

<b>Committee(s)</b>	<b>Dated:</b>
Corporate Asset Sub-Committee Efficiency & Performance Sub-Committee	<b>11<sup>th</sup> July 2018</b> <b>13<sup>th</sup> July 2018</b>
<b>Subject:</b> Asset Management – Service Based Review – Interim Report	<b>Public</b>
<b>Report of:</b> City Surveyor (CS.283/18)	<b>For Information</b>
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### **Summary**

An update report on the City’s cross cutting Asset Management Service Based Review was submitted to the Corporate Asset Sub-committee in February and the Efficiency and Performance Sub-Committee in March. That report confirmed that an ‘Asset Management Review’ was being undertaken using external advisors GVA and would report back its findings to this committee in July.

GVA have completed their review and reported a number of recommendations. Whilst officers consider these recommendations and implications for the city, this report provides an interim update. The core areas identified for improvement relate to committee Governance, Corporate Policies and Controls, Data Management, Strategic Asset Planning, Property Management processes, Compliance responsibilities and Delivery of major asset related projects.

The full recommendations with a cost/benefit analysis and a roadmap for implementation is now being developed and will follow once the officer review process has been completed for this cross-cutting review, namely reports to Strategic Resources Group and Summit Group.

### **Recommendation(s)**

Members are asked to note the progress of the review.

### **Main Report**

#### **Background**

1. The Asset Management component of the Service Based review (SBR) was last reported in February 2018. Significant progress has been made to improve the operational effectiveness and management of the operational estate; for example, ongoing asset specific reviews (e.g. Police Accommodation Project, Guildhall/Walbrook Wharf Workplace Strategy, New Combined Courts Facility and Strategic Markets Review), implementation of the Asset Management Plans Programme (AMP), the better management of third parties to increase

income/reduce arrears and improved corporate oversight to mitigate risk. However, undertaking an 'Asset Management Diagnostic Review' provided the opportunity to comprehensively review how asset management is undertaken by the City and ability under this structure to meet the objectives of the maturing approach to asset management across all the operational property portfolio required by this committee.

2. Following the appointment of external advisors in February, the review (which included data collection/collation exercise, over 20 interviews with senior managers and two integrated workshops) has now been completed. The final report has been delayed slightly due to the work taking longer than expected due to issues with data collection and the scheduling of interviews and workshops.

### **Current Position**

3. The City currently operates within a largely decentralised model of asset management with departments i.e. not the corporate centre, responsible for the strategic direction, estate management, income collection and space utilisation of operational assets. It is important to clarify that this relates to asset management activities, not facilities management which is a separate though related discipline; the picture for facilities management is increasingly more centralisation following the roll out of BRM2 and the work of the Strategic Asset Management Board.
4. The Asset Management Review confirms current cross cutting arrangements are not in line with leading commercial practices and other public bodies, and there is low confidence that the efficiency of assets is being maximised, in terms of community, service, utilisation, organisation effectiveness and financial benefits. This echoes the concerns of this committee for officers to provide a more 'mature' approach to asset management across the operational estate, specifically in terms of Corporate oversight and asset performance measurement, greater transparency and risk mitigation, maximising income/utilisation and alignment of both corporate and business objectives.
5. The specific areas where change is recommended are as follows: -
  - a. **Governance** - there is not a single corporate asset board (delegated to neither officers or committee) with a remit to take asset-related decisions that balance service and corporate issues. There is a prevailing mindset that Departments "own" property rather than occupy the Corporation's assets
  - b. **Financial Sustainability** – there is an inability to accurately report on the current or future cost (capital and revenue) of operational assets on an asset specific or portfolio basis
  - c. **Corporate policies and controls** are weak e.g. space standards
  - d. **Data management** is not fit for purpose. Data management is federated, and it is difficult to access quickly accurate data required for strategic decisions and performance reporting e.g. the cost of occupation

- e. **Strategic asset planning** is in its infancy and under-resourced, given that this process is central to realising value and efficiencies from operational property assets
- f. **Property management processes** are duplicated and non-standardised across service departments, which indicates inefficiency and additional risk e.g. departments manage third party income including rent and service charge collection, lease administration, data
- g. **Compliance responsibilities and reporting** are sometimes ambiguous e.g. fire risk assessments which increases the risk of statutory breaches
- h. **Delivering asset management related projects** is not consistent and there is a lack of a programme approach to capital investment and redeployment of assets, which recognises the linkages across projects. There are major opportunities such as the future of Guildhall that could deliver significant benefits and be accelerated.

## **Proposals**

- 6. Recommendations to address the specific areas where change is proposed as above have now been received and after considering the cross cutting and financial implications these will be reported to this committee in September.
- 7. The next report will also include a proposed roadmap for implementation with associated resource plan and implications.

## **Corporate & Strategic Implications**

- 8. The AM component of the SBR is integral to better decision making and overall management of the operational portfolio; it aligns with the FM review vision as previously reported and as part of the wider SBR efficiency targets.
- 9. The AM review supports the objectives of the existing Corporate Property Asset Management Strategy 2017/18, which will be revised following approval to the recommendations and reported back to this committee.

## **Implications**

- 10. Funding for the Asset Management Review was provided by the Transformational Fund which has been endorsed by Strategic Resources Group and approved Summit Group in January 2018.
- 11. Approval to a resource plan to support the recommendations to follow is intended to be endorsed by the Strategic Resources Group and approved by Summit Group in due course.

## **Conclusion**

- 12. The Asset Management review, through a series of data collection/collation, interviews and workshops has explored and captured the current operating model

within the operational property portfolio. Whilst the existing model does deliver objectives from the Corporate Plan and departmental business plans, it has largely evolved through custom and practice and is not fit for purpose in terms of leading practice and financial sustainability or capable of delivering a more mature approach to asset management expected by this committee. A series of recommendations and associated implementation programme of further action is proposed to be submitted to this committee in September, following internal officer approvals.

**Appendices – None**

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