

briefing

APRIL 2000

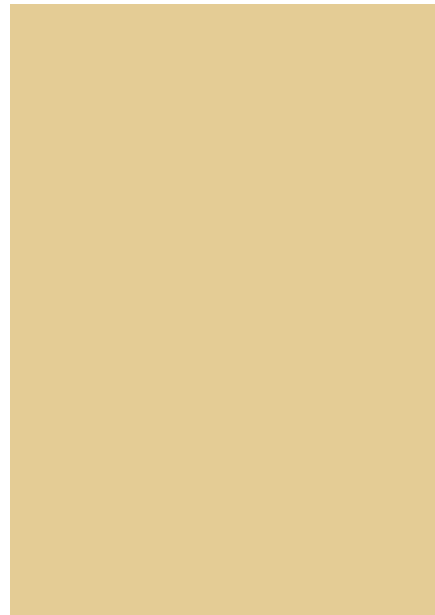
Hot Property Getting the Best from Local Authority Assets

Local authorities own a varied portfolio of service and commercial properties.

- these assets are valued at around £78 billion
- they cost at least £5 billion a year to run and manage
- they include over 21,000 schools, 3,800 libraries, 1,800 leisure facilities and 2,200 community centres

A suitable building in the right location for users can make the difference between a good and a poor service, but many authorities are not managing their property effectively.

- money is wasted on assets that do not support services or are unnecessarily costly to run, while key frontline service buildings fall into a state of disrepair
- value for money is unproven – for example, councils own commercial property valued at £7.5 billion but fewer than half of authorities regularly review the costs and benefits of retaining this portfolio
- around 13 per cent of the average civic centre is unused or under-used. Even small reductions in office space can yield substantial savings



- councils are missing opportunities to share property with other public agencies, which would save money as well as make services more accessible to the public

Many councils are working hard to get the best from their property assets, but most would benefit from taking more active measures...

- ensuring that all property is fully incorporated into corporate and service planning
- reviewing their need to retain holdings, especially those that do not contribute to service objectives

- capturing the full costs of property ownership and occupation, and disposing of assets that do not justify their expense
- agreeing more flexible arrangements for owning and using office accommodation
- subjecting property services departments to rigorous best value review

...and thereby minimise the cost of property, while maximising its contribution to core services.

- authorities can use information and communications technology to improve access to their services, and those of other agencies, without tying up money in expensive new buildings
- property-sharing can help to make a reality of seamless services

Councils could keep pace with user demands and use costly property resources to better effect by adopting modern methods of service delivery and strengthening asset management planning.



AUDIT
COMMISSION

Promoting the best use of public money

Asset management matters

Councils spend at least £5 billion annually on property management and running costs.

1. Local authorities' assets are used to deliver many of the services that are most valued by their communities. Councils own over 21,000 schools, 3,800 libraries, 2,200 community centres and 700 galleries and museums, in a property portfolio worth £78 billion [EXHIBIT 1]. This total includes £7.5 billion of commercial, industrial and investment property. Owning and using these assets is a major expense – councils spend at least £5 billion annually on management and running costs, making property the second most costly resource after staff and an important issue for review.

2. Cost is not the only key factor, however – a building 'fit for purpose' and in the right location for users can make the difference between a good and a poor

service. Councils that fail to manage property effectively are at risk of turning assets into liabilities by:

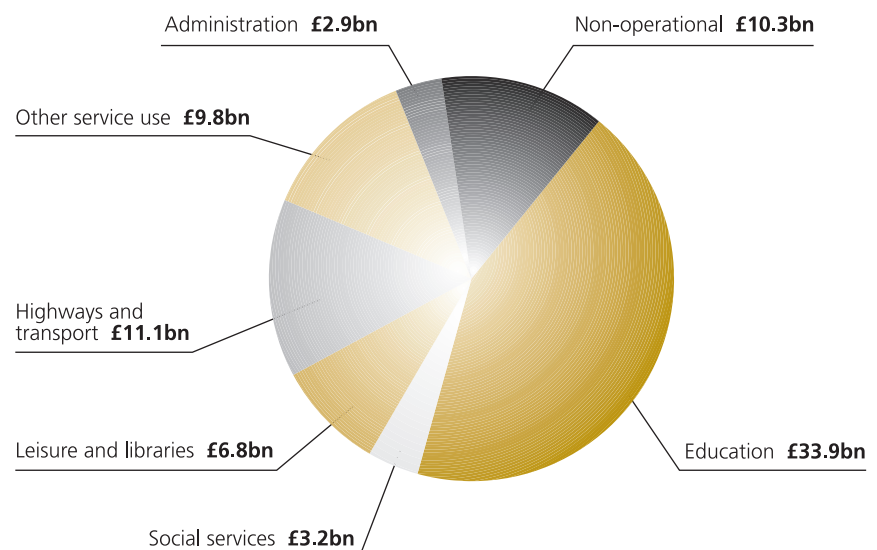
- wasting money on buildings that are not necessary to provide services, or are unduly costly to run;
- simultaneously failing to maintain frontline service buildings to an adequate standard, resulting in poor quality surroundings for staff and users; and
- missing opportunities to make services more accessible and to 'join up' provision with other agencies [EXHIBIT 2].

Many councils are working hard to manage these resources well and to improve building and service quality. But to achieve these goals, they must overcome a number of internal and external constraints.

EXHIBIT 1

How much property do councils own?

Excluding housing, councils own property valued at £78 billion.

