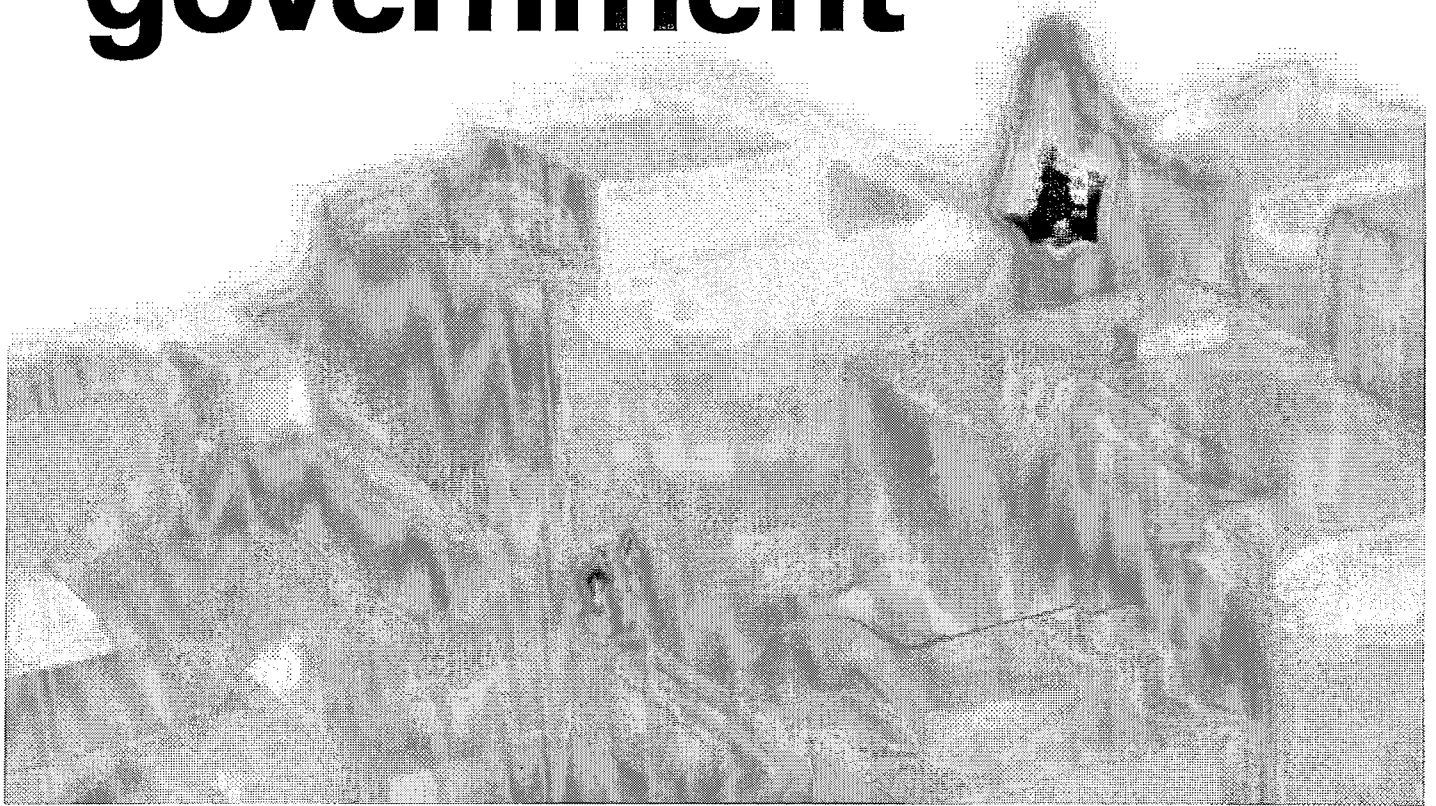


Asset management in local government



 **AUDIT SCOTLAND**

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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- all 32 councils for their helpful responses and in particular the five councils where we carried out detailed fieldwork: Clackmannanshire, City of Edinburgh, Fire, Highland and Renfrewshire
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- David Bentley of the Institute