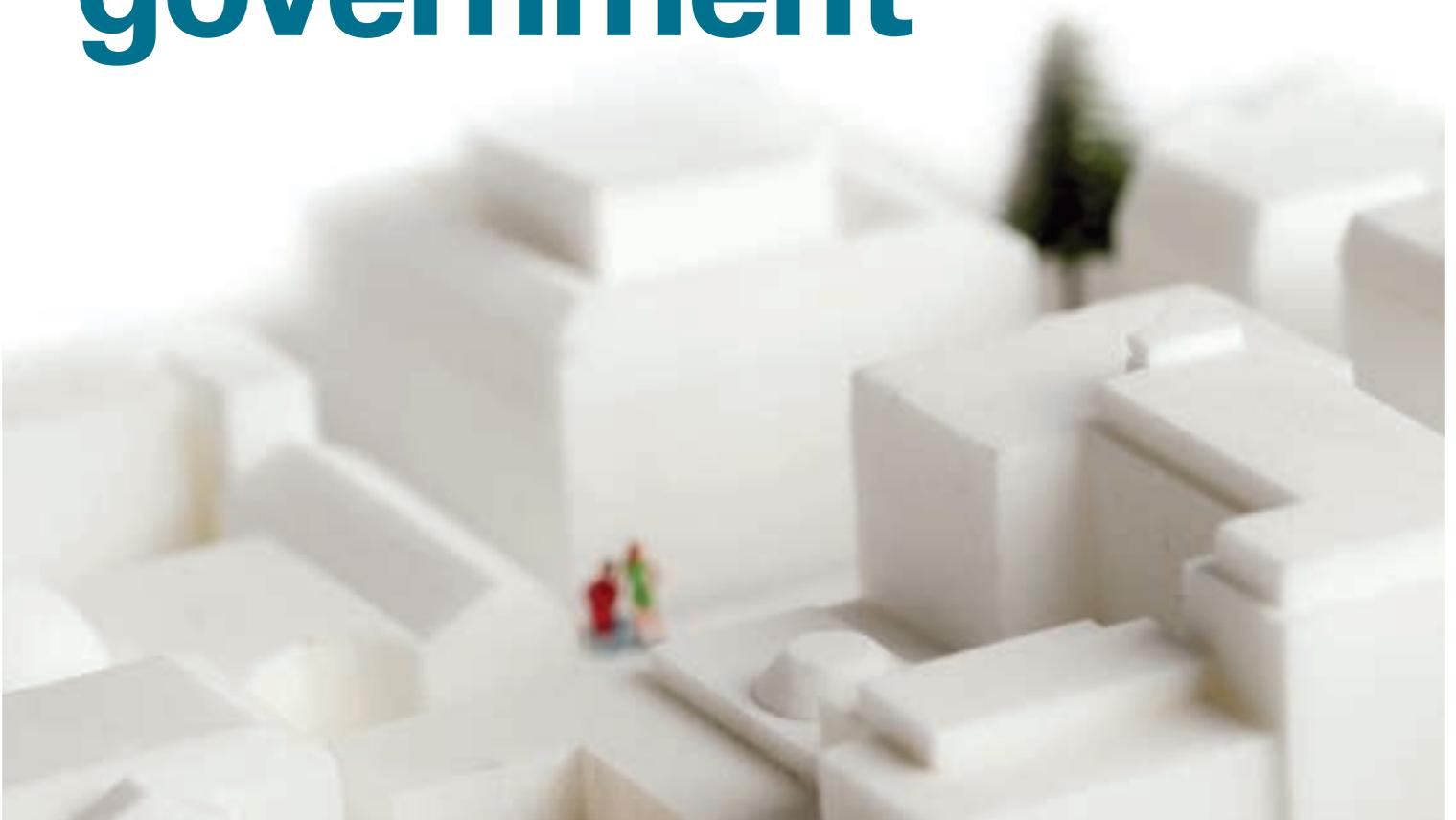


Asset management in local government



Prepared for the Accounts Commission
May 2009



The Accounts Commission

The Accounts Commission is a statutory, independent body which, through the audit process, assists local authorities in Scotland to achieve the highest standards of financial stewardship and the economic, efficient and effective use of their resources. The Commission has four main responsibilities:

- securing the external audit, including the audit of Best Value and Community Planning
- following up issues of concern identified through the audit, to ensure satisfactory resolutions
- carrying out national performance studies to improve economy, efficiency and effectiveness in local government
- issuing an annual direction to local authorities which sets out the range of performance information they are required to publish.

The Commission secures the audit of 32 councils and 41 joint boards (including police and fire and rescue services). Local authorities spend over £19 billion of public funds a year.

Acknowledgements:

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- George Street Consulting for conducting our survey of members of the public
- the study advisory group, which comprised a range of experts from councils, the Scottish Government and other organisations, for providing valuable advice and guidance to the project team throughout the study. Appendix 2 lists the members of the group.

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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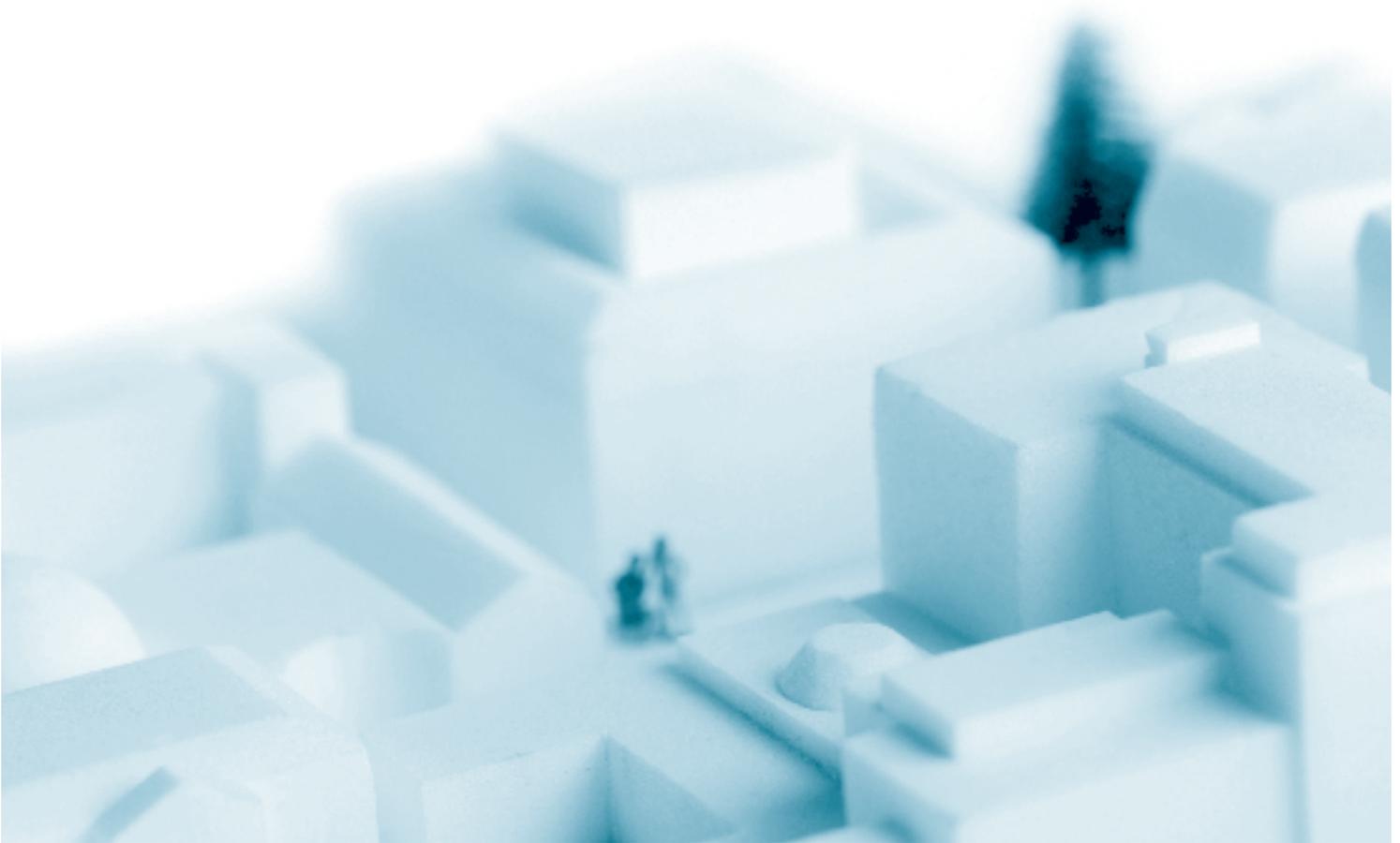
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Summary



Good asset management can make council buildings work better for the people using them – but this needs active participation from all council departments and partner agencies.



About the study

1. Assets are anything owned by an organisation that have a monetary value. Councils' fixed assets include property assets (buildings and the land they occupy), vacant land, infrastructure assets (mainly roads and bridges), vehicles, plant and machinery, and Information Technology (IT) hardware.

2. After employee costs, the largest cost to public sector bodies is what they spend on their fixed assets – councils spent around £1.1 billion on property running costs in 2007/08. Good asset management is therefore critical to a council being able to demonstrate that it is providing Best Value.

3. The overall aim of our study was to evaluate the extent to which councils manage their assets to ensure effective service provision and achieve value for money, and to make recommendations for improvement. Our report includes an overview of councils' arrangements for corporate asset management and a detailed examination of how councils manage property assets.

4. We focus on property assets in particular because they make up the majority (81 per cent) of councils' asset value (50 per cent if council housing is excluded). Property assets are important for effective service delivery, for example, by providing a welcoming, safe and secure environment for delivering services. Councils also have an opportunity to actively manage their property assets by acquisition, disposal and change of use to make improvements. Best Value audits and local audit work have shown that there is room for improvement in asset management

in many councils. We did not examine council housing or roads and infrastructure because:

- councils' housing asset management is currently subject to scrutiny by the Scottish Housing Regulator
- the Accounts Commission published a report on roads asset management (*Maintaining Scotland's roads*)¹ in 2004 and follow-up work will be conducted later this year.

The principles of good asset management can be applied to all fixed assets. Our study focuses on property for the reasons outlined above. Although we draw comparisons with the management of roads and other assets at appropriate points, the main messages included in the report refer to property assets.

5. This report was prepared on behalf of the Accounts Commission and seeks to answer the following questions:

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

6. A range of methods was used to obtain evidence, including:

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

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

8. We also make use of the work of other relevant organisations, for example, the Improvement Service,² the Audit Commission³ and the work of York Consulting on behalf of the UK government.⁴

9. In addition to this report and key messages document, we have produced:

- a checklist for elected members ([Appendix 1](#))
- technical information for practitioners about the more detailed data we collected, such as the variation in condition and suitability of different types of council properties.

1 *Maintaining Scotland's roads*, Auditor General and Accounts Commission, November 2004.

2 *Property Asset Management in Scotland's Councils: Moving Forward*, Improvement Service, March 2008.

3 *Hot Property: getting the best from local authority assets*, Audit Commission, 2000.

4 *Evaluation of Corporate Capital and Asset Planning in Local Authorities*, York Consulting, November 2007.

Key messages

- Overall, councils own around 12,400 property assets. Councils report that 27 per cent are in a poor or bad condition, 23 per cent are not sufficiently suitable for the services delivered from them, and 14 per cent fail in both respects.
- The people we surveyed consider access to buildings to be their most important feature, highlighting disabled access and facilities for people with disabilities as being highly important.
- Councils have good information on how accessible their buildings are for people with disabilities, but not all are acting on that information by producing access plans for their buildings quickly enough.
- Almost two-thirds of all councils report that their property maintenance backlogs are increasing. Only 23 councils were able to report the size of their backlog; this totalled £1.4 billion, and £376 million of this is described as maintenance that is urgently required. Unless councils manage this backlog, there is a risk that buildings currently in satisfactory condition will deteriorate.
- More than half of councils do not have an approved corporate asset management strategy, although many councils are in the process of developing individual strategies and plans for their fixed assets. Almost two-thirds of councils have an approved IT asset management strategy in place, but less than half have asset management strategies for roads, property and vehicle fleets.
- The majority of councils report good arrangements for collecting data about assets, and for working across services to ensure a corporate approach to asset management; but they need to improve their performance management arrangements and ensure strategies, policies and plans are up to date and coordinated, and property asset management is implemented systematically.
- There are large variations in the cost of holding property among councils. In most councils, property costs are between five per cent and 12 per cent of councils' gross revenue budget, but in some councils costs are higher.
- Although councils are reducing energy use in their buildings, environmental sustainability is not a key factor in building design. Most councils are missing opportunities for incorporating environmentally friendly features into the design of new buildings.
- Some councils gave examples of savings from rationalising office space, but few were able to provide details of significant efficiencies arising from property review and rationalisation.
- Many councils find rationalising property assets difficult to manage well. The role of elected members is of crucial importance; however, many councils do not have effective elected member scrutiny of property assets and only half provide regular information to elected members on property performance.
- Councils and health boards have a high-level commitment to joint working on property asset management. However, joint working does not appear to be widely embedded across services at a planning or operational level.
- There has been some well-planned joint working reported between social work and primary care services. Many joint property projects are developed in an opportunistic way, rather than as part of a long-term joint strategy.
- In three out of the five councils we visited, national policies on the sale of assets are seen as a barrier to joint working. For example, a health board may wish to use surplus council land for a community facility, but is not able to meet the market price which the council is required to achieve.
- Although there have been a number of national initiatives to facilitate joint working between councils, the NHS, and other partners, the impact to date on asset management has been limited.