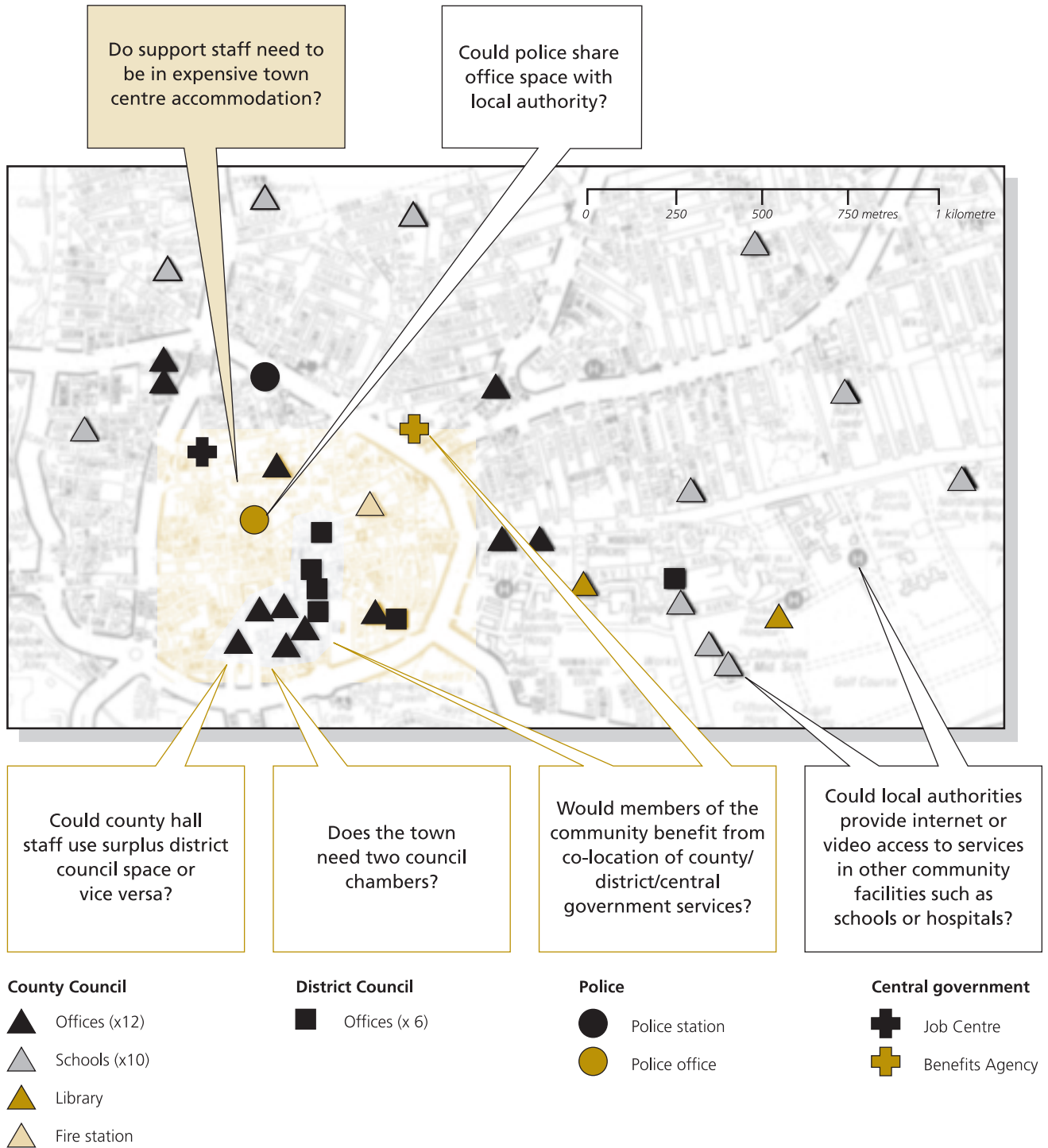


Source: CIPFA Local Authority Asset Statistics, 1999

EXHIBIT 2

The pattern of public service delivery in a typical town centre

Opportunities to rationalise and share property between agencies are missed.



Source: Audit Commission, based on a real town

Getting the best from property assets

3. Property is central to the drive for high-quality, effective services. But in too many cases:

- property is seen as a fixed asset, rather than a strategic resource that supports the delivery of council services to the public;
- authorities fail to monitor the cost and use of assets, or to challenge the need to retain them;
- there is insufficient scrutiny of the value for money offered by property services; and
- external legal and financial constraints limit councils' flexibility to apply the most suitable solutions to local needs.

4. Successful asset management requires a long-term view and leadership, but many councils struggle within a political framework of three to five years. Ownership and control of property by individual committees can prevent councils from maximising efficiency, and encourage them to retain under-utilised property – 'just in case'. To combat this, councils should assign property responsibilities at both officer and member levels, and make property a 'cabinet' issue within new political management structures. From 2001, authorities must submit asset management plans (AMPs) to the DETR. These should form part of their *corporate* planning framework and include incentives

for property occupiers to rationalise assets and reduce running costs. To support this process, both members and senior officers would benefit from training to raise awareness of the role, cost and potential of property. Central government departments need to ensure that demands on local authorities regarding AMPs are 'joined up' and the DETR should set national performance measures.

5. Property is an expensive overhead, so councils should occupy the minimum space needed to deliver (or support investment in) the services that local communities need and want. But formal reviews to test whether buildings are suitable, or whether their cost is justified by service need, remain rare. None of the ten study sites could provide authority-wide details of what each building costs to run, or how well the internal space was being used. Office accommodation is often poorly managed; space utilisation audits carried out for the Commission in seven civic centres identified an average spare capacity of 13 per cent.

Nationally, if authorities reduced their office holdings by just 5 per cent, they would make annual savings of around £25 million. Authorities that have adopted better space planning, hot desking and home working in appropriate work areas have achieved desk reductions of up to 25 per cent. Councils' need for space is not

constant. In order to minimise cost and maximise flexibility, they should consider meeting some of their office requirements through short- to medium-term leasing, rather than property ownership.

6. Significant resources are tied up in non-operational property – mainly retail and industrial units for let. In many district councils, less than one-third of property (by value) is used to deliver services. Few councils can demonstrate that keeping these assets represents the best use of resources and expertise: rates of return are rarely calculated, and only 40 per cent of authorities have undertaken a cost-benefit analysis of their portfolio in the last year. Non-operational assets can be a sensible use of resources, but only where the net benefit to the community is greater than could be achieved by investment in frontline services. For example, to justify owning industrial land, a council must demonstrate both an adequate rate of return on investment and that this is the only, or best, way to stimulate local economic development.

