



Asset management in local government

To: All Chief Executives, Main Contacts and Email Contacts (Scotland)

CC: All Chief Executives, Main Contacts (England, Northern Ireland and Wales)

A report by Audit Scotland

Key issues

Securing the external audit, including the audit of Best Value and Community Planning

Follows up issues of concern identified through the audit to ensure satisfactory resolutions

The report provides an annual direction to local authorities which sets out the range of performance

1. Introduction

Good asset management can make council buildings work better for the people using them – but this needs active participation from all council departments and partner agencies. Well designed buildings can support good service delivery by providing staff and the people using services with a safe, secure and comfortable environment.

Asset management is high on central and local government agendas and several strategic working groups were set up to promote improvement in councils' asset management arrangements, with other sub groups looking at particular aspects of asset management.

Good asset management is a vital part of an organisation being able to demonstrate that it is providing Best Value. It can generate resources through income from the sale of surplus assets, which will also generate long term revenue savings because those assets are no longer consuming resources. Improved management of assets can also lead to service improvements and lower long term revenue costs.

The current economic environment is likely to result in reduced capital income from the sale of assets and councils may decide to retain properties until market conditions improve. This may result in continued maintenance and running costs, which may in turn add additional pressures to budgets. Capital projects relying on income from the sale of assets are also likely to face difficulties. However, increased competition among developers may result in opportunities for councils in taking forward some capital build programmes.

Previously in January 2008, John Swinney, Cabinet Secretary for Finance and Sustainable Growth, published a review of asset management in the central government sector which included recommendations for improvement such as:

- Having an asset management plan in place
- Maintain a mandatory single comprehensive database of property information
- Agree a set of roles, responsibilities and expectations regarding the management of assets
- Ensure that the mandatory procedures in place for disposals of surplus or vacant property, and for acquisitions, are known and adhered to
- Promote the use of financial asset management incentives

Effective management of council assets is important to people who use council services. The appearance and suitability of assets influence people's perception of the council. Well designed building's supports good service delivery by providing staff and people using services with a safe, secure and comfortable environment. High quality infrastructure assets can also support the economic and social development of a council assets bring a number of benefits, including:

- Supporting service delivery by making council buildings work better for staff and people using services
- Ensuring buildings support current and future service requirements
- Improving sustainability by reducing energy use

- Providing a way to target investment
- Providing clear evidence of asset performance and progress towards goals
- Providing an opportunity to obtain Best Value, including ensuring that buildings are accessible to the people who use them, in terms of their location, design and the facilities provided

The document can be viewed in full at:

http://www.audit-scotland.gov.uk/docs/local/2009/nr_090507_asset_management_councils.pdf

2. About the study

The Audit Scotland report was prepared on behalf of the Accounts Commission and seeks to answer the following questions:

- What assets do councils own, what is their value and what information do councils hold about their condition and suitability?
- How well are councils organised to ensure that service needs drive their asset management strategies?
- Do councils' asset management arrangements lead to increased efficiency?
- Do councils have effective arrangements for managing the performance of their assets?

The range of methods was used to obtain evidence, including:

- Desk research and analysis – drawing on existing data sources and previously published research
- Questionnaires to gather information from councils about their asset management arrangements
- Fieldwork visits to five councils (Clackmannanshire, City of Edinburgh, Fife, Highland and Renfrewshire) and interviews with elected members, senior managers and practitioners, and site visits to find out the views of people who use council buildings.

3. Key messages

The report also draws on material available from previous Audit Scotland work, such as national performance studies on improving the Scottish school estate, maintaining Scotland's roads, asset management in the NHS and energy efficiency in the public sector, as well as council Best Value audits and local external audit work.

The main information of relevance includes:

- Overall, the report found that councils own around 12,400 property assets. Councils report that 27 per cent are in a poor or bad condition, 23 per cent are not sufficiently suitable for

the services delivered from them, while 14 per cent fail in both respects.

- The people surveyed consider access to buildings to be their most important feature, highlighting disabled access and facilities for people with disabilities as being highly important.
- Councils have good information on how accessible their buildings are for people with disabilities, but not all are acting on that information by producing access plans for their buildings quickly enough.
- Almost two-thirds of all councils report that their property maintenance backlogs are increasing. Only 23 councils were able to report the size of their backlog; this totalled £1.4 billion, and £376 million of which is described as maintenance that is urgently required. Unless councils manage this backlog, there is a risk that buildings currently in satisfactory condition will deteriorate.
- More than half of councils do not have an approved corporate asset management strategy, although many councils are in the process of developing individual strategies and plans for their fixed assets. Almost two-thirds of councils have an approved IT asset management strategy in place, but less than half have asset management strategies for roads, property and vehicle fleets.
- The majority of councils report good arrangements for collecting data about assets, and for working across services to ensure a corporate approach to asset management; but they need to improve their performance management arrangements and ensure strategies, policies and plans are up to date and coordinated, and property asset management is implemented systematically.
- There are large variations in the cost of holding property among councils. In most councils, property costs are between five per cent and 12 per cent of councils' gross revenue budget, but in some councils costs are higher.
- Although councils are reducing energy use in their buildings, environmental sustainability is not a key factor in building design. Most councils are missing opportunities for incorporating environmentally friendly features into the design of new buildings.
- Some councils gave examples of savings from rationalising office space, but few were able to provide details of significant efficiencies arising from property review and rationalisation.
- Many councils find rationalising property assets difficult to manage well. The role of elected members is of crucial importance; however, many councils do not have effective elected member scrutiny of property assets and only half provide regular information to elected members on property performance.
- Councils and health boards have a high-level commitment to joint working on property asset management. However, joint working does not appear to be widely embedded across services at a planning or operational level.
- There has been some well-planned joint working reported between social work and primary care services. Many joint property projects are developed in an opportunistic way, rather than as part of a long-term joint strategy.