Key recommendations

Councils should:

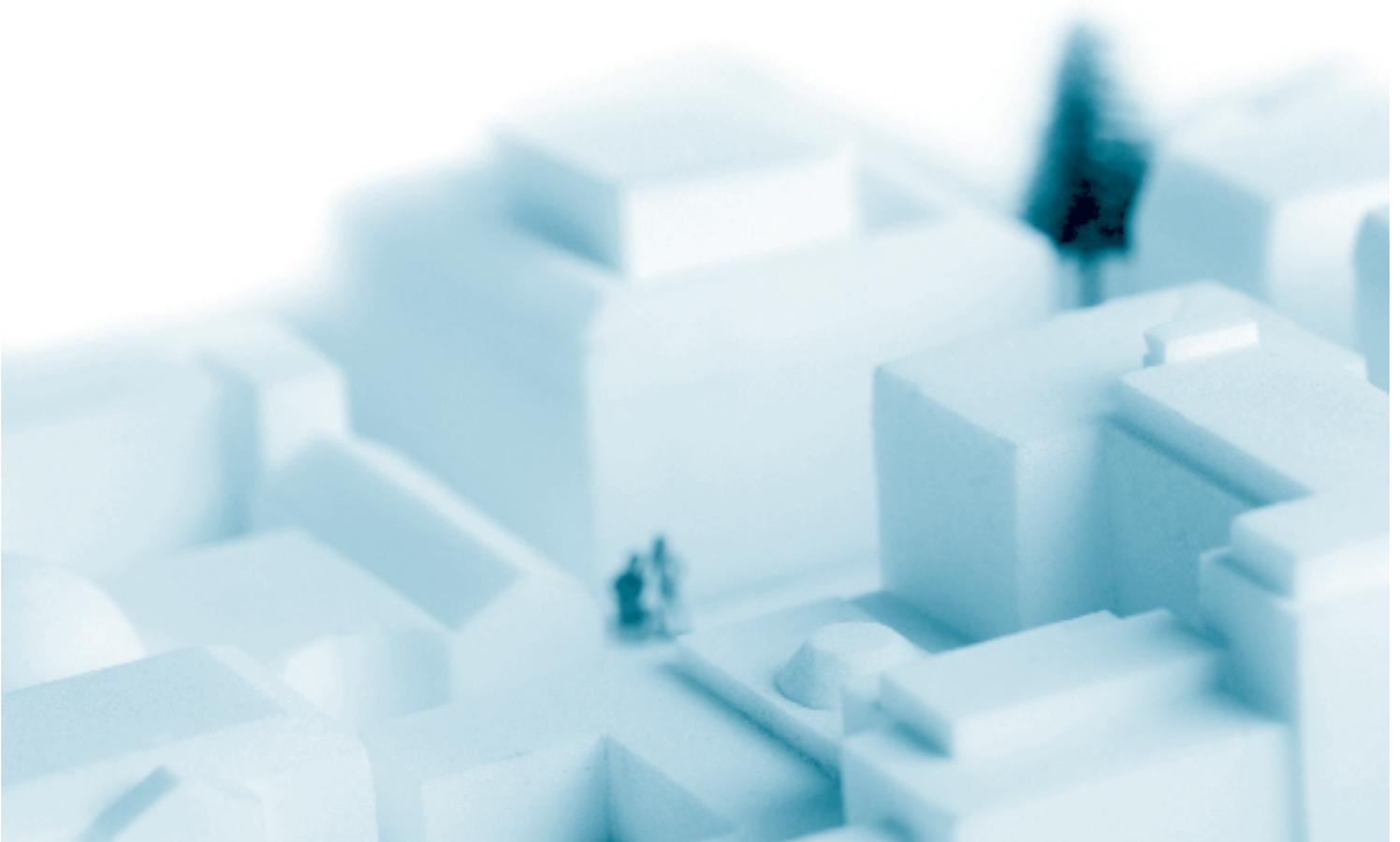
- work together to implement a consistent methodology for measuring building suitability
- ensure they have effective asset management plans and strategies for their property, IT, vehicles, roads and associated infrastructure. These should:
 - set out how each type of asset will contribute to council objectives and service aims
 - set targets for assessing progress, including the condition and suitability of each asset
 - describe an overall plan for achieving this
- ensure that asset information is up-to-date, complete, and held in a form which allows the production of appropriate management reports
- establish robust monitoring and reporting procedures for asset performance, to assess progress against their strategies
- formulate a long-term capital strategy, linked to achieving the aims of their asset management strategies; this should include a formal corporate approach to options appraisal for proposed capital projects
- ensure that whole-life costs are taken into account in capital and revenue planning
- consider issues of sustainability, such as CO₂ emissions, in their whole-life costing model for proposed capital projects

- ensure that elected members and council officers have transparent mechanisms for scrutinising property use and the cost of holding property; elected members should regularly consider reports on the condition, suitability and use of assets, property costs, and estimates of the maintenance backlog
- where significant changes are planned to assets in an area, or to a particular type of asset, for example school buildings, ensure consultation with residents is open about the issues the council is facing and provides clear information about the options for change
- agree with community planning partners arrangements for joint planning, management and property sharing. This should include identifying and tackling the barriers to strategic joint working around public assets and developing shared property databases to facilitate joint working.

Councils, Community Planning Partnerships and the Scottish Government should:

- make use of legislation which allows councils to sell assets at below market value if it is for public benefit, where this is consistent with a published policy objective, and would achieve Best Value for the public sector overall.

Part 1. Introduction



Well-designed buildings can support good service delivery by providing staff and the people using services with a safe, secure and comfortable environment.



10. In 2007/08, councils held fixed assets valued at £26 billion (Exhibit 1); of which property assets make up £21 billion (81 per cent), or £13 billion (50 per cent) excluding council housing. After employee costs, the largest cost to public sector bodies is what they spend on their assets – councils spent around £1.1 billion on property running costs in 2007/08.⁵ However, because of the different ways assets are valued (for example, community assets are valued at their historical cost), the value of community assets and infrastructure assets is difficult to compare to land and buildings, which are assessed at market value. Although roads and other infrastructure assets have a reported value of £3.2 billion based on historical cost, the cost of rebuilding them at today’s prices would be many times greater.

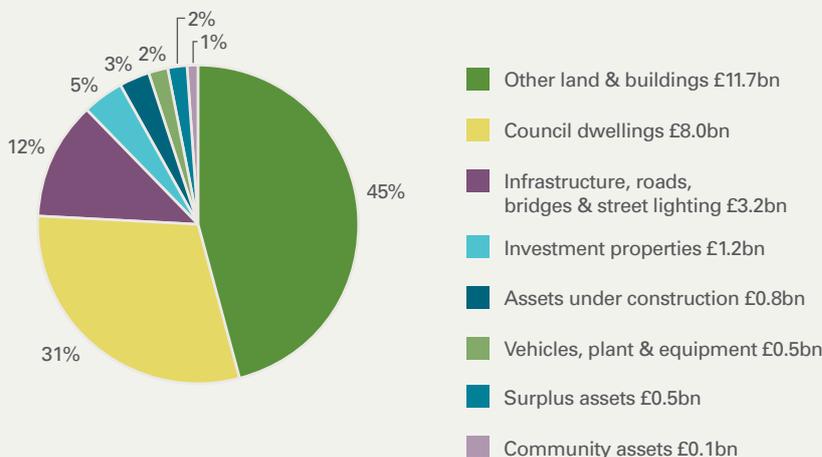
11. Good asset management is a vital part of an organisation being able to demonstrate that it is providing Best Value. It can generate resources through income from the sale of surplus assets, which will also generate long-term revenue savings because those assets are no longer consuming resources.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

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

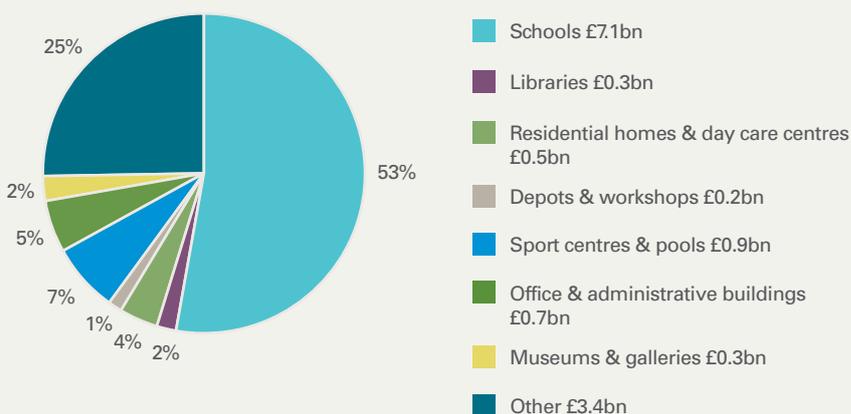
Exhibit 1

The value of assets held by Scottish councils (000’s)

Fixed assets (total = £26 billion)



Property assets (total = £13 billion)



Notes: 1. Other property assets will include commercial properties, economic development units, resource centres, advice shops, etc.
 2. Percentages do not always total 100 due to rounding.
 Source: Audit Scotland survey of councils

13. Asset management is high on central and local government agendas. COSLA has set up a strategic group to promote improvement in councils’ asset management arrangements, with subgroups looking at particular aspects of asset management. The Cabinet Secretary for Finance and Sustainable Growth published a review of asset management in the central government sector in January 2008. This included eight recommendations for improvement, five of which are relevant for local government:

‘All bodies are to...

- have an asset management plan in place
- maintain a mandatory, single, comprehensive database of property information
- agree a set of roles, responsibilities and expectations regarding the management of assets

- ensure that the mandatory procedures in place for disposals of surplus or vacant property, and for acquisitions, are known and adhered to
- promote the use of financial asset management incentives...⁶

14. In May 2008, the Scottish Government published *Taking Forward the Scottish Futures Trust*, which aims to support the effective planning, funding and delivery of investment in public assets. The Scottish Government has also announced funding for a 'hub' initiative to bring together councils, NHS boards and other community planning partners to acquire assets for delivering local services.

15. Before The Local Government in Scotland Act 2003, local authority capital expenditure required the consent of the Scottish Government, which set overall capital-spending limits. This control has been removed and councils can now invest whatever amounts they choose in capital schemes so long as they can demonstrate that their capital spending plans are affordable, prudent and sustainable (known as the prudential regime).

16. The Scottish Parliament Finance Committee undertook an inquiry into the methods of funding capital investment projects and published its findings in December 2008.⁷ It called for comparable and transparent information to be available on the whole-life costs of all types of projects.

17. One of the areas of asset management that generates considerable local interest is that of 'Common Good' property. This is £154 million of property transferred

to local authorities from the former burghs of Scotland under the terms of the Local Government (Scotland) Act 1973; it includes items such as town halls, parks and works of art. Our survey shows that councils manage around 1,400 common good property assets.

18. Councils are responsible for the stewardship of common good assets within their area⁸ and they should manage common good assets as part of their asset management strategies, and in accordance with the principles of Best Value. Councils are required to maintain asset registers, which identify common good assets as distinct from the general body of assets under council control. Despite their relatively small value, these assets often assume particular importance because of their special status and complex legal conditions around their use and sale.

Good asset management can contribute to high-quality services

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

- supporting service delivery by making council buildings work better for staff and people using services

- ensuring buildings support current and future service requirements
- improving sustainability by reducing energy use
- providing a way to target investment
- providing clear evidence of asset performance and progress towards goals
- providing an opportunity to obtain Best Value, including ensuring that buildings are accessible to the people who use them, in terms of their location, design and the facilities provided.

20. Guidelines issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) state that it is important for councils to understand the current and future service needs of the local population, so they can develop an appropriate asset management strategy (a 'service led' asset management strategy). Similar criteria can be set out for other infrastructure assets, described in detail in *A guide to asset management and capital planning in local authorities*.⁹ Exhibit 2 illustrates key stages in the asset management process. Extensive advice and guidance is available to councils on developing their approach to asset management; a list of some of the most relevant good practice guidance is included at [Appendix 3](#).

6 Scottish Government Asset Management Review – Report to the Cabinet Secretary for Finance and Sustainable Growth, January 2008.

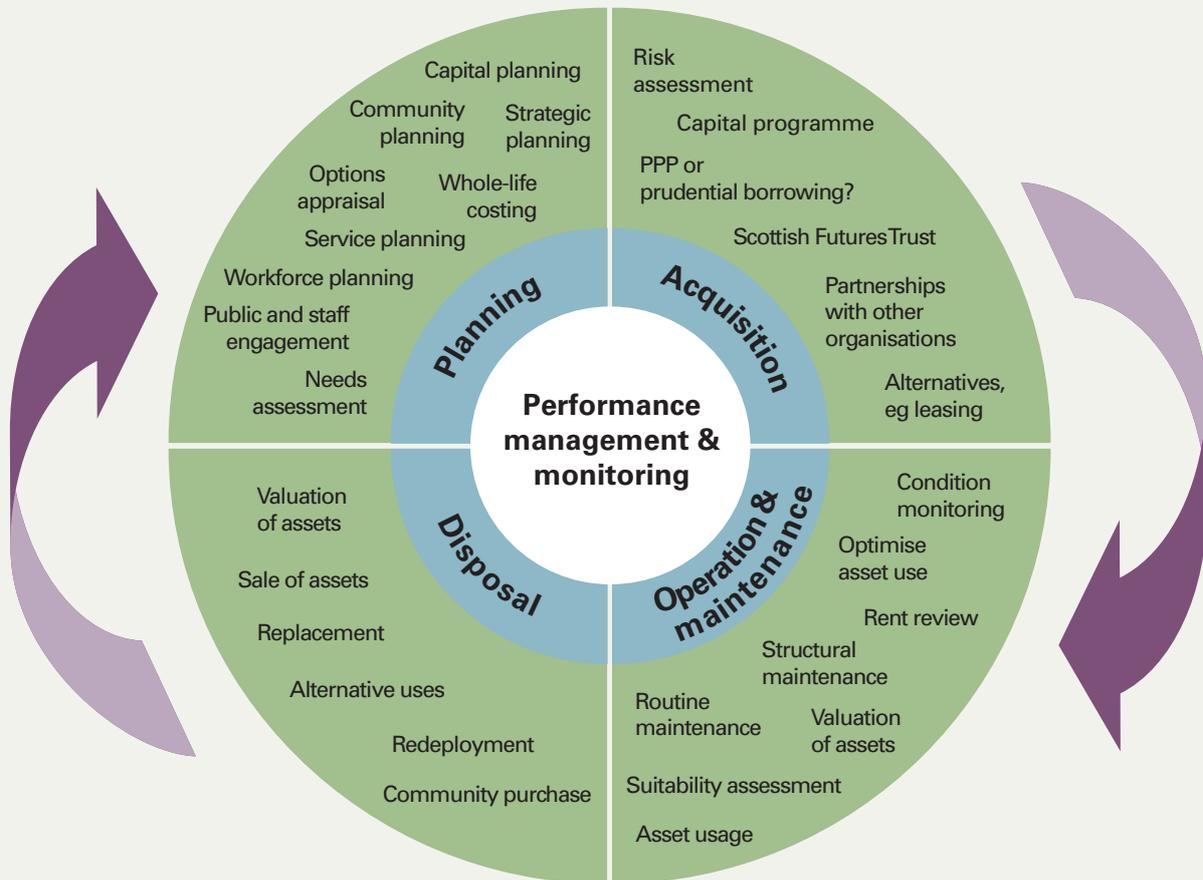
7 *Inquiry into methods of funding capital investment projects*, Finance Committee 8th Report, 2008 (Session 3).

