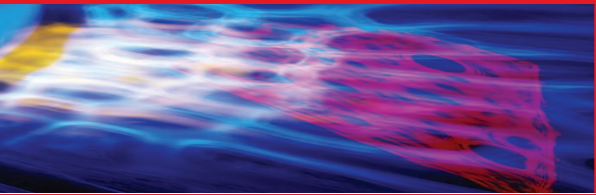


Property Asset Management in Scotland's councils

Moving Forward

March 2008





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Introduction

This report is based on data collected from 30 of the 32 councils in Scotland. The study focussed on 3 main aspects of property asset management:

- The arrangements councils have in place for the corporate planning and management of property assets.
- The core information councils hold on their property assets including the volume of assets they hold; the condition of the assets they hold; the 'fitness for purpose'/suitability of the assets they hold and the value of the assets they hold.
- The arrangements in place for accounting for assets and the performance of assets in supporting delivery of services and strategic objectives.

This is by no means virgin territory and useful work has been done on property asset management in Scotland across the last ten years: From work under the 'Audit of Management Arrangements' in the late nineties through the Schools Estate Management programme (SEMP) from 2002 onwards to the recent report by the joint UK audit bodies on VFM in Corporate Services. Development work has also taken place within the statutory performance indicator framework that usefully elaborates key aspects of performance of corporate property asset management. As importantly, councils themselves have engaged in review and development of their property asset management, and as the study shows, a substantial movement towards more explicitly **corporate** asset management arrangements has taken place. Finally, the Joint Premises Project Board has recently done useful work on a common core data set necessary to support collaborative asset management.

Although definitions of corporate asset management vary, they tend to include four inter-related elements:

- Property asset management is at root concerned with the physical resourcing of service and corporate objectives, i.e. ensuring the right assets are in place to deliver efficiently and effectively to the public.
- Property asset management is about forward planning for the assets that will be necessary to meet need in the future, given the often lengthy timescales for investment, disinvestment and redevelopment.
- Property asset management is about minimising resource costs and maximising value achieved across a council's property portfolio in ways that are compatible with the points (i) and (ii) above. Value includes financial value as well as value to the community.
- Property asset management is about ensuring that property is managed and maintained over time in ways that maintain and enhance value. The 'whole life costing' disciplines associated with PPP's embed and reinforce this element.

Two points are worth highlighting from the elements of definition above. **First**, effective asset planning and management can only occur in the context of effective corporate and service planning. If services are unable to anticipate and forecast the property assets necessary to deliver to expected standards, then asset management planning will be impaired as a consequence. Put simply, a property asset plan is only useful if it follows from and supports corporate and service planning.

Second, elements (iii) and (iv) above imply a related but subtly different role for asset management. Part of the job is to look across the whole property portfolio and ensure that its management and maintenance sustains both value to the community and financial value. This means looking beyond the requirements of individual services and functions, and ensuring the whole portfolio is maintainable and sustainable over time. There can be tensions between the role of property asset management in working with services to ensure they have the assets they need to deliver, and its role in ensuring that councils property portfolios are at a maintainable and sustainable level.

This gets to the core of what 'corporate' property asset management and planning actually means. The core legal and accounting position is absolutely clear. All property assets are owned by the council as a corporate body, and all benefits and liabilities of property ownership accrue to the council. (In some councils, departments and services are deemed to hold and deploy assets but this is simply an internal management and accounting arrangement). Given that, corporate property asset management has two key functions:

(a) Supporting service and corporate management to secure the assets necessary to deliver planned activities and outcomes and;

Ensuring the councils overall portfolio is efficiently and effectively managed over time to minimise cost and maximise value.

This understanding of corporate property asset management frames the analysis of this report.

Defining it in these functional terms makes it evident that a number of disciplines and professions play into corporate property asset management: Finance and accountancy, estates and quantity surveyors, property maintenance crafts and trades, planning professionals, etc. **All of them are critical to effective asset management but none of them are equivalent to it.** Asset management is inherently multi-disciplinary and there are critical issues of co-ordination, integration and leadership at corporate level. Partly, this is about co-ordination and integration of information from different sources so that a fully informed view can be taken of individual assets and of the whole portfolio, (Part of the experience of undertaking this study was that in many cases different services and function held bits of data on the property asset base but this was not integrated with information held by others. Integration and accessibility were often limited). Partly, it is about the corporate co-ordination and leadership of decision making, including prioritisation, and again it was often not clear where the end responsibility and accountability lay for this.

An example will illustrate the linkages here. The acquisition of a new property within a council was in all cases a corporate process through the council's capital programme/investment planning system. In all cases, this would require: Demonstration of priority within the council's corporate framework; a detailed demonstration of need; a developed options appraisal and evidence that the whole life costs of the asset were affordable. The decision to retain an asset in use, however, was often a departmental or service level decision, unaccompanied by options analysis or opportunity cost exploration, or commitment to meeting the full residual life costs of the asset. The much greater corporate focus and scrutiny of the case for new assets is to be welcomed but, at any point in time, the bulk of assets deployed will be long-standing. The case for retaining assets (in terms of their suitability, their costs over time, the need for and utilisation of capacity, their realisable market

value, etc) would, in principle, benefit from the same level of corporate scrutiny as applies to the case for new assets.

The example shows the need for good integrated information on a consistent basis so that the council's whole existing portfolio, and any individual element, can be routinely scrutinised and reassessed. It also, however, focuses the issue of who is empowered, responsible and accountable for using that information and proactively scrutinising existing holdings in value for money terms. Almost all previous studies and guidance have emphasised two key recommendations: councils should have a corporate asset management plan and a corporate asset manager who reports to the corporate management team and the Chief Executive. We would not argue with this in principle, and most councils are moving in this direction. What we explore below are the preconditions for such arrangements being useful **including** the core information that needs to be routinely available for planning and review purposes, and the empowerment necessary for corporate leadership of asset management.

To sum up, the analysis in this report is informed by the following key points:

- Corporate asset management is an approach to ensuring that a council's property assets are collectively managed to minimise cost and maximise value.
- Consistent and reliable information is necessary to do that, on an integrated and accessible basis that supports decision making.
- Empowered corporate leadership is necessary to proactively manage councils property portfolios.
- All of this needs resourced and one of the issues in the report is the adequacy of resourcing at present.

The Study

The basis of the study was a pro forma sent to the identified asset management leads within each council to establish core information on the asset base, on arrangements for property asset management and on issues in developing corporate asset management within councils. Substantial follow up work was necessary to get the fullest data possible, and this was a time consuming process. Substantial follow up discussion was also necessary to clarify the basis of some returns and to ensure reasonable comparability across councils. We also pursued good practice examples more fully where these were identified from the initial pro forma. An additional survey element specifically focussed on 'common good' assets was added because of petitions on this matter to the Scottish Parliament.

Information from asset managers was augmented by a survey of Chief Executives to which 20 of the 32 responded. This provided a more qualitative view of the adequacy of the current asset base, and of current management and decision support arrangements. There are some substantial disjunctions between the views expressed by Chief Executives and more detailed information available, and indeed not available, from the pro forma returns from asset managers. We comment on this in context.

Considerable exchange also took place with professional associations and networks both to rehearse emergent issues and to look at potential solutions. Again this provided greater qualitative understanding of the nature and depth of key issues, and some of the cultural, resource and technical barriers to addressing them. In particular, these discussions usefully focussed issues of the location of asset management within organisational structures, and its current influence within

corporate management.

The final element of the study was further researching the key issues identified and routes to development and improvement. It has included modelling and costing alternative approaches to securing core information on property assets and delivering it on an integrated basis to support decision making. This in turn included looking comparatively at the core data set on individual asset, and asset portfolios, used to support decision making in other contexts. The commitment has been not just to identify issues, but to provide practical routes to improvement.

Two limitations of the study should be acknowledged at the outset. First, we are aware that some councils are attempting to develop a single consistent approach to all their assets: property and land, infrastructure, plant equipment and vehicles, ICT, etc. Our focus on property assets may seem restrictive in comparison. Our sense was that the scale, value and centrality of property assets to service delivery warranted a singular focus and that, although transferable principles exist, very distinctive issues exist around property assets. The second limitation is more fundamental to the interpretation of the information generated by our work: It is a survey and a snapshot at a point in time. As the study shows a substantial but recent shift to an explicitly corporate asset management approach in councils, some of the issues around resource planning, information base and culture identified reflect that stage of implementation. It would be misleading to read these issues as being necessarily long-term or endemic.

The Context of the Report

Asset management has become progressively highlighted across the period of this study. Asset management was one of the five core areas identified in the first National Efficient Government Plan. The agreement between councils and Ministers in 2007 around the allocation of additional capital spend to councils was based on a commitment to progress being made on asset management. As the study shows, some of the elements of progress discussed are already happening or are about to happen in most councils. In particular, as noted, most councils either have or are developing a corporate asset management planning framework

A second focal point was the publication of CIPFA's consolidated report on UK councils Accounts for 2005/06 which appeared to show that Scottish councils had surplus assets of £460 million: Pro-rata higher than other parts of the UK and a substantial growth on 2004/05. This attracted media and political attention. The data, and analysis, possible through this study enables us to explore this and our conclusion is that this figure may be, in part, misleading, and a function of required accounting practices rather than the quality of asset management that councils achieve (see Chapter 3).