- In three out of the five councils we visited, national policies on the sale of assets are seen as a barrier to joint working. For example, a health board may wish to use surplus council land for a community facility, but is not able to meet the market price which the council is required to achieve.
- Although there have been a number of national initiatives to facilitate joint working between councils, the NHS, and other partners, the impact to date on asset management has been limited.

4. Key recommendations

It is recommended that councils should:

- Work together to implement a consistent methodology for measuring building suitability and ensure they have effective asset management plans and strategies for their property, IT, vehicles, roads and associated infrastructure
- Ensure that asset information is up-to-date, complete, and held in a form which allows the production of appropriate management reports and establish robust monitoring and reporting procedures for asset performance, to assess progress against their strategies
- Formulate a long-term capital strategy, linked to achieving the aims of their asset management strategies to include a formal corporate approach to options appraisal for proposed capital projects
- Ensure that whole-life costs are taken into account in capital and revenue planning and consider issues of sustainability, such as CO2 emissions, in their whole-life costing model for proposed capital projects
- Ensure that elected members and council officers have transparent mechanisms for scrutinising property use and the cost of holding property; elected members should regularly consider reports on the condition, suitability and use of assets, property costs, and estimates of the maintenance backlog
- Where significant changes are planned to assets in an area, or to a particular type of asset, for example school buildings, ensure consultation with residents is open about the issues the council is facing and provides clear information about the options for change
- Agree with community planning partner's arrangements for joint planning, management and property sharing. This should include identifying and tackling the barriers to strategic joint working around public assets and developing shared property databases to facilitate joint working.
- Make use of legislation which allows councils to sell assets at below market value if it is for public benefit, where this is consistent with a published policy objective, and would achieve Best Value for the public sector overall.

5. Conclusion/APSE comment

APSE welcomes this report and believes that councils should formulate a long term capital strategy, linked to achieving the aims of their asset management strategies which may lead to a formal corporate approach to options appraisal for proposed capital projects. It should be a fundamental consideration that whole-life costs are taken into account in councils' capital and revenue planning.

Although the assessments support comparison across the four basic categories described above, adopting a more consistent way of measuring building suitability would help councils to compare building performance more systematically, and help improve the design and operation of buildings in the future. Good processes for measuring suitability are in place in some council's. For example Perth & Kinross Council has been publishing suitability information as part of its asset management plans for a number of years; however, in others practice is less advanced. Councils could work together to develop the criteria set out by the FPS into models for particular building types for general use across Scotland. Appendix 1 attached to this report also provides advice aimed specifically at elected members to provide them with an overview of the Audit Scotland report.

APSE has developed a high level suite of performance indicators on asset management and property maintenance over the past few years, which will aid local authorities in improving their performance in this area by comparing with other authorities across the UK. This is contained within APSE's Performance Networks service for further information on this contact pbrennan@apse.org.uk

APSE supports the principles of Best Value and continuous improvement and the inclusion within this of a balanced set of measures including strategic effectiveness, service quality, availability, fairness, sustainability, efficiency and innovation. The BV duty has been an important part in developing continuous improvement in local government services and in securing best use of resources within a council. There needs to be recognition that each local authority will be at different levels of performance even though all organisations can continually improve.

APSE would welcome any comments which should be sent to ptaggart@apse.org.uk

Pat Taggart
Principal Advisor

Appendix 1.

Improving property asset management – a checklist for elected members

Key issues

Key questions

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| 1)
Setting clear policies and objectives for asset management | <ul style="list-style-type: none">• Is asset management a clear component of the council's overall strategy determined by the council?• Does executive leadership of corporate asset management clearly reside with the chief executive, supported by the corporate management team?• Does the council have an asset management strategy and published plans which support the council's corporate objectives?• Is property seen as a corporate resource? |
| 2)
Corporate commitment and management capacity | <ul style="list-style-type: none">• Are elected members engaged with property asset management and is asset performance regularly reviewed by members?• Are property management responsibilities clearly set out at a corporate and service level?• Are there adequate resources at a corporate level, to review property assets and running costs? |
| 3)
Property information | <ul style="list-style-type: none">• Does the property management service have adequate information systems to support property maintenance?• Are the information systems used to support asset management linked to other relevant systems, for example geographical information systems? |
| 4)
Property maintenance | <ul style="list-style-type: none">• Has the council conducted an options appraisal for ensuring that the property maintenance backlog is being managed effectively?• Does the asset management plan ensure that all planned work reflects the results of a systematic option appraisal?• Is the work of the property management service planned to minimise long-term costs? |
| 5)
Property review | <ul style="list-style-type: none">• Are senior managers aware of the property costs of the buildings services occupy?• Is there a programme of property reviews?• Is information on running costs and environmental impact available to the review team? |

- 6) Resourcing and financial management
- Is there a corporate approach to options appraisal and the prioritisation of capital projects, in line with corporate objectives?
 - Are decisions on capital projects based on a clear business case, including options appraisal and whole-life costing?
 - Does property maintenance have the resources to meet its policy objectives and is adequate priority given to routine maintenance within the budget setting process?
 - Is funding for maintenance linked to the condition of assets?
- 7) Procurement and service delivery
- Does the council work with its community planning partners to achieve economies of scale in asset management?
 - Are unit costs benchmarked against other councils and the private sector?
- 8) Accounting for performance
- Does the asset management service maintain an effective performance management framework, to continuously review and improve its performance?
 - Are there annual performance plans, agreed by council members, setting out targets for improvement?
 - Does the council include this information in public performance reporting?