8 Common good assets date from the early Burghs of Scotland, which largely met running costs from the revenues of their properties. These assets are still reserved for purposes that promote the dignity of the former Burgh or the general good of the inhabitants and are audited as part of the councils' accounts, taking account of the nature and value of assets held.

9 *A guide to asset management and capital planning in local authorities*, CIPFA, October 2008.

Exhibit 2

Key stages in the asset management process



Source: Audit Scotland, adapted from *Sustaining our assets: Government Asset Management Policy Statement*, Department of Treasury and Finance, State Government Victoria, Australia, 2000

Part 2. A significant number of council buildings do not meet service needs



Over a quarter of council buildings are in poor or bad condition.



Key messages

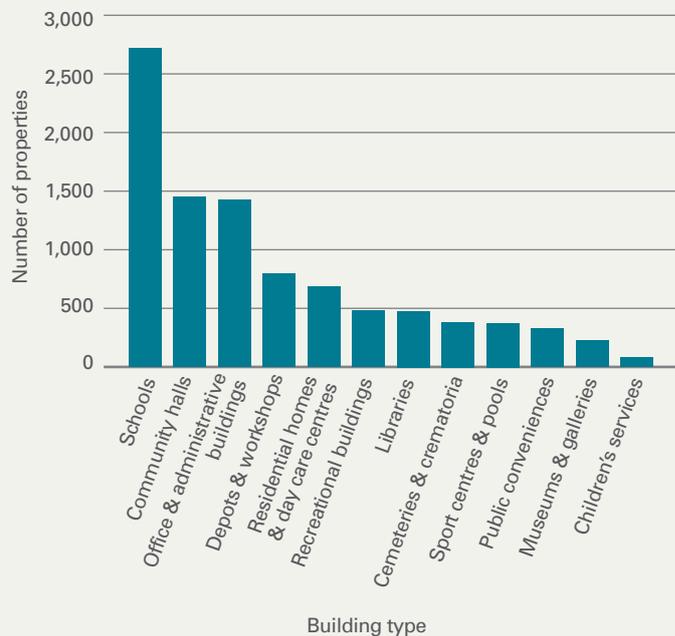
- Overall, councils own around 12,400 property assets. Councils report that 27 per cent are in a poor or bad condition, 23 per cent are not sufficiently suitable for the services delivered from them, and 14 per cent fail in both respects.
- The people we surveyed consider access to buildings to be their most important feature, highlighting disabled access and facilities for people with disabilities as being highly important.
- Councils have good information on how accessible their buildings are for people with disabilities, but not all are acting on that information by producing access plans for their buildings quickly enough.
- Almost two-thirds of all councils report that their property maintenance backlogs are increasing. Only 23 councils were able to report the size of their backlog. This totalled £1.4 billion, and £376 million of this is described as maintenance that is urgently required. Unless councils manage this backlog, there is a risk that buildings currently in satisfactory condition will deteriorate.

Scottish councils own a large amount of property...

21. Overall Scottish councils own around 12,400 properties,¹⁰ including 2,700 schools, 1,400 office and administrative buildings, 800 depots and workshops, 690 residential homes and day care centres and 480 libraries (**Exhibit 3**). Councils also own small numbers of a wide range of other properties, not shown in **Exhibit 3**; these total 2,975 properties and

Exhibit 3

Range of properties owned by Scottish councils



Source: Audit Scotland survey of councils

include buildings such as economic development units, commercial properties, resource centres, advice shops and mortuaries. Although councils vary greatly in the size and nature of their estate, all face the challenge of achieving efficiencies and delivering Best Value. A major part of achieving this is ensuring that their properties are in good condition and fit for purpose.

... but a significant proportion is in poor condition

22. It is important that councils assess the condition of their buildings regularly. It helps councils to set their maintenance budget, and plan and target maintenance work. It also allows councils to monitor the condition of their estate and provides valuable information to assist elected members' decision-making.

23. Although all councils have some information available on the condition

of the buildings they own, the extent of their information and the methodology they use for assessing condition varies. Some councils assess the condition of the whole building while others produce an assessment of individual building elements, for example the roof, windows and heating systems.

24. Both approaches to measuring condition have their uses. Whole building information is useful at a strategic level for reporting to elected members and senior management, while information on the condition of building elements is a useful operational tool for planning maintenance work.

25. The coverage and age of the condition information varies. Examples of the approaches used include:

- conducting complete structural surveys on an ongoing basis (every three to five years) using council staff

¹⁰ A property (or establishment) may include more than one building, for example, a school may have several buildings on a campus.

- employing external contractors to measure building condition
- estimating the condition using buildings of similar age and type.

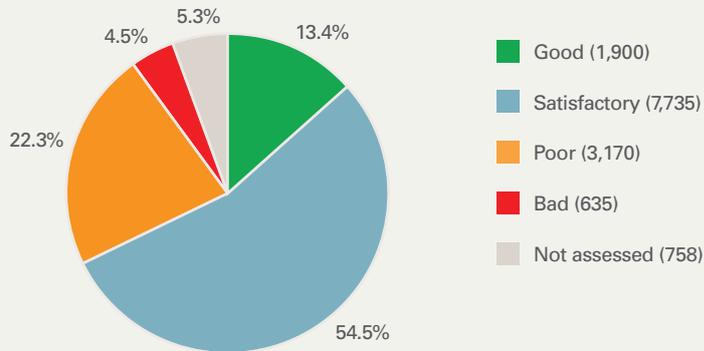
26. Although councils take different approaches to assessing the condition of their buildings, the information generated is sufficient to allow some comparison across the four broad categories CIPFA recommends for classifying building condition.¹¹

- Condition A: Good – performing as intended and operating efficiently.
- Condition B: Satisfactory – performing as intended but showing minor deterioration.
- Condition C: Poor – showing major defects and/or not operating as intended.
- Condition D: Bad – life expired and/or at serious risk of imminent failure.

27. We asked councils to produce an overall assessment of each building's condition using CIPFA's classification: Exhibit 4 shows councils' responses to our survey. Overall, councils report 68 per cent of buildings as in good or satisfactory condition and 27 per cent in poor or bad condition. The condition of the remaining five per cent is unknown.

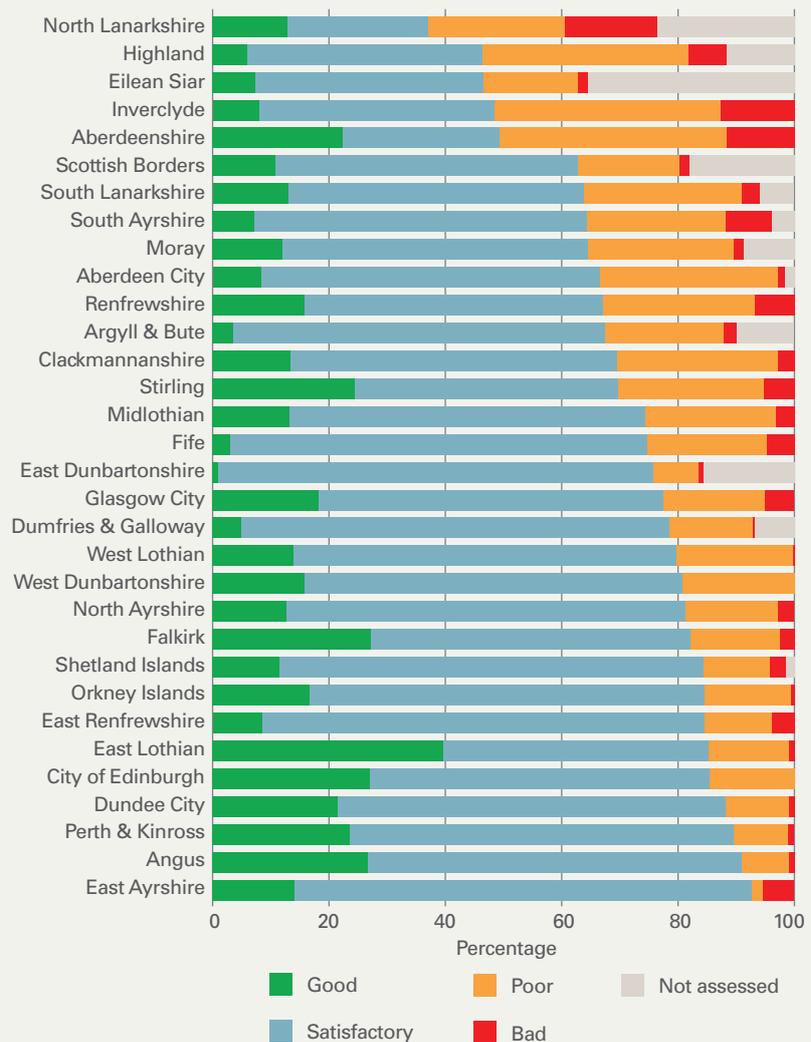
28. Exhibit 5 shows the condition of the buildings, as reported by each council. The percentage rated as good or satisfactory varies from over 90 per cent in East Ayrshire and Angus, to less than half in Aberdeenshire and Inverclyde. Five councils (East Dunbartonshire, Eilean Siar, Highland, North Lanarkshire and Scottish Borders) did not know the condition of over ten per cent of their buildings.

Exhibit 4
Councils' assessments of building condition



Note: Where a property is made up of several buildings, for example a school, councils may conduct separate assessments of each building. Therefore the total number of building assessments exceed the total number of properties.
Source: Audit Scotland survey of councils' building condition assessments

Exhibit 5
Variation in councils' assessments of building condition



Source: Audit Scotland survey of councils' building condition assessments

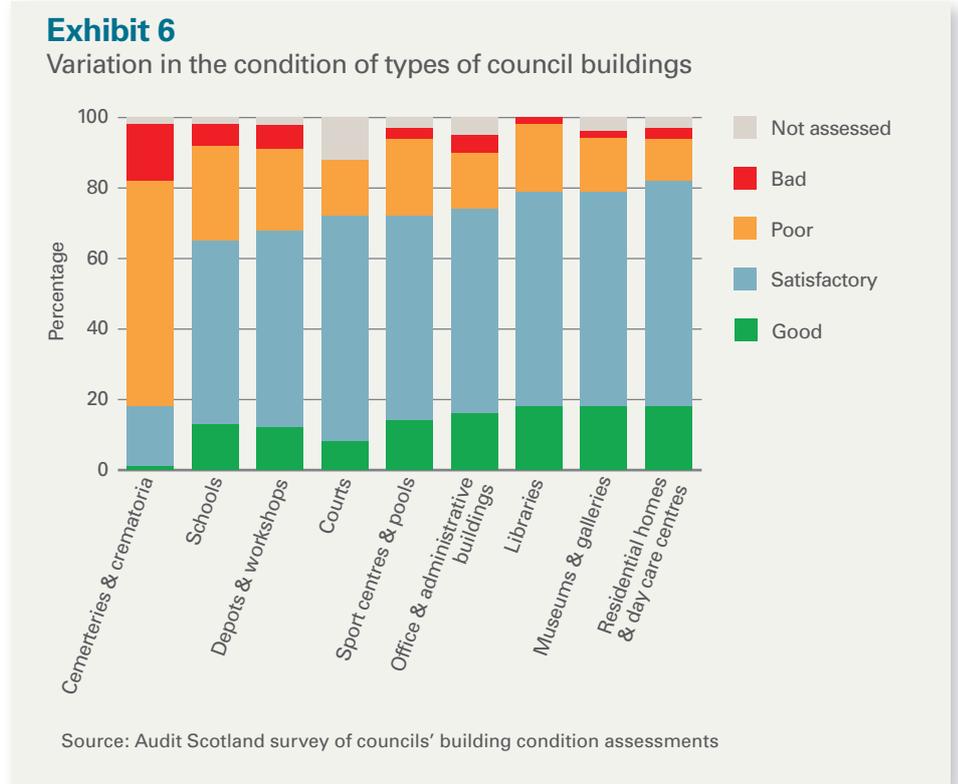
29. Some types of buildings are often assessed as in poorer condition (Exhibit 6). Buildings associated with cemeteries and crematoria are likely to be reported as being in particularly poor condition, while residential homes and day care centres are most likely to be reported as in good or satisfactory condition.

Councils report over a fifth of council buildings as not sufficiently suitable for the services being delivered from them

30. Suitable well-designed buildings can support good service delivery by providing staff and people using services with a safe, secure and comfortable environment. Achieving Best Value requires that buildings are accessible to users, in terms of their physical features, facilities and location.

31. The Federation of Property Societies (FPS) has recently published a report *Measuring Suitability in Local Authority Buildings*,¹² which sets out the criteria councils should consider in assessing the suitability of buildings. Most councils use these categories and criteria in assessing the suitability of their buildings:

- Good suitability – performing well and operating efficiently (supports the needs of staff and delivery of services).
- Satisfactory suitability – performing well but with minor problems (generally supports the needs of staff and delivery of services).
- Poor suitability – showing major problems and/or not operating optimally (impedes the performance of staff and/or service delivery).
- Unsuitable – does not support the delivery of services (or seriously impedes the delivery of services).



32. We found that councils vary in how they assess building suitability just as they do in measuring building conditions. Some councils employ trained assessors while others use a mixture of property staff and building users. Where building users do the assessments, for example a head teacher assessing their school, a process is required to ensure consistency in judgements, as different head teachers can have widely differing ideas as to what makes a suitable school design.