7. Scrutiny of property services – such as building repairs, cleaning, architectural services and energy management – suggests that many would fail the tests of best value. Of the ten study sites visited, four had no formal performance targets for property services; five did not compare their services to other authorities; and only one involved client departments in devising

service specifications – for example, the standard and frequency of cleaning, or response times for repair work. The majority of property services are provided ‘in-house’: although councils doubt that the private sector would perform any better, the onus is now on their property departments to demonstrate value for money on both cost and quality grounds. To succeed, they must adopt a stronger customer focus – enabling them to articulate and prioritise needs – and measure outputs and outcomes [EXHIBIT 3].

8. Councils work within a legal and financial framework that may hinder effective asset management. They face increasing demands – for example, requirements to

improve disabled access and raise residential home standards – but capital and other controls reduce their ability to finance new investment. The additional capital available through lottery and other bid-funds is not a panacea. Such schemes have long-term revenue implications and often deliver ‘flagship’ projects rather than tailored solutions to local problems. Councils feel that their freedom to manage, sell and acquire assets is excessively restricted at present and they argue that a greater degree of trust, with strong checks built in, would be consistent with the best value ethos.

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EXHIBIT 3

What does best value mean for property services? Some sample questions

Authorities need to decide what services are required, how these are best provided or procured, and ensure continuous improvement in cost and quality.



Source: Audit Commission

Modernising services and increasing accessibility

More effective use of council property will also support partnership initiatives.

9. Improving service accessibility within existing budgets requires imagination. Both officers and members should strive to develop radical ideas and put detailed options before residents. Few authorities currently ask service users about their satisfaction with the location and physical quality of buildings, or how they might prefer to access services differently (for example, by telephone or over the internet). So, where buildings have become dilapidated or are not financially viable, it is merely assumed that users would rather have a poor quality building than none at all.

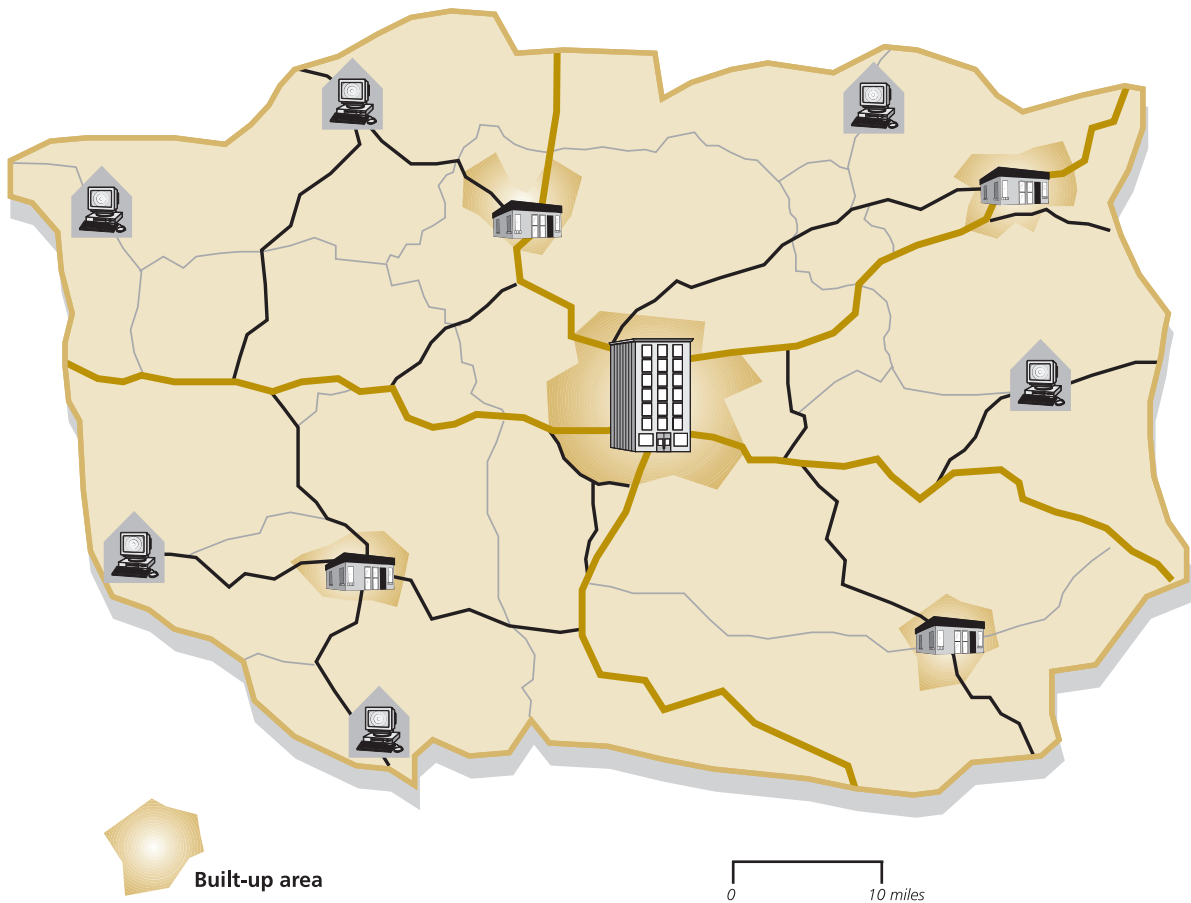
10. More effective use of council property will also support partnership initiatives. Lewisham runs a one-stop shop jointly with