A final development that we take full account of throughout our analysis is the joint report by the UK audit bodies on 'VFM in Corporate Services'. This contains an excellent and important section on 'Estate Management' (property asset management in our terms) that proposes a suite of high-level performance indicators and maps out ten characteristics of a best practice authority. These characteristics are demanding and include:

- That the whole property estate has been reviewed with respect to sufficiency, suitability and condition within the last 5 years.
- That a full corporate review of property asset requirements has been undertaken within the last 3 years and future asset requirements projected for at least 3 years.
- That a corporate plan exists identifying assets that are surplus to present and future requirements, and that a corporate investment plan exists to create new assets that will be required in the future.
- That a costed maintenance plan exists for the property asset base.
- The existence of a formal plan for the environmental management of property assets.

We agree broadly with the characteristics of best practice proposed and think they set a useful framework for improvement. However, they do presume a substantial asset management capacity and substantial investment in management information and review. This poses the question of whether these requirements are likely to be achieved by individual authorities on a self-standing basis or whether a collaborative shared capacity, approach would be more relevant. We explore this in the final section of the report.

The Report: Approach and Structure

This report aims to be useful and useable, and this has shaped its style and structure. We have assumed that:

- Most people are interested in the key issues identified and routes to improvement and development, not a protracted rehearsal of all the detail of all of the findings. For that reason, all of the data from the survey (appendices 1 - 3) and the detailed underlying work on development proposals (appendices 4 - 5) are placed on the Improvement Service website. This report focuses hard on issues and improvement.
- Duplication or replication of earlier work is unhelpful. For this reason, where issues arising from our work have been captured, addressed and resolved by previous work, we direct the reader to that. An 'essential reading' pack on asset management is also available on the Improvement Service website.
- Recommendations should be realistic. For this reason, recommendations are classified in order of priority and timescale. Priority is given to putting the basics in place for future world-class asset management to be possible. (For example, there is little point in recommending that all councils should have a corporate property asset management plan if the core information for such a plan to be meaningful and effective is not in place).

Chapter 1: Core Facts: An Overview of Findings

Volume and Value

The first, and obvious, finding is that councils deploy a very large property asset base to deliver services and outcomes for their communities. In total, councils deploy over 37,000 properties with over 21 million square metres of space to deliver their external and internal services. Of that total, councils directly own some 36,500 properties and 18 million square metres of space, and rent, lease or operate under contract for the rest.

Within that total, around 55% of properties (by number) were deployed in the direct delivery of services ('operational' in the jargon) and 45% were either under construction, held as investments or were surplus to requirements ('non-operational' in the jargon). In fact, these figures are misleading because approx 90% of property capacity (in square metre terms) is deployed to deliver service, and this is the same in property value terms. Properties not directly used to deliver services are a legitimate focus for attention, but they account for approx 10% of the council estate by capacity and value.

The second, and again unsurprising, finding is that councils have a very valuable property base, though how valuable and on what basis is more complex to establish. In book value terms, excluding housing, council properties have a total accounting value of over £12.5 billion but this is likely to be a substantial underestimation of the open market value that could be achieved. This is the case for three reasons:

- **First**, councils only periodically revalue property values (typically on a 5 year cycle) therefore at any point in time these values are out of date for the bulk of the asset base. The often substantial up-rating of values at revaluation supports this.
- **Second**, with the exception of non-operational property, council property is not valued in open market terms but in terms of continuation of current use. There are good accounting reasons for this but it means that the valuation in council accounts cannot be read as equivalent to market value.
- **Third**, property values are depreciated across fixed depreciation lives so that the costs of property consumption are spread across the useful life of the asset. This makes good accounting sense, subject to periodic revaluation, but again it means the values declared for accounting purposes are not equivalent to the realisable market value of council properties at any point in time.

The accounting approach adopted by councils is entirely in line with international and national guidance, and has a strong logic from an accounting perspective. However, whether other information on value would be important for proactive and effective asset management is a moot point and this is explored later. The aim is not to challenge the accounting framework but to explore whether the requirements of the accounting system are sufficient to support dynamic asset management and planning,

In value terms, around 90% of value lies in operational property, property supporting the delivery of council services and around 10% in non-operational property, property held for investment purposes

or surplus to service requirements. Although the surplus category accounts for under 4% of total value, for understandable reasons it has attracted substantial attention and comment. The key finding of this study is that over 85% of 'surplus' property is already phased into forward investment and development plans of councils, and therefore the sense in which it is 'surplus' as opposed to 'in phased deployment' needs considered.

The qualitative discussions that have taken place as part of this study suggest a number of good reasons why assets that are surplus to service requirement might be subject to **phased**, rather than **immediate**, disposal. These include:

- The potential for substantial growth in capital value, as a consequence of market conditions, through phased deployment. This would maximise the return the council achieves on its assets.
- The fact that other assets will become available in the foreseeable future which could be parcelled with existing assets to maximise returns.
- That the assets are being deployed as part of long-term development and regeneration strategies, and phased disposal optimises impact and outcome.

This raises questions of planning, performance and 'opportunity cost' (whether the cost of phased deployment is justified by the benefits, as against immediate disposal of the asset). The core point is that labelling assets that are formally part of investment, development or regeneration plans as 'surplus to requirements' may be confusing to those unfamiliar with public accounts: If the asset is essential to the delivery of planned outcomes, in what sense is it surplus? We explore ways of making current treatment clearer later in the report. As important, we explore ways to incentivise good asset management practice that maximises public and financial value through the accounting and performance framework.

The investment portfolio held by councils is also substantial, valued at over £1 billion. We struggled in the study to get accurate data on financial returns and capital growth in this portfolio and the current accounting framework does not directly link the costs and the benefits of the investment portfolio. Equally, with few exceptions, we could not identify routine and regular review of the opportunity cost of retaining value tied up in the investment portfolio against the other pressing investment requirements councils have. It is quite possible that both current financial return and capital growth are satisfactory, although this could usefully be part of a consolidated public statement of portfolio performance but the opportunity cost issue is more fundamental. Again, we explore this below.

If the property base is large and valuable, it also requires substantial current spending by councils. If all 'in year' costs are included; loan charges, maintenance and repair costs, energy costs, etc., the evidence of this study suggests an annual spend in 2006/07 of over £850 million. (Against that, councils generated £106 million through sale of assets, and generated current returns on property investment of over £48 million). Maintenance and repairs accounted for around 25% of total current spend, at just over £200 million. The major component of current cost of assets was loan charges which account for over 60% of current costs.

PPP's are clearly 'off the balance sheet' and indeed are somewhat ambiguous in asset management terms, being service contracts rather than strictly speaking lease arrangements. A limitation of this study, which focuses on councils own property assets and asset management, is that the relative

merits of PPP as a mechanism within public asset management cannot be explored. However, if the adoption of PPP has been driven by the limitation on councils investment capacity from other sources, improvement in the management of the existing asset base and optimisation of value in it may limit the need for PPP's in the future.

Asset Management and Planning Arrangements

At the time the survey was undertaken, 33% of councils had developed a corporate asset management plan and a further 50% were developing such a plan in the near future. Within the next year, therefore, the vast majority of councils will be compliant with the most recurrent recommendation of recent studies and good practice recommendations: They will have a corporate property asset management plan in place. Furthermore, over 50% have a corporate asset manager, another recurrent good practice recommendation. However, as neither a plan nor a designated management post makes any sense as ends in themselves, it is worth asking what difference this makes.

Of the councils who had a corporate asset management plan, 60% had not fully costed it, and 50% lacked a detailed implementation plan for delivery. Only 25% had a corporate asset management plan linked to service planning, and in only 20% did service plans specify the assets required for delivering planned service objectives and outcomes. In 40% of councils with corporate asset management plans, property assets were still seen as held by services, not the council corporately. Finally, less than 50% had reviewed their existing property portfolio against current and future requirements in the last 3 years. Issues of capacity and capacity utilisation, condition and suitability for current and future services requirements were often poorly documented.

These findings need put in proper perspective. **First**, 75% of councils with corporate asset management plans had only recently developed them (within the last 12 – 24 months). The survey documents a system in transition, and immaturity around new corporate approaches to asset management. Significant capacity and resourcing issues were identified in responses that reflect this early stage of development. **Second**, councils who have developed corporate asset management plans are, in general, more advanced in their information base and future focus than those who have not yet done so. Finally, the capacity and resources necessary to develop and deliver corporate asset management are limited, and competition for resources exists with other corporate developments (e.g. procurement) and with front-line services.

If corporate asset management has the two dimensions noted in the introduction (establishing the property requirements for cost effectively delivering corporate and services objectives and ensuring the councils property portfolio is planned and managed over time to meet these requirements) then fairly demanding information requirements follow. At minimum, the core data held on the asset base would need to include up to date information on:

- Suitability of current property for current and future purposes.
- Capacity and capacity utilisation: The sufficiency of property against future need or demand.
- The condition and projected 'life-cost' of assets being deployed.

- The value and replacement cost of properties deployed.
- The location and geographical distribution of current property against future demand patterns.
- This information is necessary for reviewing individual properties, and for reviewing and redeveloping the whole portfolio.

The evidence from the study is that, although some councils are well developed in terms of core information, the majority have much less than complete or consistent information on their property assets. For example, only one fifth of councils had surveyed the condition of at least 50% of their assets in the last 3 years, and 40% had surveyed less than a third. Less than 20% had examined and assessed the suitability of their property assets across the same period, and less than 30% of the total local authority asset base had been assessed from this point of view. Only 20% had recent 'measured building survey' data on the internal capacity and space utilisation of their property assets, and less than 10% had this in a digital format.