33. Although the assessments support comparison across the four basic categories described above, adopting a more consistent way of measuring building suitability would help councils to compare building performance more systematically, and help improve the design and operation of buildings in the future. Good processes for measuring suitability are in place in some councils, for example Perth & Kinross Council has been publishing suitability information as part of its asset management

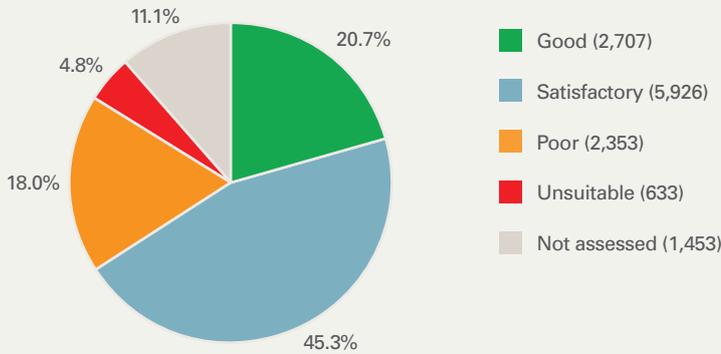
plans for a number of years; however, in others practice is less advanced. Councils could work together to develop the criteria set out by the FPS, into models for particular building types for general use across Scotland.

34. Exhibit 7 (overleaf) shows that councils assessed over a fifth (23 per cent) of their buildings as of poor suitability or unsuitable, that is, impeding or not supporting the delivery of the services they house.

35. Exhibit 8 (overleaf) shows the suitability of buildings as reported by each council. Overall, Glasgow City and the City of Edinburgh had the highest percentage of buildings assessed as having good or satisfactory building suitability, with Aberdeenshire having the lowest among those with complete information. However, the picture is more complex because a number of councils have not yet assessed the suitability of all of their buildings. Five councils (Dumfries & Galloway, East Dunbartonshire, Eilean Siar, Shetland

Exhibit 7

Councils' assessment of building suitability



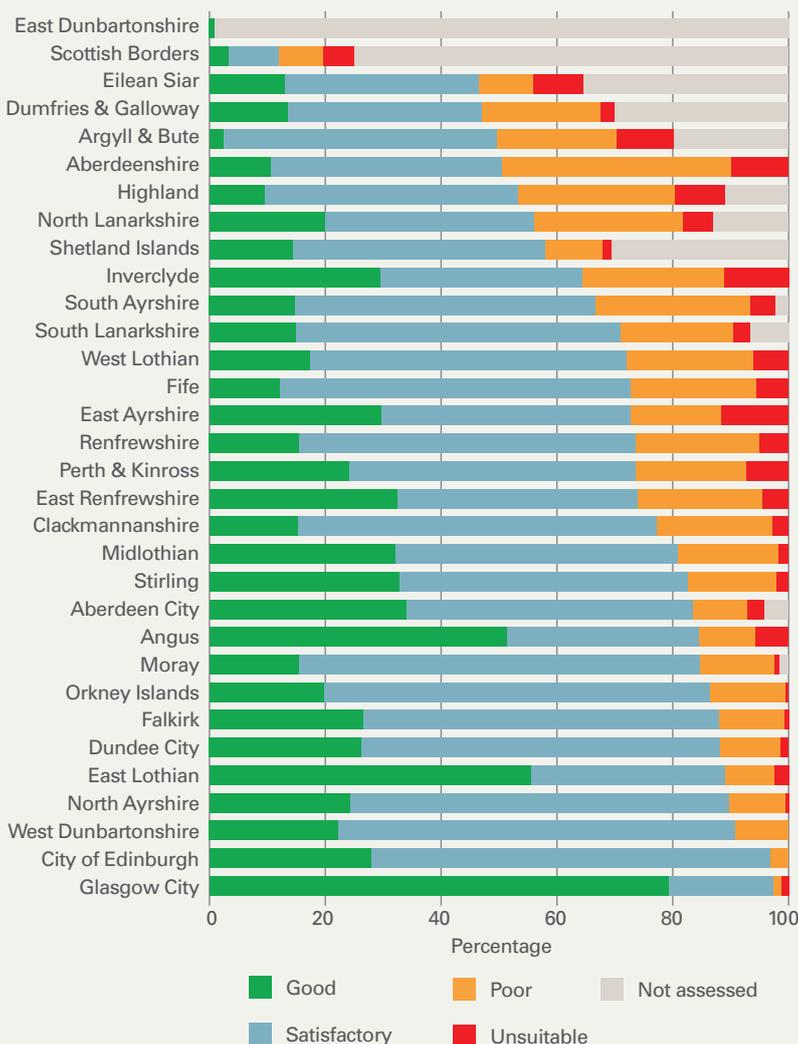
Note: Where a property is made up of several buildings, for example a school, councils may conduct separate assessments of each building. Therefore the total number of building assessments exceed the total number of properties.
 Source: Audit Scotland survey of councils' building suitability assessments

Islands and Scottish Borders) do not know the suitability ratings for more than 20 per cent of their buildings, with two of these councils (East Dunbartonshire and Scottish Borders) not knowing the suitability of more than 70 per cent.

36. Exhibit 9 shows councils' suitability assessments for different types of council buildings. Overall, no particular type of building is reported as being very good or very poor. Councils reported museums and galleries as scoring highest in the suitability ratings, with schools scoring poorly in comparison, despite the significant investment in schools during recent years.

Exhibit 8

Variation in councils' assessments of building suitability



Note: Glasgow City schools suitability information is not included as they were unable to provide this.
 Source: Audit Scotland survey of councils' building suitability assessments

Fourteen per cent of buildings are neither in good condition, nor suitable for their current purpose

37. Exhibit 10 shows the number of council buildings reported in each condition and suitability category. Overall, 6,878 buildings (61 per cent) are reported as in good or satisfactory condition and with good or satisfactory suitability. However, 1,557 buildings (14 per cent) are reported as poor (or worse) in both respects. Those councils that have not done so already, should set targets for reducing the number of buildings in the poorest categories.

38. Exhibit 11 (page 16) shows the percentage of buildings in each council that are reported as poor (or worse) in terms of condition and suitability. This varies from one per cent in Glasgow City to over 30 per cent in Aberdeenshire, with an average of 12 per cent. Councils with a high proportion of buildings in these categories need to develop a strategy to reduce this.

The people we surveyed are generally satisfied with council buildings... and consider ease of access to be the most important factor

39. We surveyed 88 members of the public, at ten council buildings selected by the study team, in our five fieldwork areas. We conducted interviews at two museums, four libraries, two service points, one bus-pass office and one community centre.

40. The people we surveyed consider access to buildings to be their most important feature, with people from all five areas highlighting disabled access and facilities for people with disabilities as highly important. Other issues they regard as important are:

- good maintenance
- good lighting inside and out
- cleanliness
- pleasant exterior (a building that looks inviting and safe)
- clear signposting, both inside and out
- security for both staff and the public
- good use of space
- good environmental conditions, such as temperature and ventilation
- privacy (especially where services deal with money or housing issues)
- opening hours – some people have difficulty accessing council services that are only available during working hours.

41. In general, the people we surveyed are satisfied that the buildings they use are of a good standard in relation to the features listed above. They also highlight the appearance of buildings (for example, interior décor, building exterior and landscaping) as having an impact on perceptions, and often mention this

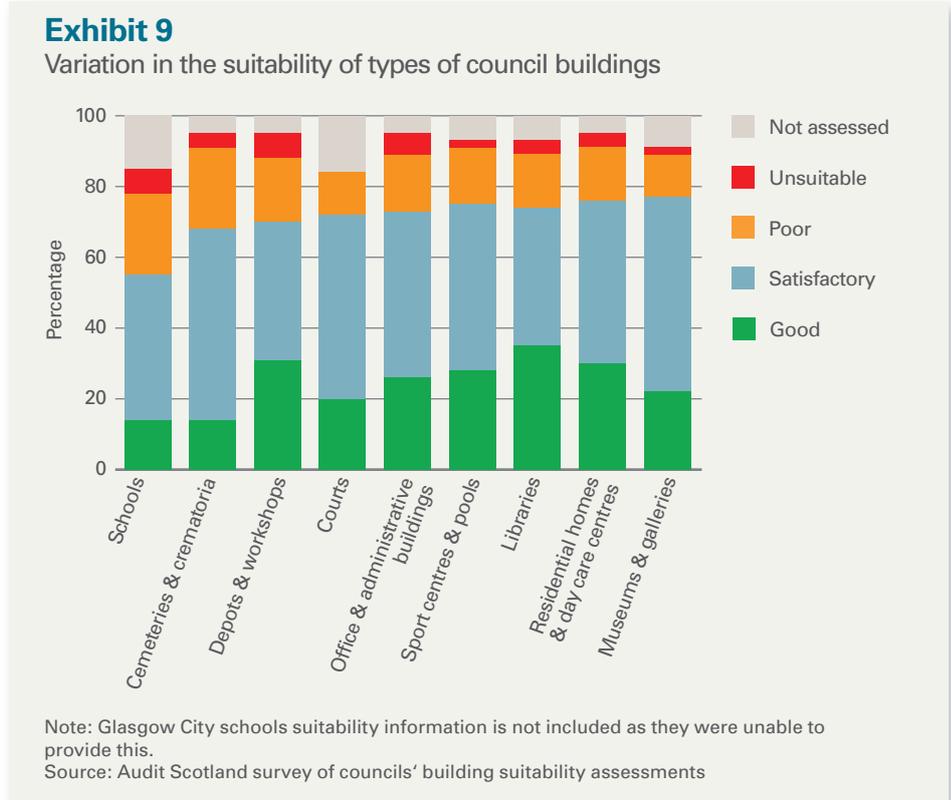


Exhibit 10
Councils' assessments of building condition and suitability

Condition	Suitability			
	Good	Satisfactory	Poor	Unsuitable
Good	923 (8.1%)	567 (5.0%)	183 (1.6%)	22 (0.2%)
Satisfactory	1430 (12.6%)	3958 (34.9%)	845 (7.4%)	185 (1.6%)
Poor	224 (2.0%)	1249 (11.0%)	956 (8.4%)	252 (2.2%)
Bad	40 (0.4%)	170 (1.5%)	214 (1.9%)	135 (1.2%)

Note: Midlothian and Orkney Islands Councils were unable to provide information in this format.
Source: Audit Scotland survey of councils' building condition and suitability assessments

in the context of suggestions for improvements. However, appearance is seen as less important as a core feature of a good public building.

42. The majority of people we interviewed are satisfied that the buildings are suitable for the services they house and that the facilities meet their own needs. However, some perceive a minority of older buildings not designed for their current use to be small, leading to limitations on service delivery and the facilities that can be provided.

43. Ease of access is of great concern to people who use council services, with both positive and negative remarks made in relation to buildings. Many specifically mention people with mobility problems, or parents with pushchairs, who may have difficulty accessing buildings. In general, the people we interviewed are positive about buildings that allow easy access for everyone through the same entrance, preferably at street level, and suggested improvements where alternative access involves long ramps or different entrances. Other issues they highlight include waiting

Exhibit 11

Percentage of council buildings reported as in poor condition and with poor suitability



Note: Midlothian and Orkney Councils were unable to provide information in this format; Glasgow City was unable to provide schools suitability information.
Source: Audit Scotland survey of councils' building condition and suitability assessments

and queuing for council services, especially where there is not enough space to provide sufficient seating for comfortable waiting.

44. The people we surveyed also emphasise the importance of communal areas, which they can use as a meeting point, particularly in buildings used for community activities and in leisure facilities. Many people suggest that, where these do not exist, a cafe, or at least a water cooler, would be an improvement.

Councils need to ensure buildings are accessible for people with disabilities

45. Buildings need to provide good access for all and meet expectations in terms of privacy and dignity. The location of council facilities should not discourage or prevent any people from accessing services. This means councils need to consider issues such as:

- building location to ensure that it is accessible to residents

- physical access for people with disabilities
- appropriate design of the property and signposting, to ensure people can move easily around the building
- proximity to public transport
- lighting and security
- disabled parking
- gender mix of staff.

46. The Disability Discrimination Act (DDA) 1995 places a duty on organisations to make reasonable adjustments to accommodate people with disabilities. This could include physical access adjustments, such as ramps, but also includes other features such as lighting, the colour of facilities for people with visual impairments, and hearing loops for people with hearing impairments. Although investment in council properties will improve levels of disabled access, the advanced age of some properties means that councils face significant challenges in reaching desired standards.

47. Councils have good information on how accessible their buildings are for people with disabilities, but not all are acting on that information quickly enough. Our survey showed that while 21 councils have undertaken an accessibility audit for all of their buildings, only 14 of them have an access plan in place for all buildings.

48. The percentage of public service buildings that are suitable for, and accessible to, disabled people is one of the Accounts Commission's statutory performance indicators.¹³ Across Scotland the percentage of buildings that are suitable and accessible has increased from 43.4 per cent in 2005/06 to 51.9 per cent in 2006/07 and 56.6 per cent

in 2007/08. The percentage varied among councils from below 30 per cent in North Lanarkshire and Eilean Siar to over 80 per cent in Angus, Dundee City, Scottish Borders and Renfrewshire.