of Public Finance, for help in analysing councils' responses to our survey
- 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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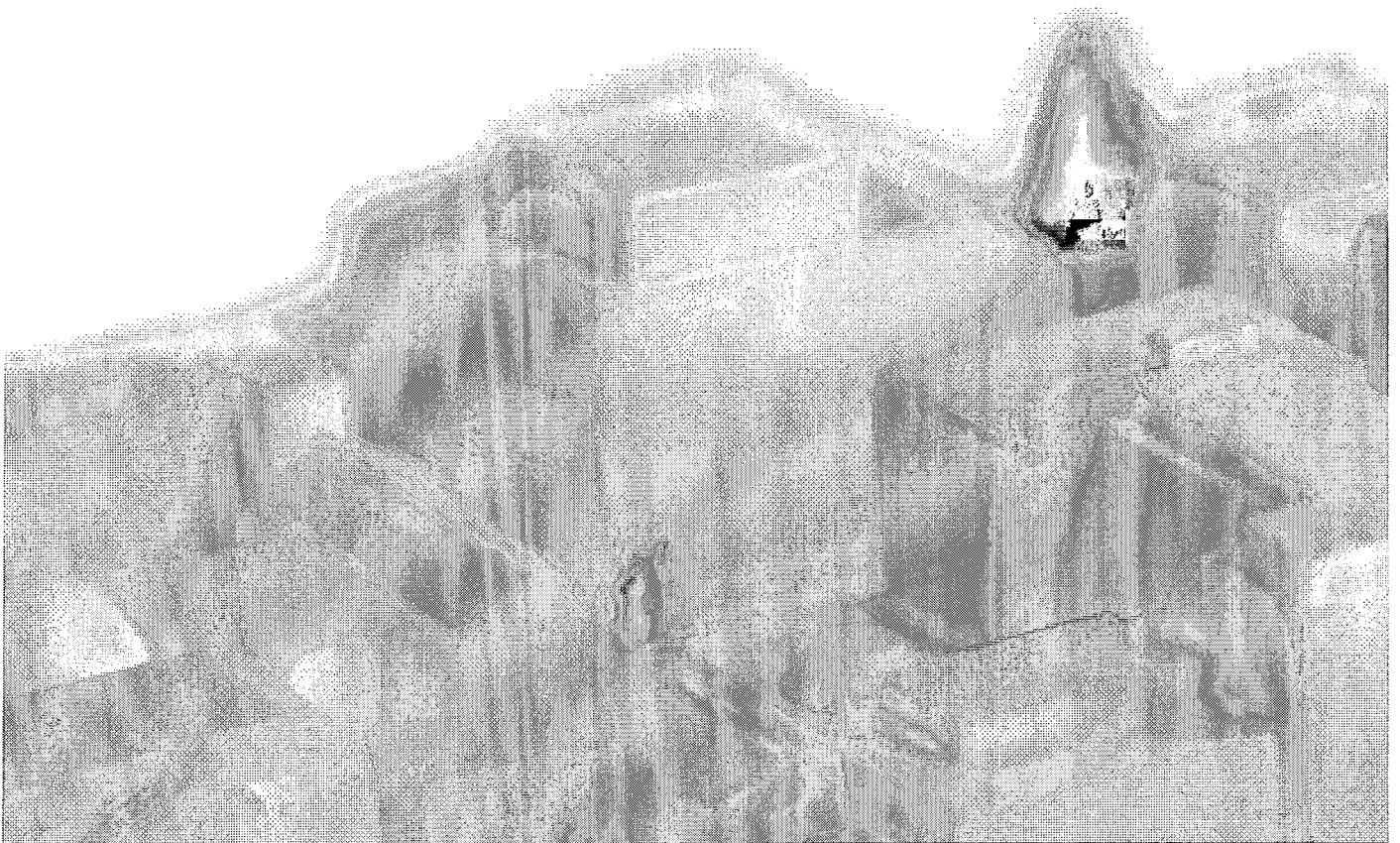
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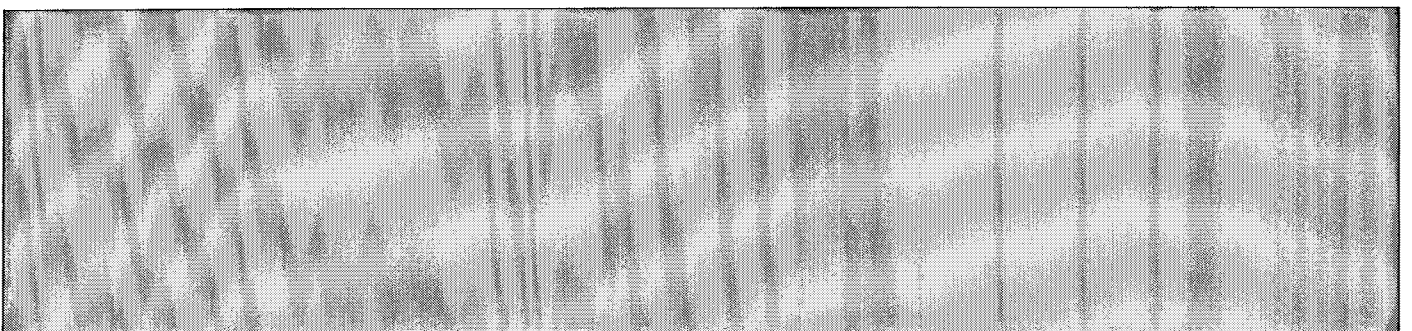
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Summary



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.

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