There are identifiable reasons for this. First, generating and maintaining reliable data on property is expensive and therefore needs to be set against other pressing service needs. Given the costs involved, the incentive to maintain complete and consistent information on property assets links directly to the likelihood that information will drive decision-making. Again, there is evidence from the study that resource constraints often break this link. For example, only 20% of councils meet the Joint Audit Bodies standard of 60%+ of their maintenance activities being on a 'planned' rather than 'reactive' basis. (Over 40% have more than 60% on a reactive basis.) This may reflect, and does indeed link to, investment in information. However, across all councils there are backlogs in planned maintenance, i.e. maintenance requirements that have been identified and quantified, and more than half the councils in the sample had at least one third of their backlog classified as 'urgent'. The problem here is not the quality of information but the ability to resource action on the basis of the information available. Improving information makes sense largely if it will drive action and this is not necessarily the case at present.

The final factor may be cultural. Given information costs, maintaining complete and consistent information across the whole property portfolio assumes that consistent corporate portfolio management is wanted. Despite the growing commitment to having corporate asset management plans, that is not clear from our data. The focus still appears to be on intensive information generation around particular major investment or dis-investment decisions, rather than on routine and recurrent portfolio management. We can find only very limited evidence of the kind of recurrent portfolio review recommended by the Joint Audit Bodies. Again, this almost certainly reflects a stage of development and a process of change.

At minimum, the evidence of this study is not supportive of a simple recommendation that councils should have a corporate property asset management plan. Rather it suggests that creating the core data set necessary for corporate planning and portfolio management would be the more sensible as short to medium term target. We are open to the view that putting a plan in place is the best way to drive more effective information management, but the data from this study is not wholly supportive. As noted, although on average councils with a corporate asset management are better informed about their portfolio than those without, the average disguises significant variation. The best councils without a corporate plan are better informed about their individual assets and portfolios than most of those who have a plan.

The same applies to having a designated 'corporate asset manager'. Discussions with such officers as part of this study suggests that grade, role, empowerment and reporting level vary significantly. This influences relationships with corporate and service managers and their ability to co-ordinate and lead the complex inputs to corporate asset management. Again, simply having such a designated post is much less interesting than clarity of purpose and role. **We accept that there will be an inevitable period of role making and negotiation around transition to corporate asset management but this is likely to be protracted if not supported by an authoritative definition of purpose and role.** It should also be noted that a range of titles and designations exist around Scotland's councils and it is the role, not the title, that matters in taking asset management forward.

We pursue the issues raised above in Chapter 2 below. The final issue to address in this overview is arrangements for performance management and governance. Insofar as property assets are part of the service chain of internal services and services to the public then a perfectly proper approach to their performance is within that service context: Their contribution to the efficiency, quality and effectiveness of particular services. However, this would require that the issues about cost, condition and suitability, sufficiency, etc and their measurement, noted above, are resolved. We would therefore still need the core data on property assets noted above.

On the evidence of the survey, performance management and governance are largely service led, but without the support of a complete and consistent data set. This means that detailed information tends to be developed around issues with particular property assets, often related to decisions about investment or dis-investment. These will feed into corporate decision making processes and reporting but cover only a small proportion of the asset base. The major exception here is the schools estate where investment has been made through the SEMP process in improving general information on the conditions, sufficiency and suitability of the school estate.

To some extent, this reflects the level of development of corporate property asset planning and portfolio management. What is hard to identify though the study is performance management and reporting based on portfolio performance, e.g. growth in financial value; minimisation of cost through optimisation of capacity utilisation; the suitability and sustainability of the portfolio; the projected maintenance cost and affordability of the portfolio, etc. Some of these issues are captured and reported through the capital planning/investment planning process but again this tends to be focussed around the exception – dis-investment or new investment – rather than the norm which is that properties are retained in use. Elected members in councils govern a property portfolio collectively valued at £12.5 billion excluding housing but it is not clear from the study that (a) clear performance expectations for that portfolio have been set or (b) that clear reporting of portfolio performance is provided to them. Under 20% of councils with a corporate asset management plan had clear performance targets in place for their estate.

It is clear also from the study that governance arrangements for property asset management are fragmented. A variety of committees, portfolio and executive arrangements have partial and selective responsibilities for parts of the asset base. The capital programme/Council investment plan is subject to much more corporate governance but this is largely focussed on what is to change rather than the whole existing estate. Indeed, against the clear process around investment and dis-investment decisions, the retention of assets in current use seems almost a non-decision in terms of corporate governance and scrutiny. In practice, however, much of a councils cost and value is tied up in the existing estate, and key issues like sufficiency are best addressed on a portfolio basis.

The core study was augmented by a sample survey of 25% of councils to examine the management of common good assets. The sample was designed to take account of variations in the scale and operating context (urban/rural) of councils. In summary, the evidence shows that councils are compliant with the legal framework and accounting guidance in their management of common good assets. They would be able to meet the requirements of the guidance that LASSAC has circulated. The more general point arising from the study is whether given (a) the drive towards corporate asset management and (b) the changed duties and powers of councils under the 2003 Act (Best Value, Community Planning and Power of Wellbeing), there is utility in continuing with a separation of the 'common good' and the councils asset base. This will be the subject of a separate report.

Finally, as noted above, there is a disjunction between Chief Executive perceptions of the range and quality of information on assets available to support decision making, and the evidence of the more detailed study. The resolution of this apparent contradiction may well be that corporate engagement with asset management (see Appendix 2) is disproportionately around change to the asset base and approval of expenditure. These are contexts where specific information is generated and/or collated to support decisions, i.e. information is produced on a 'need to know' basis. This is compatible with the other evidence that such information is not routinely available on assets which continue unchanged in their current use. The focus of decision support is on the exception (change) rather than the norm (continuance of current deployment). There is logic to such a selective approach, but it does not fit the requirements of whole portfolio review, as recommended by the Joint Audit Bodies, which requires consistent information across the asset base.

This links with other evidence of the study. Asset managers across Scotland's councils worked incredibly hard to co-ordinate information for us from a range of sources within councils. In other words, where data exists it is not fully integrated and easily retrievable. It appears that information retrieval and integration happens disproportionately around contexts of change (acquisition, disposal, capital planning, etc) rather than being routinely available. This is supported by the evidence that benchmarking between councils is restricted by inconsistencies of data availability and standardisation.

Conclusions

The evidence of this study is of a system in transition towards a much more explicitly corporate and systematic approach to property asset management. Many of the issues identified reflect this process of change and, indeed, it is likely that, irrespective of this study, these would be addressed and resolved over time. It is also worth noting that, even now, a number of Scottish councils accord fairly well with the ten characteristics of best practice suggested the UK audit bodies (e.g. West Lothian, East Renfrewshire, South Lanarkshire, Perth & Kinross) and others are very strong on particular elements (e.g. North Lanarkshire on portfolio review at area level; Fife in finding cost effective approaches to condition surveys).

It is fair to say, however, that a robust application of the framework proposed by the Joint Audit Bodies would be very challenging for most councils. There are significant issues about the core data available to support portfolio review and development over time, particularly achieving consistent and accessible information on conditions, suitability and capacity utilisation. There are issues about the extent to which the maintenance requirements of the asset base are fully costed and committed within forward financial plans. There are issues of how service and corporate planning feed into asset management planning. There are issues about how value within the non-operational portfolio is managed and realised. Overall, there are issues about whether the asset management capacity to deliver the above is in place.

Underlying these specific issues is a broader issue of the profile and priority attaching to the asset management, against the other priorities that councils need to fund and deliver. We are acutely aware that a study of any particular aspect of council operations tends to treat it in isolation and emphasise its specific importance. The problem is that there are so many studies and developments proposed that they are hard to assimilate and integrate. In what follows, we try to avoid the 'asset management is the new procurement' syndrome at the same time as emphasising the importance of how a major and fundamental resource is managed. In particular, like McLelland on procurement, capacity and empowerment for property asset management is an important issue.

However, it is important to be clear what the evidence of this study does not show. It does not show that councils are lax or casual in making decisions concerning change and development of the asset base. All of our evidence is that key decisions about investment and development of the property base are rigorous, well evidenced, and robustly scrutinised. The more accurate statement is that most councils do not yet have in place **complete** and **consistent** core data on their whole portfolio or a system of routine portfolio review in place. In terms of public accountability, the evidence is that councils are meticulous with respect to accounting guidance, and the standards required by S.O.R.P and FRS15. What is less well developed is a framework for assessing the performance of property assets and their contribution to business outcomes.

For this reason, our analysis, and recommendations for development and improvement focus on ensuring that short to medium term steps necessary to ensure longer term improvement are emphasised. We have also sought to make sure that development work has been done to make sure proposals are practical and cost effective.



Chapter 2: Developing Capacity

Introduction

As noted, development and improvement proposals have been made by a number of reports and studies across the last five years, most recently the report by the UK Audit Bodies on 'Value for money in corporate services'. We endorse the core recommendations of these previous reports: Corporate property asset planning based on a clear understanding of present and future requirements; based on robust review of the existing property portfolio in terms of condition, suitability, capacity utilisation, etc and bound by the disciplines of whole life costing. We also support the recommendation that this will require a resourced and empowered corporate asset management function. Finally, we support the practical recommendations of the SEMP initiative and the Joint Premises Project Board in Scotland that the above requires a consistent and reliable core data set. **These are taken as given in what follows.**

The simple point emerging from this study is that key elements of this are not yet in place. Few councils have complete and consistent core data on their asset base to support portfolio review. In most councils, service planning and property asset planning are not integrated. The evidence on maintenance and repairs does not indicate that whole life costing is fully embraced and funded. This is not a critique: Investment in property asset management has to be set against other priorities. The focus of the analysis below is, therefore, on practical steps to ensure the preconditions for corporate property asset management are in place.