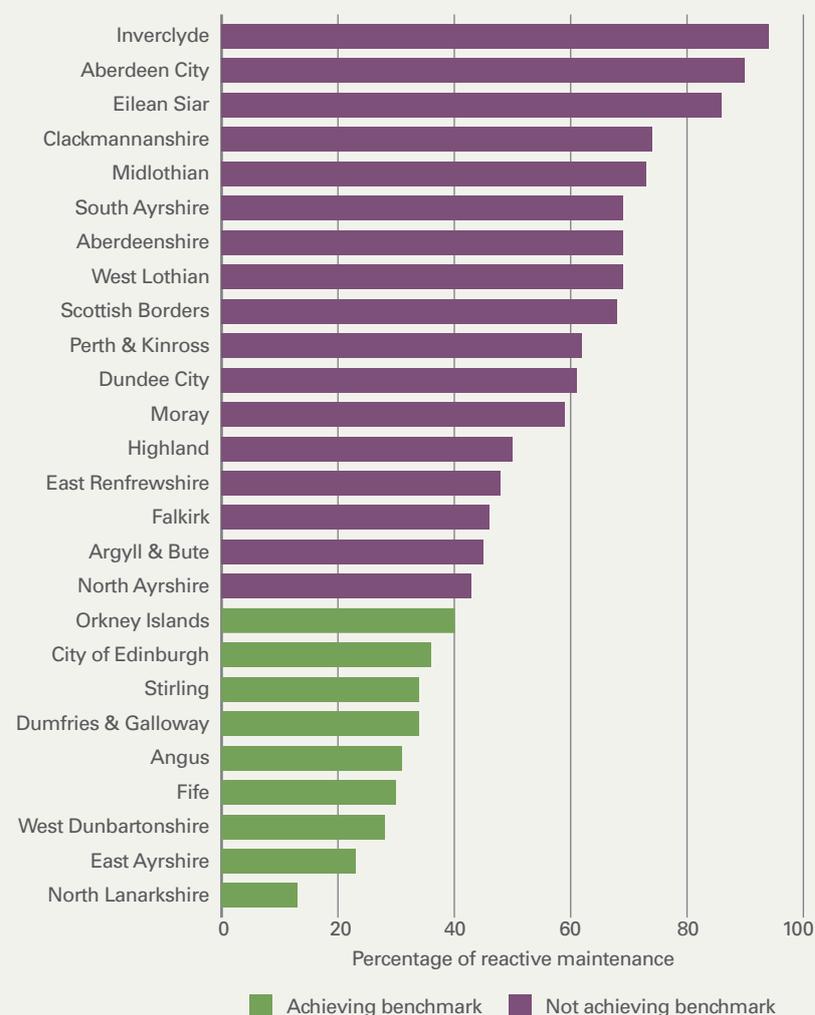
Councils spent over £136 million on property maintenance in 2007/08, but too much is reactive, rather than planned...

49. The amount of maintenance a building requires depends on a number of factors, including the type of construction, building use and weather conditions. It is more economical to maintain buildings in a planned way, for example repair and replace roof tiles on a planned regular basis, rather than to wait until the roof fails and water damage results. The ratio of planned to reactive maintenance is a good indicator of the effectiveness of a council's maintenance regime. A 60:40 balance (or better), in favour of planned maintenance, is accepted as an indicator of good practice.¹⁴ The same principle applies to other fixed assets and the Accounts Commission recommended a more proactive approach to maintenance in *Maintaining Scotland's roads*.¹⁵

50. Across Scotland, the £136 million councils spent on property maintenance in 2007/08 is evenly split between planned and reactive maintenance. However, our survey of councils shows that the proportions vary considerably among councils ([Exhibit 12](#)); North Lanarkshire achieved over 80 per cent planned maintenance, while in Inverclyde over 90 per cent of maintenance was reactive. Overall, only nine councils reported achieving the 60:40 good practice benchmark; 17 reported they have not achieved this benchmark, and six were unable to provide the relevant information.

Exhibit 12

Reactive maintenance as a percentage of total maintenance cost



Note: East Dunbartonshire, East Lothian, Glasgow City, Renfrewshire, Shetland Islands and South Lanarkshire councils were unable to provide this information.
Source: Audit Scotland survey of councils

51. Although the proportion of reactive to planned maintenance and the maintenance backlog are good indicators of an effective maintenance regime, councils do not always report this information to elected members.

52. The five councils we visited reported they often set maintenance budgets incrementally, based on the previous year's budget, with adjustments to meet service pressures. There is little evidence

of systematic methods for setting building maintenance budgets, for example a needs-based budgeting approach that considers the balance of expenditure between planned and reactive maintenance.

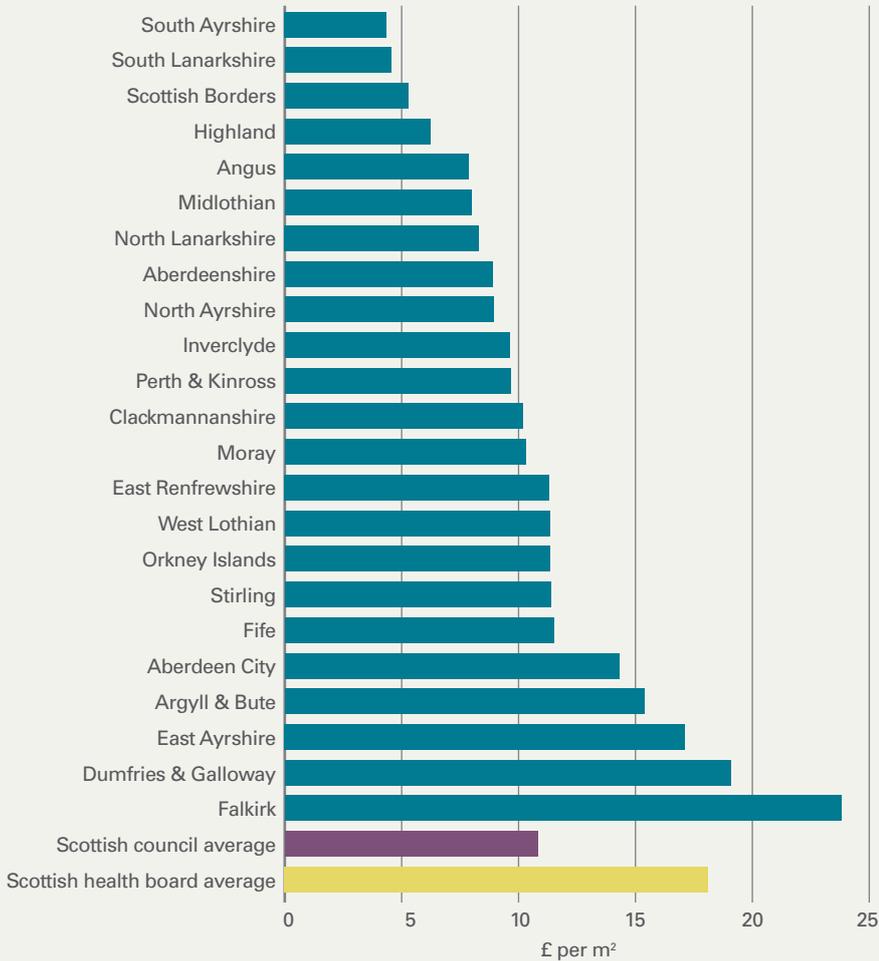
53. There is considerable variation among councils in their expenditure on property maintenance for operational assets (those used for providing public services) ([Exhibit 13, overleaf](#)). Although in most councils

¹⁴ *Value for money in public sector corporate services*, Public Audit Forum, 2007.

¹⁵ *Maintaining Scotland's roads*, Accounts Commission, November 2004.

Exhibit 13

Maintenance costs per square metre (operational assets)



Note: Dundee City, City of Edinburgh, Eilean Siar, West Dunbartonshire, East Dunbartonshire, East Lothian, Glasgow City, Renfrewshire and Shetland Islands Councils were unable to provide data.
Source: Audit Scotland survey of councils

the expenditure on maintenance is between £5 and £12 per square metre, several councils have much higher costs. The average maintenance cost reported was around £11 per square metre, considerably less than the £18 spend per square metre reported by health boards.¹⁶ Although some of these differences may be due to variation in costing methodologies, the differences still seem considerable; in demonstrating Best Value, councils

should examine their costs and outputs, and the impact on building condition.

... which has led to a property maintenance backlog of at least £1.4 billion

54. As part of our survey, we asked councils for information on the size of their property maintenance backlog. [Exhibit 14](#) shows the backlog for 23 of the 32 Scottish councils. The remaining nine councils were unable to provide the information. Councils

categorise their property maintenance backlog into three required maintenance priorities:

- level 1 (urgent works)
- level 2 (essential work required within two years)
- level 3 (desirable work required within three to five years).

55. The total property maintenance backlog for these 23 councils is £1.4 billion; if the level of backlog were similar in the remaining nine councils then the total maintenance backlog would be around £1.8 billion. This backlog is increasing in two-thirds of all councils. The reported maintenance backlog is slightly greater in councils than in health boards, at 10.6 per cent of total property value compared to 7.5 per cent in health boards.¹⁷

Councils need to deal with maintenance backlogs corporately

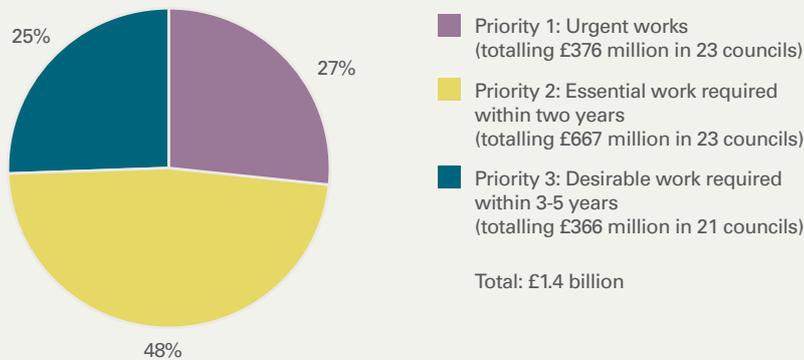
56. In addition to the backlog of property maintenance work, councils may also have maintenance backlogs in other areas, for example, we reported a £1.7 billion backlog for roads maintenance in our study *Maintaining Scotland's roads*.¹⁸ Councils need to manage all of these maintenance backlogs. Decisions on dealing with backlogs across a range of services cannot be undertaken effectively at a service level alone. Councils need to prioritise the resources available for dealing with maintenance backlogs at a corporate level to achieve the best long-term outcomes across all council assets. They therefore need to take a corporate approach to managing, monitoring and reporting maintenance backlogs.

57. When faced with difficult economic circumstances, councils may choose to achieve savings through cutting maintenance

¹⁶ *Asset Management in the NHS in Scotland*, Audit Scotland, January 2009.

¹⁷ *Ibid.*

¹⁸ *Maintaining Scotland's roads*, Auditor General and Accounts Commission, November 2004.

Exhibit 14**Property maintenance backlog within 23 councils**

Source: Audit Scotland survey of councils

expenditure. However, while this may achieve short-term savings, it could also cause significant long-term cost increases by creating or increasing maintenance backlogs, as properties fall into poorer states of repair. An effective response to difficult economic circumstances includes taking a more systematic approach to asset management, for example by reviewing the use of assets to ensure they are performing efficiently, and using options appraisal to identify the best approach to dealing with surplus assets.

58. Ways in which councils can reduce their property maintenance backlogs include by increasing maintenance expenditure, reducing maintenance costs, for example by developing shared maintenance services with other public sector agencies, or by reducing the number of assets they are required to maintain. Where property assets are not being used to their full capacity, councils could reduce their maintenance backlog by rationalising the number of properties used and bringing building capacity into line with service demands. This also has the benefit of generating capital income and reducing the long-term maintenance costs. This supports the conclusion of the Improvement

Service review,¹⁹ which suggested that councils 'shouldn't retain what they can't maintain'.

59. However, councils may be cautious in disposing of assets within the current economic environment, and could decide to retain properties until market conditions improve. The use of options appraisals will help councils consider the costs and benefits (including potential savings in maintenance costs) of selling or retaining particular properties over the short to medium term.

Recommendations

Councils should:

- work together to implement a consistent methodology for measuring building suitability
- undertake a systematic rolling programme of condition and suitability assessments, to ensure they have comprehensive information for all council buildings

- carry out regular surveys of public and staff satisfaction with council buildings and act on their findings
- put in place a timetable for undertaking comprehensive assessments of how well their properties meet the needs of people with disabilities, identify the financial requirements of making improvements, and develop approaches to implementing them
- formulate a long-term capital strategy, linked to achieving the aims of their asset management strategies; this should include a formal corporate approach to options appraisal for proposed capital projects
- ensure that elected members and council officers have transparent mechanisms for scrutinising property use and the cost of holding property; elected members should regularly consider reports on the condition, suitability and use of assets, property costs, and estimates of the maintenance backlog.

Part 3. Councils can improve their asset management arrangements



There need to be clearer links between asset management and community planning, council service plans and capital planning.



Key messages

- More than half of councils do not have an approved corporate asset management strategy, although many councils are in the process of developing strategies and plans for their fixed assets. Over two-thirds of councils have an approved IT asset management strategy in place, but less than half have asset management strategies approved for roads, property and vehicle fleets.
- The majority of councils report good arrangements for collecting data about assets, and for working across services to ensure a corporate approach to asset management, but they need to improve their performance management arrangements and ensure strategies, policies and plans are up to date and coordinated, and property asset management is implemented systematically.

Less than half of councils have an approved corporate asset management strategy

60. It is important that property strategies across the council are developed as part of a corporate approach to managing all fixed assets, and are coordinated with strategies for other assets, such as vehicles.

61. Exhibit 15 shows the stages of development of strategies and plans for fixed assets in Scottish councils:

- less than half have an approved corporate asset management strategy
- slightly fewer have a corporate asset management plan in place

Exhibit 15

Number of councils with strategies and plans in place for fixed assets

	Corporate asset management strategy	Corporate asset management plan	Property strategy	IM&T ¹ strategy	Roads strategy	Vehicle strategy
Not yet started	0	0	4	0	0	3
In development	15	19	9	3	15	12
Completed but awaiting approval	2	1	3	3	3	2
Approved by relevant council committee	14	12	13	22	13	13

Notes: 1. IM&T = Information Management and Technology.

2. Not all totals add up to 32 because some councils did not answer every question.

Source: Audit Scotland survey of councils

- over two-thirds of councils have an asset management strategy for Information Management and Technology (IM&T) in place
- just under half have strategies for other types of fixed assets such as vehicles and roads.
- a period of at least three to five years and include a written document approved by the council, which should cover three core elements:
 - A baseline – where are we now? What is our understanding of our current asset base?
 - A vision – where do we want to be? Do we know what assets are required to underpin current and future service needs?
 - An action plan – how do we get there? Have we decided what this means in terms of purchasing additional or replacement assets?

