions identified in 2022-23 in relation to processes and procedures.

### 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 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, 12 (50)% of the 24 performance indicators assessed were achieved in 2023 - 24, a further 2 (8%) were not achieved but showed an improvement in performance on the previous year with 10 (42%) failing to be achieved. The underperformance was due to the impact of inflation in the construction and energy markets running at a higher rate than the general economy. With the exception of one indicator, that was not assessed due to lack of a current benchmark, 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. All the operational and non-operational properties within Charnwood Borough and North West Leicestershire District were reviewed in the year. The outcomes are detailed in Appendix A to the Annual Report attached.

### **Action Plan 2024 - 2028**

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 2024 – 2028 has been developed in collaboration with service departments; the Action Plan reflecting the work required to deliver the capital programme 2024/25 – 2027/28, 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 outcomes being identified for 2024 – 2025:
- Deliver all Services’ Capital Programme projects on time and within budget.
  - Complete the Central Maintenance Fund Works programme.
  - Continue to deliver initiatives that support the Energy Strategy and Net Zero Carbon targets.
  - Meet the capital receipts target.
  - Maximise revenue income and potential cost savings.
  - Further develop the property asset management system (PAMS)
  - Work with partners and provide support in the delivery of the ongoing Ways of Working Programme across the authority.

### **Resource Implications**

27. The County Council’s financial position has been challenging for a number of years due to over a decade of austerity combined with significant growth in spending pressures, particularly from social care and special education needs. This was exacerbated by the impact of the Covid-19 pandemic and significant increases in inflation, to levels not seen for many decades. The MTFS for 2024-28 is balanced in the first year (2024/25) after the use of £6m of earmarked reserves. There is then a gap of £33m in 2025/26 rising to £83m in 2027/28. Delivery of the MTFS requires savings of £164m to be made from 2024/25 to 2027/28, unless service demand reduces, or additional income is secured. The MTFS sets out in detail £81m of savings and proposed reviews that will identify further savings to reduce the £83m funding gap on the main revenue budget and the £111m estimated funding gap on schools High Needs funding in 2027/28.
28. The original MTFS 2024 - 2028 which incorporates the four year capital investment strategy totals £479m, including £32m of capital expenditure rephased from 2023/24. Around 60% of the overall capital programme 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**

County Council – 18<sup>th</sup> May 2022 – Strategic Plan (2022 – 2026)

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=134&MId=6482&Ver=4>

County Council – 21<sup>st</sup> February 2024 – Medium Term Financial Strategy 2024/25 – 2027/28

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=134&MId=7305&Ver=4>

Scrutiny Commission – 6<sup>th</sup> September 2023 – CAMP 2022 – 26 Annual Performance and Strategy Update Report 2022 – 2023

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=137&MId=7102&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 2023 - 2024

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