This chapter looks at the developmental steps necessary to enable effective corporate property asset management planning to take place. This covers issues of leadership, capacity, information and system. The core text is supported by more detailed appendices. The subsequent chapter examines immediate steps councils can take to improve the efficiency and effectiveness of their property asset management. The final chapter summarises conclusions and recommendations.

Leadership of Corporate Asset Management

Leadership of corporate property asset management is critical. Reflection on what property asset management is and what it delivers are a useful starting point for considering where leadership should be located. At minimum, corporate property asset management is:

- Concerned with property as one of the **key factors of production** of quality services, and successful outcomes for individuals and communities. The **right** properties in the **right** place are as important as the right staff in the right place.
- Concerned with ensuring that property assets are used cost effectively to deliver service, corporate and partnership outcomes. This requires hard focus on capacity utilisation, cost minimisation and a willingness to look at new ways of satisfying property requirements including the emerging emphasis on co-location and multi use assets.
- Concerned with ensuring that **the value councils hold in property performs well** and that financial as well as public value is effectively managed. This means fully exploring the ways in which equity held in assets is exploited over time. At minimum, an asset base of around £12.5 billion needs regularly reviewed in terms of its opportunity cost. This particularly applies to 'non-operational' assets held as investments. It is also critical to secure the maximum returns on surplus assets at the point of disposal.

- Concerned to ensure that the disciplines in place around the management of other major corporate resources, e.g. finance, people, etc. also apply to the management of property assets. This includes robust planning, performance and governance arrangements but also the discipline of meeting the full costs of resources deployed over time. Just as staff cannot be employed without meeting their full cost in terms of pension, training, development, etc, it is equally necessary to meet the whole life costs of property assets in terms of planned maintenance, arising repairs, redevelopment, etc. The whole life costing disciplines associated with PPP schemes have not yet been consistently applied to other property assets and, in many cases, the core information necessary to do so is incomplete and outdated.
- Concerned with transparency and accountability in the governance of a large and valuable resource. This means having measures of asset performance in terms of capacity, utilisation, suitability, cost and value. Some aspects of asset performance will be properly decided and reported through the relevant service chain, e.g. the contribution of investment in the school estate to the educational opportunities available to children. However, given the scale and value of the property base, corporate governance of cost, capacity utilisation, suitability, etc across the whole asset base is also necessary. Again this will require consistent and up to date corporate information and reporting to elected members.

Two key points follow. **First**, executive leadership of asset management needs to be firmly located at corporate level, and the Chief Executive, supported by the management team of the council, are the most logical source of such leadership. Clearly a whole range of technical inputs and advice are part of the process, as with corporate financial planning and budgeting, but the corporate leadership needs to be provided at that level. The Chief Executive and the management team are the key interface with elected members, and their principle advisors, and therefore should take end responsibility for the corporate management of a key and expensive resource. As importantly, collectively they have responsibility for delivering the service and corporate outcomes the council has decided and that includes ensuring that the asset base necessary for delivery is in place. Finally, a key function of the corporate team is support members to reconcile and prioritise the competing demands of different services against the councils corporate priorities and its financial position. This is an essential discipline with respect to the creation, utilisation, maintenance and disposal of property assets as well.

The second key point is that if the Chief Executive and management team are to fulfil this leadership role, they will need a well developed system of support to do so. This will include:

- Consistent and reliable information on the property asset base on an integrated and accessible basis.
- Consistent and reliable asset planning support to review, rationalise and redevelop the corporate asset base over time in line with need and priorities.
- A framework that links asset management planning to service, corporate and financial planning.

The repeated recommendation of previous reviews and studies that councils should appoint a 'corporate property asset manager' is not wrong in principle, but it does run the risk of tokenism. Unless there is a developed capacity and system in place to support that manager, it is unclear how corporate support and advice could be adequately provided. The data returned by councils makes it

clear that very different structures and nomenclature surround asset management across Scotland's councils. 'Property services', 'estate services', 'estates management', 'asset management' and 'corporate asset management' are all used variably. The numbers specifically deployed to support corporate as opposed to operational property asset management are hard to identify and, on indicative evidence, may be limited.

The answer here is not to try and standardise configuration and nomenclature across 32 councils that vary radically in size, operating context and management structure. The answer is to put some definition around function and role. From the study, and substantial engagement with the relevant community, the following broad specification of a corporate property asset management function is suggested:

- It is an 'integrative' function with a key role of generating, integrating and analysing information on assets necessary for review, forward planning and prioritisation.
- It is an 'advisory' function that needs the capacity to support corporate managers to reconcile the asset requirements of service and corporate plans with the finance and resources available.
- It is a 'business partner' function that needs the capacity and skill to work with the primary services of the council to review the suitability, sufficiency condition and affordability of their current base against present and future needs.
- It is an 'innovative' function that needs the capacity to identify and develop new options for meeting asset requirements, and for mobilising capacity and value within the asset base.
- It is a 'challenge' function that needs the empowerment to ensure that councils optimise the use of assets and do not retain a property asset base they cannot maintain and sustain over time.

This is relatively close to the definition given by the Public Audit Forum and the Joint Audit Bodies. It is a demanding and strategically important remit but it is the minimum necessary to support the Chief Executive, and management team, to discharge their corporate responsibilities. If the necessary capacity and empowerment are not in place, it is unlikely such a remit could be fulfilled. As proposed, it is agnostic to pre-existing management arrangements and it is the delivery of the function, not the adoption of particular posts and designations that matters. **If corporate property asset management is to happen, it is critical to put some coherent definition on what it is.**

To sum up, our core proposal is that the **executive leadership** of corporate property asset management unambiguously lies with the Chief Executive, supported by the corporate management team. (This follows from their role as chief advisors to the council, and their corporate responsibility for ensuring best value in the delivery of the councils agreed service commitments and outcomes). Support for that leadership role should be provided by a resourced and empowered corporate property asset management function that **at minimum** fulfils the functions noted at paragraph 8 above. It would give profile if the job descriptions and accountabilities of Chief Executives included specific reference to this.

The related proposal is that councils review their current property asset management function against the functional template suggested (Para 8 above) to establish (a) how many staff they currently deploy on these functions and (b) how are they co-ordinated and managed at the present moment. The issues of co-ordination and capacity are closely connected. The Joint Audit Bodies suggest a high level indicator 'cost of the organisations estates management function per square metre and as a percentage of running costs'. The evidence of this study is that this is likely to be low against comparators rather than high. Function and capacity need examined together. It is likely, within any future audit framework, that capacity and co-ordination would be linked to output: Measures of estate quality and performance.

Frameworks for Corporate Property Asset Management

A range of guidance, templates and frameworks exist for corporate asset management. (The CIPFA guidance and framework was the most commonly followed across councils, possibly because of the authoritative status of CIPFA itself). The S.E.M.P. (Schools Estate Management Planning) process has also produced frameworks and guidance that are entirely adaptable to a broader corporate use. The RICS Public Sector Asset Management Guidelines, a Guide to Best Practice (Jan 2008) provides a recent guide to asset arrangements and provides some international comparators. A number of councils have procured property management information systems that provide templates and reporting frameworks. Despite differences in branding and presentation, these frameworks cover much the same ground, for obvious reasons.

The recent report by the combined UK audit bodies (including Audit Scotland) provides the basis for a distillation of the key elements necessary for corporate property asset management. These are:

- Portfolio review of the existing asset base against current and future needs in terms of condition, suitability, sufficiency and affordability.
- Options analysis to develop, rationalise or consolidate the asset base to ensure that future needs are met cost effectively.
- A costed plan to deliver the councils asset requirements, including the maintenance and management costs of assets deployed over time.
- A performance management framework to monitor and control implementation.

This whole process assumes that consistent and reliable information exists across the asset base to allow portfolio review to be factually based, and the evidence of this study is that this is often not available.

Core Information for Corporate Asset Management Planning

As was indicated above, a range of information is necessary for review and forward planning, and some of this is unproblematic and retrievable from council records. The evidence of the study was that this information is often incomplete, inconsistent and dated. As importantly, where it existed, it was often fragmented and held in different places for different purposes. The issues are therefore threefold: Generating, integrating and standardising core information. Development of proposals that have been tested with councils and the professional community are appended (Appendices 4 & 5) so only the major points of analysis and recommendations are discussed here.

Core Information: Condition

The standard way of defining and measuring condition of public property assets is the undertaking of full condition surveys to RICS standards and parameters, This generates detailed data on all major components and sub-components of the building (elemental analysis). This in turn is used to generate a summary assessment of conditions and maintenance requirements. Such full surveys are expensive: Around £1,500 to £1,800 is current market price for the average sized operational council

building and over £35 million per cycle across all 32 councils. The evidence of Treasury sponsored research by Coventry University was that the depth and detail of the full survey was infrequently understood or used, and often impeded action rather than prompted it. We also note that a number of councils that had procured asset management information systems a number of years ago had yet to fully populate them because of the **cost of generating the information**. The study also produced evidence that, because of this, building inspectors and property technicians were being used to do assessment of conditions through site visits, and this was more related to maintenance action than condition surveys. This may raise issues about consistency and depth of information. The answer may well be a 'screening' survey approach that provides the structure and consistency of a depth survey combined with greater use of in-house staff for onsite assessment to reduce costs.

Data on individual assets needs classified on a **consistent** basis to allow comparison and prioritisation between them, and substantial and useful work has been done through the S.E.M.P. process to develop a fourfold classification (A – D) of condition. This has sought to develop classificatory protocols that get beyond judgement and are based on objective criteria. Although this work was developed with respect to the school estate, it is absolutely extendable across the whole property asset base. As the purpose here is not just to generate information but to provide **decision support**, classification and presentation of data is critical.