We examined councils' arrangements for property asset management

64. We asked councils to complete a self-assessment questionnaire describing their arrangements for property asset management and to provide relevant information to support their responses. This included copies of relevant policies and plans, capital strategies, monitoring and

62. Around two-thirds of councils have translated their corporate aims into specific objectives for asset use and management, but only half collated these in an asset management strategy document. Only a quarter of councils indicate that they updated their asset management plans within a two-year period. Nineteen councils reported that they did not have a completed asset management plan.

63. Guidance, such as that provided by CIPFA,²⁰ states that an asset management strategy should plan for the current and future development of a council's assets. The strategy should describe the current condition of the assets, the level of use, occupancy costs, service standards, organisational constraints and capital investment decisions. It should cover

Exhibit 16

Key success factors for effective property asset management

1. Property strategy, policy and plans	Are property asset management strategies and plans up to date and properly coordinated?
2. Structure, roles and responsibilities	Are there effective management structures and clear roles and responsibilities?
3. Working with service areas	Do corporate asset managers work effectively with services?
4. Data collection processes	Are there good property data collection and storage systems?
5. Performance management and reporting	Is asset property management supported by good performance management systems?
6. Commercial property	Do councils have a clear strategy for owning and managing commercial property?
7. Property review	Are there systematic arrangements for property review?
8. Implementation	Is property asset management being implemented systematically?

Source: Audit Scotland analysis of a range of good practice guidance (listed at Appendix 3)

review reports, and examples of good practice. The Institute of Public Finance (IPF) analysed councils' responses to the questionnaire against eight factors for effective asset management (Exhibit 16).

65. These success factors are widely recognised as key to best practice in property asset management, as described by the guidance sources listed in Appendix 3. Key factors 1 to 5 are discussed in this part of the report; factors 6 to 8 are discussed in Part 4.

66. This analysis provides a national overview of how councils approach property asset management (Exhibit 17). It focuses on key processes and procedures in effective property asset management. It does not cover the quality and effectiveness of councils' property asset management arrangements.

67. The overview highlights areas of relative strength, where the majority of councils report many of the features associated with good practice (although there may be some room for improvement) and areas where the majority of councils report few features associated with good practice, and there will be substantial room for improvement.

68. The majority of councils report good arrangements for collecting data about assets and for working across services to ensure a corporate approach to asset management, although even in these areas there is scope for improvement. Areas where there is the greatest scope for improvement include ensuring strategies, policies and plans are up to date and coordinated, performance management, and implementing property asset management systematically.

69. Asset management practices need to reflect local circumstances and local needs. For smaller councils this may be particularly relevant where detailed and complex approaches might not be appropriate. For example, commercial property may be less of a priority where a council owns few such properties.

Only half of councils have complete property strategies

Key factor 1 – Property strategy, policies and plans

70. Our survey found that only half of councils report having a completed property strategy and just over a quarter reported they are in the process of developing one. We also found that some strategies are out of date, and only a quarter of councils report having updated their property strategies since 2005.

71. It is important that property strategies are made available to the public, and are assessed to check whether they could disadvantage any particular groups (for example, by using an 'equality impact assessment'). The process for developing the strategy should also include appropriate consultation with representative groups. Only half of councils reported publishing their property strategy for the public, and less than a quarter said they had conducted an equality impact assessment on their strategy.

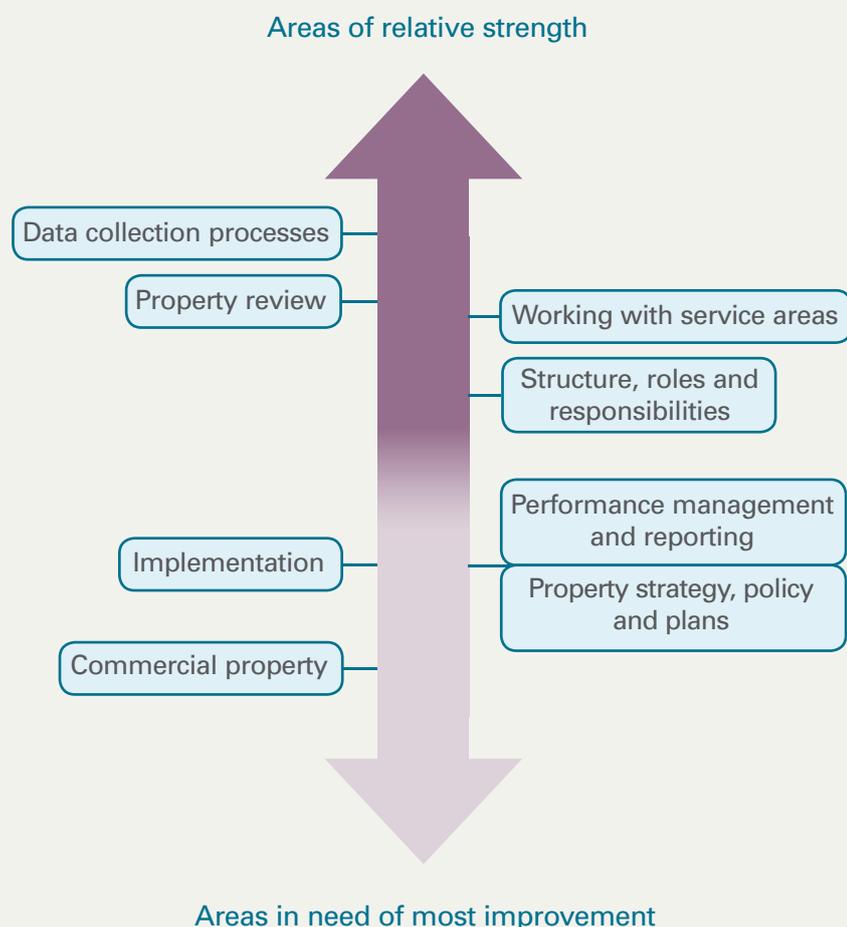
Many councils do not have effective elected member scrutiny of property assets

Key factor 2 – Structure, roles and responsibilities

72. Guidance from the Royal Institution of Chartered Surveyors²¹ (RICS), endorsed by The Scottish Government, CIPFA and a range of property groups, highlights the importance of elected member involvement in asset management,

Exhibit 17

Overview of councils' property asset management arrangements



Source: Audit Scotland analysis of councils' survey responses

suggesting that elected members should have a key leadership role in relation to property assets. However, many councils do not have effective elected member scrutiny of property assets, for example reporting to members on property issues is commonly undertaken on an annual basis, or with limited reporting of building condition and suitability, and the level of the property maintenance backlog.

73. Almost all councils have a specific strategic property unit to lead on asset management planning.

Around 80 per cent of councils have a Strategic Property Group with membership including representatives of finance, key service departments and other stakeholders, which meets on a regular basis.

74. Most councils have a corporate asset manager in place, with only Moray Council indicating that they do not. However, not all corporate asset managers were of sufficient seniority to ensure the status they require to undertake the role effectively.

Most councils produce asset management plans for individual services

Key factor 3 – Working with service areas

75. While a corporate strategic approach to asset management is essential, it is also important that this approach is responsive to service needs. In the long term, property asset management is about meeting the property needs of services in a coordinated corporate manner. Over two-thirds of councils produce service asset management plans which feed into the overall corporate approach to asset management. Almost three-quarters of these councils have corporate guidance for services on asset management planning to ensure a consistent approach.

76. A good approach also involves having representatives of service areas involved in corporate planning for the short, medium and longer term, and in balancing service needs with the council's overall strategic approach to property ownership and management.

77. Just under two-thirds of councils indicated that they understood services' property requirements in the short and medium term, mainly by using service asset management plans based on a corporate approach or template. However, only a third of councils attempted to map out service requirements for a longer period (five years or more). Capital projects, such as Public Private Partnership (PPP) schools, have a lifetime of 25 years or more, and robust capital planning requires a long planning horizon. Service asset requirements need to be aligned with long-term capital planning; if long-term service requirements are not clearly mapped out, capital planning will become difficult, with the risk that it could lead to inefficient use of resources.

The majority of councils report good approaches to data collection and storage

Key factor 4 – Data collection processes

78. Data collection is essential to effective asset management as it enables councils to make robust and informed decisions based on a range of different criteria including location, condition and suitability of property.

79. We collected information from councils on a number of basic items required to support an asset management system. **Exhibit 18** shows the number of councils that hold specific information about property, such as energy usage, and the format for holding this information, for example an electronic database. Data coverage is complete in some areas, for example schools, where councils are required to report the information to the Scottish Government, while in other areas data coverage is patchy.

80. Almost three-quarters of councils report good approaches to data collection and storage across most performance areas. Although most councils hold core property information, data on a number of other items, such as CO₂ emissions, is limited. Data coverage on 'property usage' is poor, with only a fifth of councils collecting adequate information.

81. Data coverage is also poor in areas associated with health and safety. Only 15 councils had full coverage of data for fire risks, 17 for health and safety surveys, 23 for asbestos content and 23 for water hygiene information.

82. It is important that data is stored in a format that is accessible to relevant staff. However, many councils have not yet developed up-to-date electronic inventories of the number and condition of property assets, to support property maintenance regimes, and to help to prioritise the allocation of maintenance expenditure.

Exhibit 18

Number of councils holding asset management information

Information	Number of councils with...			
	an electronic database system	a spreadsheet system	a paper based system	full coverage of data for all their properties
Core/basic data on property	27	4	1	26
Condition information (based on on-site surveys by qualified staff)	26	4	0	18
Required maintenance (backlog in priority bandings)	21	7	2	16
Suitability information (fitness for purpose)	19	11	1	23
Capacity information (sufficient/insufficient/quantum)	16	10	1	12
Usage (hours)	7	8	1	7
Energy usage (consumption/costs)	24	6	0	22
Environmental performance including CO ₂ emissions	18	6	1	18
Accessibility issues (Disability Discrimination Act)	17	7	4	18
Water and sewerage costs	16	11	0	23
Asbestos content	24	5	1	23
Health and safety surveys	8	5	7	17
Water hygiene information	13	10	6	23
Fire risk	11	8	3	15
Maintenance spending patterns (for example, planned to reactive ratio)	24	2	1	23
Financial performance (commercial estate only)	14	6	2	24
Energy performance certificates	4	5	0	0

Note: Columns 1 to 3 do not always total 32. This is because some councils do not have a system for recording particular information, and some councils did not return complete data.

Source: Audit Scotland survey of councils

Only half of councils provide regular information to elected members on property performance

Key factor 5 – Performance management and reporting

83. Councils need a range of performance measures to enable them to pursue greater efficiency in the use and management of their assets. All the councils we visited monitor expenditure on their property assets and compare budgeted and actual expenditure. Monitoring of other aspects of performance in these councils was variable. Some councils have made significant investment in technology to allow them to monitor the progress of works and measure aspects of performance other than financial performance. However, others have less sophisticated arrangements, relying on incompatible computer systems, spreadsheet, or paper-based systems that make it difficult to monitor whether objectives and targets are being achieved (Exhibit 18).

84. Many councils have yet to establish a framework of performance indicators and outcome targets against which to measure the performance of their assets, support continuous improvement and assist public performance reporting. Only half of councils provide regular information to elected members on property performance.

85. Three councils, Midlothian, Eilean Siar and Orkney Islands, do not collect performance indicators for their property and under a third of councils have a comprehensive range of performance measures in place. The remainder collect a combination of performance measures drawn from sets developed by the Federation of Property Societies and the Improvement Service, those collected by the National Best Value Benchmarking Scheme (NBVBS) and Statutory Performance Indicators (SPIs). Councils could make wider use of value-for-money indicators for

estates, developed by the UK Joint Audit Agencies,²² and indicators developed by the Association for Public Service Excellence (APSE) performance networks.

Recommendations

Councils should:

- ensure they have effective asset management plans and strategies for their property, IT, vehicles, roads and associated infrastructure. These strategies should:
 - set out a vision for each type of asset which shows how they will contribute to council objectives and service aims
 - set targets for assessing progress, including the condition and suitability of each asset
 - describe an overall plan for achieving this
- ensure that service-planning guidance includes the development of service asset management plans for the short, medium and long term, within a corporate asset management framework
- ensure that asset information is up to date, complete, and held in a form which allows the production of appropriate management reports
- establish robust monitoring and reporting procedures for asset performance, to assess progress against their strategies.

Part 4. Improved asset management and partnership working can improve council efficiency



Property assets consume a lot of resources – councils will need to review how they use their property, and their future property needs, if they are to secure savings.



Key messages

- There are large variations in the cost of holding property among councils. In most councils property costs are between five per cent and 12 per cent of their gross revenue budget, but in some councils costs are higher.
- Although councils are reducing energy use in their buildings, environmental sustainability is not a key factor in building design. Most councils are missing opportunities for incorporating environmentally friendly features into the design of new buildings.
- Some councils gave examples of savings from rationalising office space, but few were able to provide details of significant efficiencies arising from property review and rationalisation.
- Many councils find rationalising property assets difficult to manage well. The role of elected members is of crucial importance; however, many councils do not have effective elected member scrutiny of property assets and only half provide regular information to elected members on property performance.
- Councils and health boards have a high-level commitment to joint working on property asset management. However, joint working does not appear to be widely embedded across services at a planning or operational level.
- There has been some well-planned joint working reported between social work and primary care services. Many joint property projects are developed in an opportunistic way, rather than as part of a long-term joint strategy.

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

The cost of holding property varies among councils

86. Property assets consume a lot of resources. Property costs include the costs of repairs and maintenance, energy, water, grounds maintenance, rents, rates, cleaning and domestic costs, premises insurance, caretaking and security. Scottish councils spent around £1.1 billion in 2007/08 on property, about 7.4 per cent of their gross revenue budgets. Property costs in 2007/08, ranged from around £7.5 million per year in Orkney Islands Council to £116 million per year in Glasgow City Council.

87. Exhibit 19 (overleaf) shows the variation in property costs among Scottish councils. In most councils reported property costs are between five and 12 per cent of the council's gross revenue budget. In Eilean Siar and Shetland Islands Councils, property costs are over 20 per cent of the overall budget.

88. There is some correlation between councils that reported well-developed asset management arrangements in their responses to our survey, and lower property costs. This suggests that more effective asset management helps councils achieve savings in property costs. We found no clear pattern in property cost variation, for example no evidence of

economies of scale, or an urban/rural divide (although the two highest spending councils are both islands councils).