Suitability

There is not a standard definition of 'suitability' and no **standard** framework for defining and assessing suitability has been established. Councils vary substantially in the degree to which they formally assess this at all, and approaches vary from purely qualitative assessment by service managers through to quite detailed proformas completed by the service manager with support from an asset manager. (Excellent examples were developed by Perth and Kinross and West Lothian councils) If a key aim is portfolio review and development, it is critical that 'suitability' is assessed on a consistent basis across the asset base.

From discussion as part of the study, 'suitability' can be considered along at least 4 dimensions:

- The degree to which a building permits efficient use of staff and other resources.
- The degree to which a building allows the achievement of appropriate service standards and quality, including the service user's experience.
- The degree to which the location of the asset is appropriate for current and future location of demand or is a cost effective location for its current use.
- The degree to which a building is compliant with regulatory and good practice expectations including health and safety, DDA, space and light standards, energy efficiency, etc.

From the experience of S.E.M.P. initiative, it will be important to **differentiate** suitability issues arising from the core design and fixed structure of a building from issues associated with aspects of current layout and space utilisation that can be more readily changed. On dimensions (i), (ii) and (iv) therefore it will be critical that assessment is jointly undertaken by experienced service managers and an experienced asset manager to give confidence in the result. It is not unreasonable to assume that a 4 point classification of suitability could be developed on the model of the classification of conditions developed through the S.E.M.P. process. The major difference is that substantial work needs done to agree consistent definitional protocols, assessment frameworks and methods.

Capacity and Capacity Utilisation

This is absolutely fundamental to assessing the performance of the asset base. It allows examination of what capacity exists for what purposes and how fully that capacity is utilised. It allows examination of whether the overall scale and cost of the asset base is justified, and whether it could be rationalised by more effective exploitation of capacity. Finally, it allows exploration of whether future need can be met by better exploitation of existing capacity rather than by creating new capacity. In short, it is critical to delivering both public value and value for money.

Given its importance, it is surprising that it is still lacking common definition and precise measurement. For example, the Joint Audit Bodies report proposed as a high level indicator 'total accommodation (square metres) per member of staff (FTE)'. A moment's reflection on schools, swimming pools, etc. and on the very different urban and rural operating contexts, shows what a broad brush and potentially misleading indicator this would be. If we are to be precise about capacity, we need to have data on distribution of internal capacity to customer use, staff use and flow areas (corridors, foyers, etc). We need also to consider the scale and use of land surrounding properties.

This data would typically be based on the output of a measured building survey but, as noted in Chapter 1, less than 20% of councils had up to date outputs on their assets. If we want to manage capacity well, we need detailed information. For example, reducing the total space per FTE staff member, the high level indicator above, could be achieved by closing schools and leisure centres rather than reducing staff office accommodation. A focussed approach to home working, hot desking, hotelling, etc needs to be able to isolate and reduce capacity consumed by staff, not customer areas. In fairness to the Joint Audit Bodies report, supporting measures looking at 'work stations per staff member', and 'average area per workstation' are included. This would require that capacity in spatial terms is broken down by use category.

The Cost of Asset Utilisation

Condition, suitability and capacity relate to measurement of asset costs and cost effectiveness. Costs are typically expressed in very aggregate terms: 'Total property occupancy (revenue) costs per square metre'. As a straight attribution of cost this is fine but in management and improvement terms it needs linked to the other data. Properties with low unit cost may be poorly maintained and in poor condition, or old and unsuitable for present purpose. As importantly, it would be useful to differentiate costs per square metre of staff space, and costs per square metre of customer space.

The issue of cost is not simply a current one but a 'whole life' issue. Current cost may be low precisely because necessary maintenance is not being undertaken, and higher costs are being stacked up for the future. Conditions analysis should yield this data. (The P.I.'s proposed by the Joint Audit Bodies include a control on this: 'Total property maintenance backlog as a percentage of annual maintenance spend'.) West Lothian council have, uniquely for Scotland, forecast the 10 year cost of maintaining their current asset base in use, and the potential costs are formidable. However, the affordability of the asset base over time is a key question in portfolio review and the key rule of thumb must be 'don't retain what you cannot maintain'.

Developing the Core Data Set

Substantial investment has already been made in trying to get a consistent approach to core data for property asset management. The 'core facts' framework generated by the S.E.M.P. initiative is a good example of trying to generate the core data for portfolio review of the schools estate. A key focus of that initiative has been to try and achieve **consistency** as well as **completeness** of core data.

Substantial effort has gone into developing a four flow (A – D) classification of the condition of schools to enable valid comparison within and between councils (it has also provided additional funding to councils to allow core data to be generated). Individual councils have also made efforts on greater standardisation of definitions and measurement of conditions, capacity and suitability (e.g. West Lothian, Perth and Kinross, South Lanarkshire). The Joint Premises Project Board has also proposed a core data set.

If the end aim is effective corporate property planning based on robust portfolio review, 3 C's are critical: Consistency, completeness and comparability. The first two are essential for comparability, and comparability across the asset base is essential for portfolio review. Three development stages are necessary to achieve this:

- Developing and agreeing definitions, measurement and classification of core data.
- Generating data within that framework.
- Integrating data in a way that supports corporate decision making.

The clear proposal is that the above should be pursued on a collaborative basis. This is for three reasons. **First**, the capacity to undertake this volume of work in each of the 32 councils, some with very limited in-house resources, is questionable. Equally however, small councils have limited financial capacity to outsource such work. (It is worth noting that limited capacity and resources within councils was identified in the survey as the major constraint on developing corporate property asset management). **Second**, the clear advantage of a shared approach is it creates the opportunity for benchmarking on a consistent basis thereafter. This will allow much better sharing of practice, issues and opportunities.

The final reason is the strong commitment expressed by councils to collaboration in asset management with other public sector partners, and the possible proposals for integrated asset management 'hubs' to provide collective capacity from the Joint Premises Board. In developing definitions, measurement and classifications of core data, it is critically important we do not end up with a multiplicity of systems that make it harder to work together rather than easier. (For example, the Joint Premises Board propose a five point classification of conditions, as opposed to the four point classification adopted within the Schools Estate Management Plan (S.E.M.P.) initiative.) Multiplied by variations between councils, and between them and other public agencies, this runs the risk of becoming simply confusing. We think a collaborative approach across the public sector, **at minimum** for developing definition; measurement and classification of core data, would be useful to enable subsequent collaborative work.

Establishing Definition, Measurement and Classification

As noted, a number of collaborative initiatives and individual organisations have sought to develop a core data set framework. A concurrent review of asset management is currently ongoing in the Scottish Government and it is likely to highlight issues similar to those identified in this study. Finally, Audit Scotland is reviewing corporate property asset management and is likely to make recommendations that require or assume consistency around a core data set. Given the outcomes and the issues are common, a co-ordinated and collaborative approach to definition, measurement and classification of core data is sensible. The issue here is not what type of data is necessary: That is broadly agreed (see Appendix 4). The real issue is about the precise definition, measurement and classification of data.

The most obvious proposal would be that COSLA, on behalf of councils, initiates discussions with the Scottish Government and Audit Scotland to establish a short life working group to review work already undertaken and to make **authoritative** recommendations about the definition, measurement and classification of core data. Consideration should also be given to cost and feasibility issues, i.e. core data requirements should not be so demanding that they cannot be fulfilled. (The ideal should not drive out the good.) An authoritative definition of requirements would provide clarity and direction in a way that multiple definitions from multiple initiatives cannot. Much of the spade work has been done: It needs consolidated and authorised.

Creating the Core Data

Some core data is already well established (address, title, value, service/functional use) and can be retrieved from existing records. The key focus is likely to be on condition, suitability and capacity/capacity utilisation data and value data. The study indicates that the **cost** of the generating information through conditions surveys, measured building surveys, and suitability assessments is one of the major obstacles to complete and consistent data. The utility of full and detailed surveys has also been questioned. The University of Coventry study on the utility of full conditions surveys concluded that many surveys were 'too complex and so comprehensive in the amount of detail collected that they were self defeating. Many commissioned surveys actually inhibited the formation of workable maintenance programmes'.

Ways of simplifying and taking cost out of the assessment of condition, suitability and capacity have been a focus of this study. Fuller details of a proposed approach are given (see Appendix 4) but in summary the proposal is that:

- A 'screening' survey approach be adopted that uses full surveys on an **exception** basis, rather than as the **norm**.
- A 'comprehensive survey template' is created to allow collection of condition, suitability and capacity data on the same visit using direct on-site input of data into a common template.
- That framework contracts are put in place to allow external support for this to be sourced cost effectively where in-house capacity is insufficient. Even allowing for training, quality assurance, etc. such an approach has the potential to reduce the cost of data collection by over 50% against conventional methods.

The proposal requires substantial further testing and development but was supported in consultation with council asset managers. **The core is a 'screening' survey approach plus direct on-site input of data into a standard survey template.** There needs to be an iterative process between the development of this proposal and the setting of protocols for definition, measurement and classification for core data. Indeed, the former might be seen as a workstream within the latter.

Integration and Decision Support

The purpose of all of the above is to **support decision making**, not to generate information for its own sake. The integration of data in a comparable form is essential to that. For example, if properties were ranked on a common 4 or 5 point scale (very good – very poor) against condition, suitability, capacity utilisation and projected maintenance costs, then corporate decision makers can rapidly profile individual assets and portfolios (e.g. service portfolios or geographical area portfolios). In particular, such information would give elected members a much stronger basis for decision making and scrutiny than they have at present. They could, for example, set targets for improved capacity utilisation, or rationalisation, on the basis of internal and external benchmarking. It would also allow targeting of property that needs taken out of stock because of poor condition, poor suitability or poor capacity utilisation combined with high projected costs. The specification of such an integrated decision support system is provided (Appendix 5).

There are examples of this in practice. Perth and Kinross have adopted a standard classification for asset management information in a standard format to support decision makers. Herefordshire has adopted a traffic lights system to direct decision makers to parts of the portfolio that need attention. The Joint Premises Board has proposed a five fold classification across all variables. The key points are to ensure that data is consistently classified (truly comparable) and, as important, are easily accessible on a common system.

Conclusions

The creation of a core data set that supports benchmarking internally and externally, and that facilitates future collaborative working, would sensibly be a collaborative initiative. As the information requirements of corporate property asset management are common, it makes little sense to do this x 32, or x 64 or x 100 within the across the public sector.

The proposal for a national working group to lead this development is simply practical. Previous initiatives have dealt with specific services or joint developments in isolation: A more holistic and systematic approach is now necessary. It will also force a realistic assessment of the timescales and costs of putting corporate property asset management information on a consistent footing.

It is important to emphasise what is not being proposed. The proposal gives emphasis to benchmarking **not** league tables. (For example, it is evident from the study that asset consumption in rural and remote rural Scotland is quite different than in urban Scotland.) All the proposal would do is to create a consistent basis for benchmarking between similar authorities: The choice of benchmarking partners would be for the organisations involved. Equally, the end policy and decision making lies with individual councils: All the proposal would do, if implemented, would be to provide better information to support that.

Integrating Corporate Asset Management Planning

The core data set proposal will allow review, assessment and planning for the corporate property portfolio on a consistent basis. This provides one key element of effective property asset management. The second element is the ability to accurately estimate current and future property requirements. This depends on the ability of the councils services (internal as well as services to the public) to specify the asset requirements for delivering their service plans. Although significant work has been done by councils to link service and corporate planning, and to link service planning to financial planning and budgeting, the evidence of the study is that service plans rarely specify the assets necessary for their own delivery. In the absence of this, there is a danger of a disjunction emerging between corporate asset management and the service requirements it is intended to support.

More effective work with services on 'suitability' and 'capacity utilisation' will potentially mitigate this and the evidence of the study is that often good business partnership exists between asset management and service management. However, as CIPFA guidance has emphasised, it is important for service managers and elected members to understand and budget for the financial implications of service plans. Some of these relate to the property requirements of the plan and the costs of meeting these requirements. It is important that these are explicit and open to scrutiny.

CIPFA has issued very useful guidance on service planning, and how it can be linked more effectively to financial planning and budgeting. They have provided separate guidance on asset management. Through discussion with the Directors of Finance and CIPFA, it is clear it would be useful to have integrated guidance that provides a framework for linking service planning, asset planning and financial planning. The IS have agreed to support the Directors of Finance in getting this work undertaken.

Performance and Governance

Taken together the core data set and a better integrated planning framework would provide the basis for the three major elements of corporate asset planning: Portfolio review, planning for future asset requirements and costed planning for the maintenance and upkeep of the asset base over time. This would also provide the basis for more effective corporate governance, performance management and scrutiny. Elected members already approve councils capital programmes, and revenue budgets for maintenance and repair, but in many cases they do so in the absence of reliable and consistent data on the state and performance of the asset base, (e.g. the whole life cost of the assets currently deployed or the level of capacity utilisation actually being achieved). Equally, in many cases, they approve service plans without a detailed statement of the assets necessary for their delivery and of the costs associated with these assets. The degree to which the current, and planned asset base, is a cost effective basis for delivering the key outcomes they want to achieve would currently be hard to assess.

A corporate asset management plan developed on the above basis would be approved by council. Although the plan would have a long term time horizon, it would potentially yield an annual asset management plan in the same way as 3 year financial planning feeds into annual budgeting. Such a plan would contain performance targets. Some of these would be operational (planned maintenance targets for delivery and cost); some of these would be improvement targets (% reduction in the number of assets unsuitable or very unsuitable for current use) and some would be efficiency targets (% improvements in capacity utilisation in staff accommodation). In the absence of consistent core data, it is very difficult to set and monitor targets at all.

The creation of an appropriate plan and targets will be made easier if consistency in core data between councils and other public bodies enables benchmarking with similar partners, as well as across the council. Comparability and comparison are key mechanisms for performance assessment and improvement. An annual corporate report on asset performance against plan and against comparators, would allow members to interrogate and scrutinise asset management more effectively. The core data set proposed can provide a baseline profile and be combined to generate a range of improvement measures against that baseline (quality of assets; condition of asset; level of capacity utilisation).

A key task in corporate governance is to set clear outcome requirements and to ensure they are delivered. Setting corporate property management in this context will allow the contribution of property asset management to outcomes to be more clearly assessed (e.g. does improved property in terms of suitability or condition actually improve outcomes and user satisfaction; does enhanced capacity utilisation impact on service quality?) As importantly, corporate governance is about ensuring risk is identified and managed, and the state of property is an important factor in risk (health and safety; business continuity; reputation).

The final key element of corporate governance is to reconcile desired outcomes with resources available, i.e. to determine priorities. This applies to property assets as well and affordability is a key issue. The core data set and projected service requirements will enable elected members to address this on an informed basis. It will focus difficult issues particularly around scale of the asset base, quality of asset base, the whole life costs of the asset base and affordability. At present, the evidence is that councils are often deploying a larger property asset base than they can maintain. Better core data and more accurate estimates of service requirements will not resolve this, but it will allow it to be quantified. The resolution is clear setting of priorities by elected members.

Chapter 3: Short Term Steps

Introduction

The previous chapter has looked at the developmental steps necessary to create the basis for a fully corporate property asset management. This chapter looks at more immediate opportunities for improving the efficiency, effectiveness and accountability of councils management of their property estate. One obvious focus, given other pressures, is the non-operational estate, i.e. the estate that does not directly support the delivery of services. This includes “surplus” assets and assets held as investments by the council.

A second focus would be on incentivising more efficient use of capacity across the property estate, and disincentivising inefficient use. A variety of mechanisms can be identified to do that from the study that are worth broader consideration. Potentially, a hard focus on capacity will drive issues of the degree to which suitability and condition limit the full use of capacity, but may also flag up issues of business practice and process.

Finally, though most of the councils surveyed have developed approaches to home working, hot desking, etc. the impact on capacity and capacity utilisation could not be identified. This suggests a need to more effectively link between business change and modernisation programmes and corporate property planning. These are examined in turn below.

The Non-Operational Portfolio

As noted in the overview of the findings, councils held around £490 million of surplus assets, and investment property worth over £1 billion in open market value. Although under 10% of the overall property value held by councils, it has attracted substantial attention: Partly because of the scale of the estate not devoted to service purposes and partly because the ‘surplus’ category has created the strong impression that councils were stock piling redundant property, rather than actively managing it down through disposal or redeployment. The study indicates that this is not wholly accurate, but the scale and value of the surplus and investment portfolios make them worth robust review.

Surplus Assets

There is no developed **technical** definition of ‘surplus’ for accounting purposes, and the guidance on the preparation of accounts simply states that they are surplus to service delivery requirements. The total value of the surplus recorded in Scotland grew substantially over two years to £490 million in 2006/07, but the evidence of our study was that 85% of that surplus by value was committed as part of forward capital or investment plans. In some cases, this may mean as little as all surplus assets being attributed to forward investment programmes, but in many it did reflect a conscious decision to phase the disposal of the asset to gain advantage.

Advantages, as noted, include capital growth, selling in more favourable market circumstances or the ability to parcel the asset with others to maximise financial or social returns. A higher than average surplus is not necessarily a sign of poor asset management for two reasons:

An authority engaged hard in corporately reviewing and rationalising its asset base is likely, by being proactive, to identify more assets as surplus to service requirements than one that waits for them to be declared surplus by services. High surplus may be a measure of engagement, not negligence.

As importantly, an authority that phases assets into an investment and disposal plan over time to optimise capital growth, or to allow 'parcelling' with other assets to enhance market interest and value, is engaged in good asset management practice: They are seeking to maximise returns. Unfortunately, on the current classification, this will make the apparent 'surplus' grow and the authority will look inefficient. In contrast, an authority that disposes of assets quickly but fails to maximise returns, will look efficient despite a poor asset management approach.

The asset management case for phased disposal of assets can be compelling, particularly where markets are exhibiting strong year on year value growth. It also prevents market saturation and diminished return through over disposal at any point in time. It allows capital growth to be captured in rising markets prior to disposal, and it allows the disposal of assets to be phased against the requirements of forward investment plans. All of this is simply competence in asset management. The indicative evidence of this study is that the majority of councils are phasing disposal as part of investment planning.

Under these circumstances, the current accounting convention does not necessarily reflect the asset management practice. For internal management and governance purposes, it will be useful to differentiate:

- Assets that are surplus to both service and plan requirements and therefore for **immediate disposal**.
- Assets for phased disposal in support of the forward investment plan. These might properly be classified as part of the 'investment portfolio' as the case for phased disposal is necessarily an investment case (i.e. greater returns than from immediate disposal),
- Assets for phased disposal in support of economic and development regeneration strategy objectives. They are deployed to achieve **substantive**, not **financial**, objectives of the council. The evidence is that a substantial timescale is often involved in creating the conditions, including planning conditions, for major developments.

This proposal runs the risk of being seen to change nothing substantive and merely provide a more presentable classification. This should not be the case and the classification needs to be based on clear performance expectations. At minimum:

- Assets classified as 'surplus' for immediate disposal should have a disposal plan that sets timescales, options for disposal and expected yield from the disposal of the asset. This sets a framework for monitoring performance in process and outcome terms.
- Where assets are for phased disposal in support of forward investment programmes, a clear statement of performance expectations in terms of capital growth and value maximisation should exist, against evidence of what the asset would yield on immediate disposal. The opportunity cost of phased disposal has to be related to investment gain.