Councils have a variety of options to use property more efficiently

Councils can make better use of office space

89. Scottish councils use around 1.2 million square metres of office space, with a property cost of around £190 million per year. Property costs of office space reported by councils vary from less than £50 per square metre reported by Falkirk and West Dunbartonshire to over £350 reported by Eilean Siar, Inverclyde and Edinburgh.

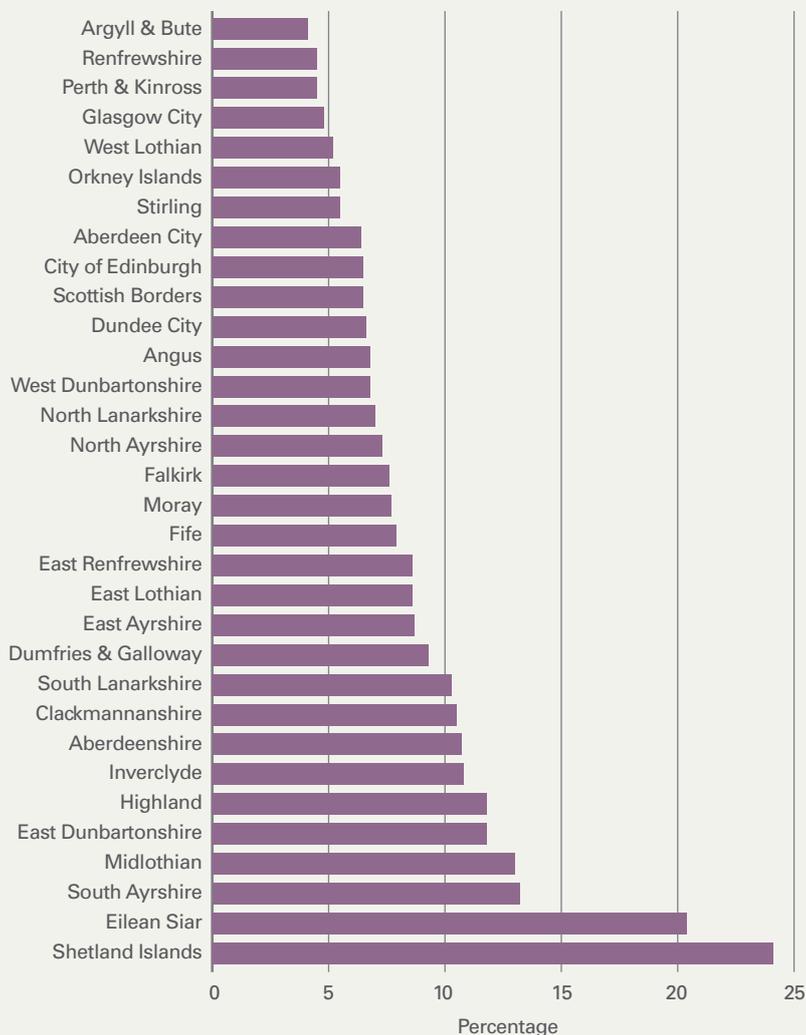
90. Three of the councils we visited (Fife, Renfrewshire and the City of Edinburgh) had recently rationalised and refurbished their office accommodation. They had significantly reduced the number of buildings used, while improving the condition and suitability of their facilities by making increased use of open-plan space and off-site document storage.

91. The working practices councils adopt have a significant impact on the volume, type and cost of the office property they hold. The following factors should be considered in planning office space:

- There may not be a business need to locate staff in unsuitable or expensive town hall or city centre accommodation.
- Using customer service centres to provide access to services by telephone, to reduce the number of small peripheral offices and improve services; although some councils prefer to maintain a physical council presence in an area, for example Highland Council has made a policy choice to maintain a presence in rural settlements.

Exhibit 19

Property costs as a percentage of gross revenue budget



Source: Audit Scotland survey of councils

Example 1

Use of flexible working at British Telecom

BT has effected a massive change in its workforce culture since 1998, when the company then had just 400 teleworkers out of a total workforce of 119,000. It now has 63,000 people on some form of flexible working, with over 12,000 employees working at home out of a total workforce of just under 100,000. One of the main drivers for this change has been the reduction of office space, although developments in information and communication technology will also have been a major factor.

BT has saved over £220 million in the last ten years from real estate costs alone. They have reduced travel costs by £9.7 million per annum and saved 1,800 person years of travel time each year. Another benefit has been the retention of key skills and the ability to attract talent, reducing employee turnover and the costs associated with recruitment of new staff.

Source: Institute of Public Finance

- Increasing the use of ‘hot-desking’ for staff who spend much of their time away from the office but need to use office facilities occasionally. Most of the councils responding to our survey indicated they were investigating or piloting new ways of working, however, none had estimated the efficiency savings arising from these initiatives.
- There are many opportunities for new ways to work which can support office rationalisation, for example, home working can benefit both staff and employers; however, few councils have systematically evaluated these options.

92. The private sector focuses more on the financial performance of an asset and the key driver is to achieve more productive workplaces from less space at less cost. There is a link between working practices and space requirements, and private sector bodies seem to appraise this more systematically than the public sector. [Example 1](#) is an illustration of this.

Councils need to make significant reductions in energy consumption

93. In the context of climate change and global warming, the environmental performance of council properties can make a big impact on Scotland’s carbon footprint. The climate change bill, currently progressing through the Scottish Parliament, calls for a reduction in carbon emissions of at least 80 per cent by 2050, with an interim target of cutting emissions by 50 per cent by 2030. These targets will be difficult to achieve without significant improvement in the energy consumption of councils’ property portfolio. The introduction of the UK-wide Carbon Reduction Commitment scheme in 2010 will provide financial incentives for councils to reduce their carbon emissions.²³

94. Our report *Improving the school estate*²⁴ found that environmental sustainability is not a key factor in school design and that opportunities were being missed for incorporating environmentally friendly features into the overall building design. One of the main ways of reducing carbon emissions from council buildings is the replacement of energy inefficient buildings with energy efficient ones. It is important that energy efficiency is included in the options appraisal process used for reviewing council property and in considering their replacement.

95. Our report *Improving energy efficiency*,²⁵ found that councils had reduced their energy consumption by five per cent in the three years up to the end of March 2007. However, spending on energy had increased by 46.7 per cent over the same period because of rising energy prices. The report identified a need for stronger leadership within public bodies to improve energy efficiency and ensure that the necessary cultural and behavioural changes are made. **Example 2** illustrates what councils can achieve with good design.

Income from commercial properties varies considerably between councils

Key factor 6 – Commercial property

96. Overall, commercial property generates income of £94 million per year for Scottish councils, varying from £185,000 in Shetland Islands, to almost £22 million in Glasgow. Most councils review their rentals on either three-yearly or five-yearly cycles. There is a considerable variation in income per square metre from commercial properties among councils. In most councils income is reported as between £20 and £82 per square metre, with this varying from £1 in Fife to £106 in West Lothian. Although some of this variation may be due to differences in the type of property and market values in each area, councils

Example 2

City of Edinburgh Council's corporate headquarters

In December 2006, the City of Edinburgh Council moved into a £45 million flagship HQ located in the heart of the city. The project provided an opportunity to integrate sustainable development objectives in the construction of the new building.

The council worked closely with the developer, using sustainability key performance indicators (KPIs) to guide the development. These have subsequently been included in the terms of the lease. The building has solar panels and a range of water and energy conservation measures, including a rainwater storage system which will allow the council's street cleansing vehicles to fill up their tanks. All timber used on the project came from certified sustainable sources and the furniture for the new building has been assessed against sustainable development criteria.

The work of the council on the new HQ led to the development of subsequent sustainable design and construction policies and projects, with the council developing recognised expertise in this area.

Source: Audit of Best Value and Community Planning, City of Edinburgh Council, Audit Scotland, February 2007

need to assess whether their level of return is consistent with their strategic objectives for commercial property.

97. Over two-thirds of councils have developed performance measures in relation to commercial property, although only some of these covered both financial and social issues. For example, Aberdeenshire Council conducts an annual survey of tenants and collects information on occupancy rates and whether the properties meet the basic needs of occupants. Over half of councils have reviewed their commercial property within the last two years; however, five (Eilean Siar, Highland, Moray, Perth & Kinross and West Dunbartonshire) have not reviewed their commercial estate for over five years.

98. Approximately two-thirds of councils indicate that they have developed a strategy for owning and managing commercial property,

covering one or more of the following issues:

- the reasons for holding such property
- standards for management
- how ownership of such property will be reviewed and challenged.

99. Councils need to review key aspects of their commercial estate and ensure they have effective arrangements to scrutinise and challenge the results. This should inform strategy for owning and maintaining commercial property and should include the reasons for holding property, and whether this is for income generation, or for social reasons. A strategy should contain management standards and include a small number of indicators to measure the performance of the commercial estate.

24 *Improving the school estate*, Auditor General and Accounts Commission, March 2008.

25 *Improving energy efficiency*, Auditor General and Accounts Commission, December 2008.

Only a small proportion of property reviews have resulted in significant change

Key factor 7 – Property review

100. Disposing of excess property can produce capital income and release revenue savings by reducing ongoing property costs. Scottish councils own surplus assets valued at around £500 million.²⁶ Our survey of councils shows that they currently own around 876 unoccupied properties with a floor area of 160,000 square metres. In the current economic climate councils may be cautious in disposing of surplus assets due to falling market values. However, there may also be opportunities for councils to purchase properties more cheaply than would otherwise be the case, for example in order to re-organise office provision.

101. The councils we visited tended to review their properties on a building type or service area basis, for example reviews of school or library provision. Our survey of councils found that:

- 28 had reviewed their office portfolio
- 25 had reviewed at least one service area
- 24 had reviewed their property based on a single building type
- 20 had reviewed property based on a geographical area with other public sector organisations.

102. Only a small proportion (less than five per cent) of property reviews reported in our survey of councils resulted in significant change. There were good examples, such as a review of the local office network in Fife; this resulted in the sharing of facilities (for example, between libraries and local council offices),

and in the closure and sale of eight properties in the first phase. A second phase is being undertaken, with the intention of reducing the remaining 20 local council offices to eight 'civic and community hubs'.

103. Area reviews increase the potential for efficiency savings and improved service delivery, because they can increase the scope for bringing services together and rationalising property use. For example, Perth & Kinross Council has recently undertaken a review of its properties in the Blairgowrie area, which will contribute to the council's 'Customer First' initiative, which aims to improve customer service standards. However, no council provided details of the savings resulting from property reviews. Only North Lanarkshire provided details of savings arising from changes in asset management, where reviews of operational efficiency are reported as leading to savings of £0.5 million in water consumption costs.

104. A common theme in our fieldwork was that within any given part of a city, small town, or rural area, councils and other public agencies usually deliver services from their own properties, rather than sharing with other bodies. This results in:

- physical barriers to joint working
- unnecessary duplication of resources
- people using services having to travel longer distances to access public services.

105. Although two-thirds of councils in our survey said they had undertaken property reviews based on a geographical area with other public sector partners, there is little evidence to date of significant change

to property provision as a result. The reasons for this vary from area to area, but common issues mentioned in our council survey included:

- the difficulty of aligning capital and revenue expenditure plans between public sector bodies
- difficulty in aligning priorities for renewing assets, for example renewing a community centre in a specific area might be a high priority for the council, but renewing the local police station and health centre in the same area may be low priority for the police service and NHS
- protracted timescales for decision-making on issues such as agreeing financial contributions.

106. When councils are selling surplus property they need clear and transparent procedures for doing so. These procedures should make sure prices are agreed properly and that councils follow regulations. However, council procedures do not always ensure this happens – the Controller of Audit's investigation into property sales at Aberdeen City Council²⁷ found insufficient evidence to support the valuation of properties, a lack of proper procedures, poor reporting to elected members, and cases where the council might have got a better price for properties. Overall, the loss of income might have been more than £5 million.

We found little evidence that councils are budgeting for planned maintenance of new buildings

Key factor 8 – Implementation

107. Councils' capital expenditure in 2007/08 totalled £2 billion;²⁸ £0.5 billion of this is the Housing Revenue Account (HRA), which is restricted to expenditure on council

²⁶ *Overview of the local authority audits 2008*, Audit Scotland, February 2009.

²⁷ A report by the Controller of Audit to the Accounts Commission under Section 102(1) of the Local Government (Scotland) Act 1973, Aberdeen City Council, Audit Scotland, April 2008.

²⁸ *Overview of the local authority audits 2008*, Audit Scotland, February 2009.

housing. Of the remaining £1.5 billion, expenditure on schools was £425 million (28.3 per cent), offices and administrative buildings £96 million (6.4 per cent), sports centres and pools £69 million (4.6 per cent), residential homes and day care centres £54 million (3.6 per cent) and museums and galleries £28 million (1.9 per cent). The majority of the remaining non-HRA capital expenditure was on roads and transport £484 million (32.3 per cent), vehicles, machinery and equipment £157 million (10.5 per cent), and other buildings £187 million (12.5 per cent).

108. The construction cost of a building is on average only 2.5 per cent of the lifetime cost of that building and its services.²⁹ All investment has long-term revenue and capital costs for councils, known as whole-life costs. They include the costs of borrowing any initial capital required, and the maintenance, utilities and staffing costs for the lifetime of the building, most of which are funded from councils' revenue budgets.

109. Councils should base their capital expenditure on an effective property review programme, linked to an options appraisal process and asset management strategy. However, five councils (Eilean Siar, Aberdeen City, Glasgow City, Highland and Stirling) said they do not have a strategic approach to prioritising areas for capital spending and a third of councils do not have a documented approach to options appraisal for use on major projects.

110. We could find little evidence that councils' are budgeting to meet the costs of planned maintenance of new buildings. If councils do not make a commitment to fund whole-life costs, including maintenance, they risk financial inefficiencies – for example, they may need to replace assets sooner than if they had maintained them effectively.