- Assets for phased disposal in support of economic, development and regeneration strategies need to be judged within the performance framework set for these strategies themselves. These are likely to include timescales, costs, economic and social benefits.

This approach needs robustly performance managed. Assets for immediate disposal need a disposal plan based on assessment of current market condition and value. If the property requires modification to be marketable that should be costed and timetabled, and the overall plan should be SMART. Critically it should be signed off by the responsible officer and by agents where they are used. Property that could not be successfully marketed in its current form under current market conditions, or that requires substantial investment to be marketable, needs careful consideration (e.g. is the scale of investment justified by the likely return? How long is the timescale between investment and return, etc.)? The potential of joint venture partnership to get such property redeveloped and to market deserves serious consideration, particularly given the risk that the council end up with a surplus liability, rather than a surplus asset.

If assets are for phased disposal, the baseline should be demonstration that the opportunity cost of phasing is worth carrying. In essence, an evidenced case needs to exist for the benefits of phased disposal in terms of the rate of return, social or financial, that the council will achieve. If the argument for phased disposal is market conditions or capital growth or ability to parcel with other assets, then in essence it is a financial investment case: The opportunity cost of retention for a period of time is justified by the enhanced sale value that will be achieved. This then sets the performance targets for disposal of the asset, and the relevant officers should be accountable for that target.

This approach potentially accords better with good asset management practice in that it is focussed on value maximisation, rather than simply quick disposal. It is clear that the CIPFA guidance notes on the preparation of accounts requires the current approach councils adopt, but it is not required by the prevailing standards in S.O.R.P. or FRS15. A potential way forward here is to **maintain existing accounting practice** but to attach an explanatory note to clarify the quantity for **immediate and phased** disposal. As long as appropriate performance management is in place, this would promote greater transparency and accountability.

The Investment Portfolio

The investment property portfolio that councils hold is currently valued in open market terms at over £1 billion: It includes industrial units, business estates, shops, farms and office units. The rationale for the initial development of such assets has tended to be economic development and regeneration, often with a focus on mitigating local market failure in the supply of such assets at the point in time they were created. Clearly, once the assets are created, that rationale is fulfilled and, where a market for such assets exists, there is at least a question of whether the opportunity cost of continued ownership is worth carrying.

Classifying these as 'investment' assets implies a performance framework. **At minimum, such assets would have to offer a combination of income stream, and capital growth equivalent or better than alternative investments a council could make.** This assumes the issue is simply one of the relative merits of different investments but there are other issues to consider. If councils are constrained in making necessary investments in the asset base of essential services, or have to take on demanding

long-term revenue commitments to do so, why retain property investments in a lower priority area where alternative owners/landlords could be found. The issue here is centrally about opportunity cost.

The opportunity cost of disposing of investment assets is the loss of income and capital growth they would yield over time. The opportunity cost of retention is the limitation of investment capital and/or costs of securing essential assets that follows from leaving capital tied up in this way. A problem with the current accounting framework is that the cost and benefits of investment assets are not linked, and returns in terms of income and capital growth are not linked to the costs and opportunity costs of ownership. Because our returns are limited on this matter, it is unclear the extent to which the scale and composition of the investment portfolio is routinely reviewed, and how performance targets are set and monitored within that portfolio.

Given our proposal that some assets classified as 'surplus' should more appropriately be seen as part of the investment portfolio, it is critical that the performance of such assets should be monitored. Three proposals are relevant.

- **First**, the income and capital growth of such assets should be annually monitored and benchmarked against returns achievable from other investment opportunities.
- **Second**, the continuing policy need for council ownership and management of these assets should be recurrently reviewed against changing conditions.
- **Third**, the whole portfolio, and individual assets within it, should be reviewed on a 3 year cycle to establish whether the opportunity cost of ownership is worthy carrying, given other council priorities and the investment pressures faced. Our evidence does not suggest this is happening routinely at present, although such review would seem simple good practice given an investment portfolio on this scale.

The limited evidence of this study is that the income yields of the investment portfolio are relatively low (5% - 7%) and, from discussions with councils, a reason for retention was simply that the income stream was now assumed in service budgets, i.e. the income stream **being there** was the important criterion, not **return on investment**. We could not achieve any accurate estimates of capital growth across the portfolio so we are in no position to assess overall performance in terms of yield and growth.

Overall, the non-operational portfolio warrants a hard focus in the short to medium term. By definition, it is that part of the corporate portfolio that is **not necessary** for delivering the core public business of the council. It will inevitably be a focus of media, political and, potentially, audit attention for that reason. Value maximisation through immediate and phased disposal needs robustly managed and accounted for reputational and practical reasons. Given current pressures, the opportunity cost of investment portfolio needs recurrently scrutinised on commercial and social grounds.

Achieving Better Capacity Utilisation

The overall cost of the property asset base to a council is a function of its scale and condition. Some of this is driven by population size and distribution, and some of it is driven by policy and values. It is important to clearly distinguish underutilisation of capacity that is a function of explicit policy choice from underutilisation that results in poor asset management. Asset management is there to support policy and priorities decided by the council.

For example, the decision to maintain low occupancy rural schools in operation is most typically based on a concern for the rights of young children (to be educated in their own community and not to face excessive journey times) and concern to maintain the viability of remote or fragile communities. Property asset management can establish the property issues and costs associated with such decision but its role is to support delivery council policy. The asset management role may be to explore the extent to which surplus capacity could be configured to accommodate other services (Police, Child Health Clinics, Community care, Voluntary Organisations) and to enhance access to services for the community. The core point is that the proper pursuit of efficiency in the exploitation of property assets needs to be undertaken in the context of the outcomes and service quality the council wishes to achieve.

Asset Charging

The issue of how to incentivise services to minimise property consumption by maximising capacity utilisation has been much discussed. In theory, asset charging has been argued to be the way forward but this has very tight preconditions. **First**, the incentive only works **even in theory** if the service gains in a material way from reducing its property consumption. **Second**, therefore, it only works if property consumption is not fully compensated through the budgetary process. The evidence of the study is that capital receipts generated by reduced property consumption would be deemed to be a corporate resource and, in most councils, revenue gains would be seen as part of **corporate** efficiency targets. Quite properly, capital and revenue gains would be allocated against corporate, not individual service, priorities.

The evidence on compensation for asset costs is more varied. A small number of councils (5) indicated that asset costs were not fully compensated, although the majority would be built into budget allocations. This is also complicated by the fact that in many councils repairs and maintenance budgets are either corporately managed against property need, or historically driven rather than based on actual property need. There is also the fairly obvious point that if the council has approved the use of assets by services, it is very odd not to then fully budget for the costs of that. The data is not consistent enough to explore the impact of full compensation or partial compensation on property consumption.

There are two directions of travel possible here. **First**, the council corporately is viewed as a landlord providing assets, and the services as tenants who pay for use. This would only make sense if the service tenant is empowered to rent the asset or not and, if not, to keep their money. **Second**, and more realistically, the council and the services are not seen as separate, like landlord and tenant, but are a single corporate entity and it is the duty of the council corporately to accurately cost and fund its service activities. The latter is legally the position, and the danger of the separation view is that it makes corporacy in property management harder rather than easier. Our conclusion is that it is very questionable whether a fully fledged system of asset rentals is practically, legally and politically feasible or desirable.

This does not mean that full charge out or notional rentals are not desirable, as long as funded. **First**, they raise awareness of the cost and the opportunity cost of property and of its impact on the cost structure of services. **Second**, they allow internal benchmarking and corporate scrutiny on that basis. **Third**, in service areas which face issues of competitiveness, and actual competition, they force reflection on the impact of property consumption on cost structure, and encourage consideration of

alternative business models. **Finally**, they enable elected members to scrutinise and challenge the scale of property costs within service, departmental and corporate cost structures.

One possible focus would be within the efficiency regimes that councils currently operate. Most of these operate on setting percentage efficiency gain targets which departments and services must deliver (2%, 3%, etc). It is quite possible to require that a proportion of these targets must be met by improved use of property (e.g. reducing property consumption while maintaining service levels and quality or accommodating more staff in the same accommodation). UK Governments have set overall targets, and mandatory sub-targets, for efficiency improvement since the 1980's and such a regime would significantly increase focus on efficiency in property consumption.

Corporate Scrutiny and Challenge

The proposal above is in essence for greater corporate scrutiny and challenge of property utilisation. The study, particularly the follow up discussions with councils, suggests a number of opportunities and mechanisms. The first is a simple but potent approach that has been adopted by North Lanarkshire council. The management team is examining the council's property portfolio on an area by area basis. This usefully drives the collation of existing data to support this but, more importantly, also allows interrogation of:

- The number of services with property bases in the area and options for co-location of services.
- The number of properties for community use in the area and options for reconfiguration, integration or rationalisation.
- The actual use of property within the area in terms of occupancy, hours of opening, etc.

This approach allows evidence to be co-ordinated around a practical purpose, and judgements to be made about capacity utilisation within and between services. This in turn allows the identification of opportunities for rationalisation and consolidation of the area property base and its management (more extensive co-location of council services; better co-ordination across services in making meeting space available to the community, etc). This approach will be strengthened when the National Property Gazetteer becomes fully available in Spring 2008. This will allow profiling of all public property in an area, not just the councils holdings, as well as civic society property (churches, charities, etc). This makes possible a more collaborative approach to area review of property and property utilisation, and creates the potential for more effective capacity utilisation across the public sector and with the third sector.