111. Our recent report on improving the school estate also noted that whole-life costs, such as maintenance, are included within the budgets for Private Finance Initiative (PFI) schools, but generally not for council-owned schools. There is a risk that the condition of school buildings may deteriorate faster in non-PFI schools, as council funds come under pressure to meet other demands, such as existing maintenance backlogs.³⁰

Councils are not developing outcome measures to monitor the success of capital projects

112. There are two main outcomes that result from investment in major capital projects – those specifically relating to the delivery of the project, and those related to subsequent service delivery. To assess how effectively a project has been delivered, measures can include whether it was completed on time and within budget, and to what extent it meets expectations around the size of spaces and the quality of the build.

113. The wider outcome of a project is the impact it has on the delivery of services and whether outcomes have improved because of the investment. While it is difficult to identify the exact impact that changes to assets have upon outcomes due to the number of other factors involved, there are indirect measures which can be used, for example improvements to staff morale. These can be assessed by post-project reviews and post-occupancy evaluations; although most councils do not undertake these regularly.

114. None of the councils in our survey have developed service outcome measures and only four councils (Aberdeenshire, Dundee, East Ayrshire and West Lothian) are looking at developing outcome measures for projects. Councils should include service outcome

measures in their assessment of the impact their investment in assets has on improving service delivery.

115. Renfrewshire and Edinburgh councils consulted staff on the use of space and layouts in the development of their new offices. Fife Council undertook post-occupancy surveys of staff, during the phased move from three central Glenrothes office locations to two, allowing them to make improvements in office layout for later phases of the project. The use of post-occupancy reviews across other councils was not common.

116. While councils frequently consult the public on the development of service plans, our survey found that there was little or no public consultation on what is required when they are considering the design of new assets.

Elected members can play a vital role in taking strategic decisions about assets

117. Elected members can play a vital role in achieving a balance between local interests and good corporate management of assets. Changes in service provision can be difficult to put into practice, especially where the public or elected members view the retention of particular buildings as symbols of commitment to service delivery in their area. Asset rationalisation, for example school closures, is highly emotive and can provoke strong local feelings. This can result in tension among elected members where ward interests conflict with corporate decision-making and value for money. Many councils have had to make difficult decisions about school or library closures, and this can lead to challenges for the political management of the council. Many of the council members and senior managers we interviewed

²⁹ *Improving the school estate*, Auditor General and Accounts Commission, March 2008.

³⁰ *Ibid.*

feel that there is a need to build greater consensus about the long-term strategy for assets across political groupings to be able to make significant progress.

118. Better performance management and leadership, increased use of options appraisal and whole-life costing may help to bring greater clarity and objectivity to the process of property rationalisation. Councils need to consult residents openly and sensitively about the issues they are facing and provide clear information on the alternatives available and the reasons for proposed change. This can also help to manage residents' expectations of potential outcomes at an early stage, and provide elected members with good information to enable them to balance local interests with those of the wider community.

Councils and their community planning partners need to work together to make public sector assets work more efficiently

119. Planning and undertaking joint projects with other public sector organisations present challenges to councils and their partners. There are many potential benefits including economies of scale.

120. Councils and health boards have a high-level commitment to joint working on property asset management, and councils are beginning to develop joint property strategies with other public sector partners. However, joint working is still in its early stages across most of the country and is not yet widely embedded across services at a planning or operational level. We found that joint property projects are being developed in an opportunistic way, rather than as part of a planned strategy. We also found that informal networking and personal relationships

are often seen as key to making asset management work between agencies. By their very nature these factors are difficult to replicate across all partners and over the long term.

121. Examples of joint use of property between councils and health boards include GP surgeries located in the same building as social work offices, libraries and pharmacies; however, we found it difficult to identify many examples of good practice. Our questionnaire asked councils for examples from area reviews, community use or other joint initiatives, but responses were limited. One example is the North West Kilmarnock Area Centre, which brings together a wide range of services such as a nursery and family centre, dental health and mental health services, day care for older people and a community health cafe and fitness suite. The centre has opened up opportunities for joint working and addressed a number of issues in the community. Another example is the Dalmellington Area Centre, also in East Ayrshire ([Example 3](#)).

122. In three out of the five councils we visited, national policies on the sale of assets are seen as a barrier to joint working with public sector partners. This can become an issue where, for example, a health board could use surplus council land for a NHS facility but is unable to meet the market price, or conversely, where a council could use a redundant NHS site for a school. Differing funding regimes also make joint working more difficult. Councils cite central control of NHS capital expenditure as resulting in slower decision-making. However, this only applies to capital expenditure of over £5 million (£10 million in NHS Greater Glasgow and NHS Lothian).

123. The 1973 Local Government (Scotland) Act, requires councils to secure 'the best consideration reasonably obtainable when disposing of land', usually interpreted as getting at least the market value. Where a council decides to accept less, it needs consent from Scottish ministers.³¹ The 2003 Local Government in Scotland Act allows ministers to make regulations that councils must follow when selling assets.³² The Scottish Government is currently considering draft regulations on these issues.

124. An approach which uses these processes and considers the overall value of a scheme to the public sector, rather than just aiming to achieve the highest price, could help deliver wider benefits and Best Value in the long term.

National initiatives to promote joint working have had varying degrees of success

125. There have been a number of national initiatives that have attempted, with varying degrees of success, to bring together community planning partners to invest in joint property projects. These include the community schools programme, the joint futures programme and the hub initiative.

126. The Scottish Executive³³ set up the New Community Schools (NCS) initiative (now known as Integrated Community Schools) in 1999, with an initial investment of £26 million from the excellence fund. One of its aims was to house social work, health, psychological and other child professionals in selected schools.

31 Local Government (Scotland) Act 1973, Section 74.

32 Local Government in Scotland Act 2003, Section 11.

33 In 2007, the Scottish Executive changed its name to the Scottish Government. Where appropriate this report refers to the Scottish Executive rather than the current Scottish Government.

Example 3

The Dalmellington Area Centre, East Ayrshire Council

The Dalmellington area centre provides over 11,000 residents of the Doon Valley with a single point of access to a very wide and comprehensive range of public services, including council services, doctors, dentists and the police, as well as electronic service delivery by other government departments, including Job Centre Plus and the Inland Revenue. The facility also incorporates small-scale industrial starter units and a Business Technology and Training Centre. While co-location projects are not unique, this centre is designed to ensure daily interaction between staff from each of the agencies in supporting users and there is evidence that this is providing both higher quality and more joined-up services for customers. The centre was designed to produce several benefits in a single package, including:

- everyone working together under one roof
- new services delivered locally
- modern high-quality accessible accommodation
- increased uptake of services
- informal sharing of skills across agencies
- easier referral pathways between agencies
- value for money.

The council involved other partners in the project to maximise the use of available accommodation and extend the range of services available to the community. Based on the experience of the Dalmellington Area Centre, a 'Perfect Partners' practical handbook has been developed to share good practice.

Source: Best Value audit report, East Ayrshire Council, September 2006.

127. An independent review, *The sum of its parts? The development of integrated community schools in Scotland* (HMIE, 2006), found that the initiative lacked hard evidence of short-term success and had not been fully successful in its aim of establishing a new overarching vision and framework for the delivery of education and other children's services, using schools as the hub. NCS initiatives often sat alongside a range of other initiatives and activities, rather than bringing initiatives together and giving them greater coherence.

128. The Joint Futures Unit, part of the Partnership Improvement and Outcomes Division within the Scottish Government Health Department (SGHD), promotes joint working between the NHS and the rest of the public sector, including the development of joint premises. In 2005/06, the unit developed a list of data that public bodies should hold for their properties, and a toolkit to help public bodies develop joint estates projects. Very few NHS bodies have developed common datasets or used the toolkit; only three councils (Aberdeen City, Aberdeenshire and

East Dunbartonshire) have completed the common dataset, although 16 councils have made full use of the toolkit.

129. More recently, the Scottish Government has announced proposals for the hub initiative to be taken forward by the Scottish Futures Trust. The government intention is that councils, health boards and other community bodies come together with the private sector in local hub companies to procure facilities jointly over a period of years. The government intends the hub to be a strategic way of procuring community assets, achieved through local agreements between the public sector and a private sector development partner.

130. It is intended that local hub companies will be established in five 'territories' across Scotland, overseen by a national hub office based within the Scottish Government. The Scottish Government has announced funding of £2.8 million over a five-year period to meet set-up costs for pathfinder projects in two of these territories. It is not clear how the five territories proposed by the Scottish Government will work within the current community planning arrangements.

Recommendations

Councils should:

- formulate a long-term capital strategy, linked to achieving the aims of their asset management strategies; this should include a formal corporate approach to options appraisal for proposed capital projects
- ensure that whole-life costs are taken into account in councils' capital and revenue planning
- consider issues of sustainability, such as CO₂ emissions, in their whole-life costing model for proposed capital projects
- review key aspects of their commercial estate and ensure they have effective arrangements to scrutinise and challenge the results
- set service outcome measures for capital expenditure and put in place mechanisms to monitor whether they have been achieved when projects are completed
- where significant changes are planned to assets in an area, or to a particular type of asset, for example school buildings, ensure consultation with residents is open about the issues the council is facing and provides clear information about the options for change
- agree with community planning partners arrangements for joint planning, management and property sharing. This should include identifying and tackling the barriers to strategic joint working around public assets and developing shared property databases to facilitate joint working.

Councils, Community Planning Partnerships and the Scottish Government should:

- make use of legislation which allows councils to sell assets at below market value if it is for public benefit, where this is consistent with a published policy objective, and would achieve Best Value for the public sector overall.

Appendix 1.

Improving property asset management – a checklist for elected members

Key issues	Key questions
1) Setting clear policies and objectives for asset management	<ul style="list-style-type: none"> • Is asset management a clear component of the council's overall strategy determined by the council? • Does executive leadership of corporate asset management clearly reside with the chief executive, supported by the corporate management team? • Does the council have an asset management strategy and published plans which support the council's corporate objectives? • Is property seen as a corporate resource?
2) Corporate commitment and management capacity	<ul style="list-style-type: none"> • Are elected members engaged with property asset management and is asset performance regularly reviewed by members? • Are property management responsibilities clearly set out at a corporate and service level? • Are there adequate resources at a corporate level, to review property assets and running costs?
3) Property information	<ul style="list-style-type: none"> • Does the property management service have adequate information systems to support property maintenance? • Are the information systems used to support asset management linked to other relevant systems, for example geographical information systems?
4) Property maintenance	<ul style="list-style-type: none"> • Has the council conducted an options appraisal for ensuring that the property maintenance backlog is being managed effectively? • Does the asset management plan ensure that all planned work reflects the results of a systematic option appraisal? • Is the work of the property management service planned to minimise long-term costs?
5) Property review	<ul style="list-style-type: none"> • Are senior managers aware of the property costs of the buildings services occupy? • Is there a programme of property reviews? • Is information on running costs and environmental impact available to the review team?
6) Resourcing and financial management	<ul style="list-style-type: none"> • Is there a corporate approach to options appraisal and the prioritisation of capital projects, in line with corporate objectives? • Are decisions on capital projects based on a clear business case, including options appraisal and whole-life costing? • Does property maintenance have the resources to meet its policy objectives and is adequate priority given to routine maintenance within the budget setting process? • Is funding for maintenance linked to the condition of assets?
7) Procurement and service delivery	<ul style="list-style-type: none"> • Does the council work with its community planning partners to achieve economies of scale in asset management? • Are unit costs benchmarked against other councils and the private sector?
8) Accounting for performance	<ul style="list-style-type: none"> • Does the asset management service maintain an effective performance management framework, to continuously review and improve its performance? • Are there annual performance plans, agreed by council members, setting out targets for improvement? • Does the council include this information in public performance reporting?

Appendix 2.

Study advisory group members

Member	Organisation
Alan Tyler	Federation of Property Societies
Gordon Taylor	Property Asset Manager, Corporate Services, Perth & Kinross Council
Nick Allan	COSLA (Corporate Assets Manager, Argyle & Bute Council)
John Symon	CIPFA Directors of Finance Group (Head of Finance, Perth & Kinross Council)
Jim Valentine	SOLACE (Head of Roads and Infrastructure, Perth & Kinross Council)
Colin Mair	Chief Executive, Improvement Service
Hilary Pearce	Efficiency and Transformational Government Division, Scottish Government (now Culture Division)

Appendix 3.

Published sources of guidance

Year	Date	Guidance	Author
2000	April	Hot Property: Getting the best from local authority assets	Audit Commission
	August	Beginning and Developing a Corporate Asset Management Process	Department of the Environment, Transport and the Regions (DETR)
2001	September	A Guidance to Asset Management Planning in Wales	Consortium Local Authorities Wales (CLAW)
2003	March	Supplementary Guidance to Asset Management Planning in Wales	CLAW
2004	December	Towards better management of public sector assets: A report to the Chancellor of the Exchequer	Sir Michael Lyons
2005	January	Asset Management under Best Value Advisory Note: Local Government in Scotland Act 2003	Best Value Task Force
	June	Joint Premises Toolkit	Scottish Government
	August	Guidelines developed by the Royal Institute of Chartered Surveyors (RICS) and the Office of the Deputy Prime Minister (ODPM)	RICS & ODPM
2006	April	Improving Property Asset Management in the Central Civil Government Estate	University of Leeds for the Office of Government Commerce (OGC)
	October	Capital Planning and Option Appraisal – A Best Practice Guide for Councils	Chartered Institute of Public Finance and Accountancy (CIPFA) Local Government Directors of Finance Section
	November	High Performing Property	Office of Government Commerce
2007	May	High Performing Property Implementation Plan	Office of Government Commerce
	May	Making assets work – the Quirk Review of community management and ownership of public assets	Barry Quirk for the Department for Communities and Local Government
	November	Improving the efficiency of central government's office property	National Audit Office
	December	Accounting for the Common Good Fund: A Guidance Note for Practitioners	Local Authority (Scotland) Accounts Advisory Committee (LASAAC)
2008	January	Public Sector Asset Management Guidelines (suite includes separate guidance for senior decision-makers and how to get started quickly)	Royal Institute of Chartered Surveyors (RICS)
	February	Building on Strong Foundations	Dept for Communities & Local Government
	March	Property Asset Management in Scotland's councils – Moving Forward	Improvement Service
	May	Improving the efficiency of central government's use of office property	House of Commons – Committee of Public Accounts
	October	A guide to asset management and capital planning	CIPFA Local Government Directors of Finance Section

Asset management in local government

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