A key strength of asset management at present is the extent of co-investment and co-location initiatives that are now happening across Scotland. Much of this is focussed on new developments made possible by sharing costs and sharing capacity. It also offers far better service access to the public. If the aims are improved service access and efficient property utilisation, it is important to look at existing assets not simply new ones. One simple way forward would be to require that where a new accommodation need arises:

- The requirement **must** be screened against existing council properties to see whether it can be accommodated and;
- The requirement **must** be screened against public partners property opportunities (Police, Health, etc) to see whether it can be accommodated.

No proposal for lease, new build, etc could go forward without both elements of screening being undertaken. This would clearly be made easier by central registers of accommodation and space allocation. These exist within many councils but are not integrated with partners. Co-ordination or integration of systems would allow a two directional flow between councils and their partners.

A final approach worthy of consideration is that being developed in West Lothian council of using existing information to project the ten year cost of the existing asset base. That cost, capital and revenue, then needs to be phased and budgeted for by the council across the period. In essence, this translates the discipline of whole life costing into a meaningful time horizon. If that cost is realistically unaffordable against other commitments and priorities then the challenge is to rationalise property consumption to a level that is affordable.

The merit of this approach is that (a) it drives generation and integration of core data for decision making and (b) it forces attention on to the affordability and sustainability of current asset consumption. Making 'whole life', or at least long term costing, a corporate discipline is a potent vehicle for driving up capacity utilisation and efficiency in property consumption. It is highly likely that this discipline will be a future audit expectation, particularly with respect to Best Value.

Integrating Business Change and Asset Management

Finally, the study throws up one anomalous result. Almost all councils have developed home-working and hot-desking schemes but in 90% of cases these have no identifiable impact on asset consumption. At minimum, this suggests that business change programmes and corporate asset management are not always fully integrated. This is of critical importance as the business models services use are a major driver of property consumption, and major change programmes (e-government, shared services, etc) have potentially large implications for future property requirements.

One of the issues here is that asset managers have no direct say in the business models services adopt, and are frequently not built in to the design and delivery of business change programmes. Our view would be that this creates an unhelpful dislocation of functions and expertise. For example, many councils are exploring the potential of remote telephony as a basis for improving service speed and quality. This would allow case workers to input assessment and service need data on-site in the customers home. In other words, they take their office with them, rather than return to the office between cases to record case management data. This in turn allows review of whether a distributed network of office bases is any longer necessary. Given the possibility that fewer bases plus better supported remote working is a better option, the presence of an asset manager to look at potential property savings and opportunities, and bring knowledge of similar experience elsewhere, would enable much better informed business redesign to take place.

It was proposed above that a key part of the function of corporate asset management is to provide business partner support to services, part of which is a challenge function. A number of councils are organised this way at present. For that to be effective, asset management expertise needs to be present corporately in 'business change' or 'innovation' units to contribute and capture asset management gains. Equally, it should be available to support and challenge business redesign exercises within services.

Conclusions

All of the above will be easier when a full core data set is available on a consistent and accessible basis for all assets. However, there are substantial short term opportunities for improving asset management. A very hard focus on the non-operational estate is necessary, partly on reputational grounds. This needs supported by creating drivers for improved capacity utilisation in the operational estate and a number of options can be identified for doing this. It should be noted that these are all opportunities arising out of the research, i.e. are already being practised by some Scottish councils.

Chapter 4 : Conclusion and Recommendations

There are substantial strengths in current property asset management arrangements in Scotland's councils. The majority of councils either have or are moving towards a corporate property asset management framework. Change to the property asset base is well supported and corporately scrutinised (disinvestment or investment decisions). The accounting for property assets is entirely in line with guidance and standards, and of a high quality. Finally, most councils are committed to a collaborative approach to the provision and use of property assets, and a wide range of examples of co-investment and co-location now exist.

Areas for development are equally apparent from the study. Few councils would presently be able to meet the requirements of fully corporate asset management; full review of the current portfolio; accurate projection by services of future asset requirements; long term, costed maintenance planning for the property base, and a robust corporate governance framework.

To get to that position, capacity needs developed further with respect to : corporate leadership; an empowered and resourced corporate property asset management function; the creation of complete and consistent core data on a basis that supports internal and external benchmarking **and** the integrated presentation of property data to support decision making and scrutiny.

Collaboration with other councils, and with public sector partners, was strongly emphasised in the study, particularly in the Chief Executives responses. It seems sensible that a development programme for corporate property asset management would be on that basis as well to ensure commonality in how property data is generated to support joint, as well as council, decision making. Equally, work on taking cost out of collecting core data, work on the proposed "comprehensive survey" template, and work on developing a simple decision support system would usefully be done on a **shared** capacity basis.

Finally, the study suggests that the present capacity for achieving the above needs reviewed both in terms of whether the numbers are sufficient, and in terms of whether functions that are integral to corporate property asset management are sufficiently integrated. Two related developments will support this. **First** the National Shared Services diagnostic project, in which 29 councils are participating, is precisely focused on the capacity and configuration of business support functions, including asset management. The data from this project will be invaluable in developing corporate asset management.

Second, the Public Service Improvement Framework (P.S.I.F) is designed to provide a rigorous framework for self assessment and improvement at service level. It is based on the E.F.Q.M quality model and is linked to charter mark and IIP accreditation. It would provide a framework for examining leadership capacity and process in corporate asset management, and identifying improvement opportunities, including shared services options. This might include the "hub" proposal from the joint premises project board.

Key Recommendations

That all councils should move to having a corporate property asset management plan that is based on portfolio review and projection of future asset requirements. This should be linked to a clear investment and disinvestment programme to ensure that future needs can be met, and a fully costed maintenance plan for all property assets in use.

That the executive leadership of corporate property asset planning should lie with the Chief Executive supported by the councils management team. The formal accountabilities of the CEO should include ensuring best value in the use of the councils property base to deliver services and outcomes.

That the CEO, and the management team, are supported by a properly resourced and empowered corporate asset management service that fulfils the functions noted. (See page 17).

That councils should review current capacity, process, and co-ordination of these functions to ensure they are fit for purpose. In doing so, they should draw upon the opportunity created by the National Shared Services diagnostic, and draw upon rigorous self assessment tools including P.S.I.F. and other E.F.Q.M. based approaches.

That councils move towards having a core data set in place that provides complete and consistent information on condition, suitability, sufficiency (capacity and capacity utilisation) and cost across the whole property base. This should be developed collaboratively to maximise the potential for benchmarking between councils, and with partners.

That to help achieve this, Cosla should initiate discussions with the Scottish Government and Audit Scotland to establish a national working group to ensure common definition, measurement and classification of core data. This should draw on work done already by individual organisations and initiatives, and give an **authoritative** definition of core data.

That councils collaborate to develop cost effective ways of generating core data. This should include developing an agreed model of the “comprehensive survey template” (outlined in appendix 4) to take cost out of data gathering. It should also include collaborative procurement to reduce the cost of external support where that is necessary.

That councils should collaborate to develop an integrated “decision support” system that provides headline data in a standard format to support corporate decision makers. This should “sit on top” of existing information systems and provide a limited range of information in a way that focuses decision making and scrutiny. The elements, and a potential framework for such a system are provided (at appendix 5).

That to resource recommendations 6-8 above, COSLA consider making application for financial support to the National Shared Services Board on behalf of Scottish councils and, potentially, their partners.

That currently fragmented guidance on service planning, financial planning, and property asset planning should be integrated to provide the basis for service planning that specifies and costs the property assets necessary to deliver the plan. This should be led by the Directors of Finance and CIPFA, supported by the Improvement Service.

That recommendations 6-10 be pursued in a way that supports the corporate governance role of elected members. This should include full information support that allows elected members to set precise targets for, and to scrutinise the performance of, the councils property asset base. It should also include benchmark data so that elected members can examine the performance of their councils with relevant comparators.

That the Association of Chief Estates Surveyors (ACES), supported by the Improvement Service, should be commissioned to develop training modules for elected members on property asset planning and management.

That councils should in the short term rigorously review the management of the “non-operational” portfolio. This should include setting a robust performance and accountability framework in place for the “immediate” and “phased” disposal of “surplus” assets. It should also include benchmarking the performance of the so called “investment” portfolio, against alternative investments, and review of the opportunity cost of retaining the portfolio in terms of competing priorities.

That councils should explicitly charge out the costs of property occupancy to the services using the property. Benchmarking of property costs as a proportion of total service costs should be encouraged to examine the impact of different service models on property consumption.

That councils should initiate area by area reviews of capacity and capacity utilisation to drive consolidation and co-location. Where possible, this should be done with public sector partners.

That councils should adopt as a requirement that no new lease, acquisition, or development of property can be put forward unless (a) the accommodation need has been checked against available capacity within the councils own property base and (b) the accommodation has been checked against available capacity within partners property bases.

That councils should seek to project the long term maintenance costs (10 years) of their property asset base, and review it for affordability **and** value for money.

That property asset management expertise should be available within “business change” units and service redesign exercises to ensure that more efficient property utilisation is at the heart of improvement.

That councils consider setting mandatory sub-targets for improved capacity utilisation and efficiency in property consumption as part of the efficiency targets they set for departments and services.

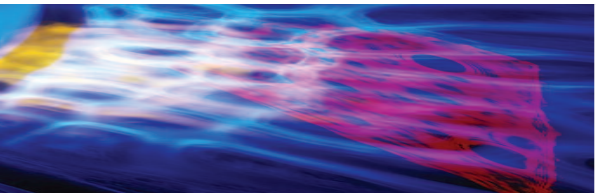


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