the Benefits Agency, that offers access to all council services and video conference links with other public services such as the police and Inland Revenue. Initiatives such as this need to become more widespread if authorities are to meet public demand for more accessible services. Fewer than one-third of council websites currently permit ‘transactions’ (such as paying a bill or making applications) that might reduce the need to visit council offices in person. Smarter methods of service delivery will also help to make better use of existing property assets – for example, schools or libraries that are not operational at all times – and to link to other public services [EXHIBIT 4].

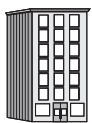
EXHIBIT 4

Illustrative example of future public service delivery arrangements

Inter-agency sharing of property and greater use of technology are required to improve service quality and accessibility.



Building type/status



Headquarters

Includes...

- Public enquiry desk – access to:
 - county and district services
 - police, DSS & other local services

Office-based staff

Internet/video links to externally-based staff and services



Area office

Public enquiry desk and internet/video access to services

Office-based staff plus satellite base/network access for peripatetic staff

Possibly attached to an existing facility (eg, library, leisure centre)



Local service point

(could be a school, library, village hall, post office etc.)

Internet and video access to HQ and area-based services

Scheduled 'surgeries' run by staff from area offices or headquarters

Source: Audit Commission

Recommendations

For managers:

- 1 Build understanding of the strategic importance of property assets in supporting service delivery.
- 2 Identify responsibility for strategic asset management.
- 3 Develop council-wide asset management plans covering the sufficiency, suitability and cost of existing assets, and mapping future needs.
- 4 Consider property issues in every relevant best value service review.
- 5 Challenge the need to retain non-operational assets; dispose of any that cannot demonstrate an adequate return on investment.
- 6 Establish sensible incentives for departments to use property in the wider corporate interest.
- 7 Review office/other accommodation and introduce hot desking, home working and other innovative practices wherever feasible.
- 8 Subject property services to best value review, challenging existing structures, testing competitiveness, and focusing on customer needs.
- 9 In partnership with other agencies, investigate joint use of property and exploit information and communications technology to increase service accessibility and reduce costs.

For councillors:

- 1 Take responsibility for ensuring that property helps secure continuous service improvement.
- 2 Make property a cabinet-level issue, alongside finance and IT; identify lead member roles.
- 3 Promote property sharing with other agencies, especially between counties and districts in two-tier areas.

For central Government:

- 1 Ensure Government departments pursue a 'joined up' approach to AMPs, with clear definition of information requirements.
- 2 Following consultation, incorporate a few key asset management measures into national best value indicators.
- 3 Accelerate research into alternatives to the existing system of capital controls.

*If you want to know more:
the full national report, **Hot Property: Getting the Best from Local Authority Assets** looks at all these issues in more detail and includes background information, case studies and specific guidance.*

*Audit Commission, **Hot Property: Getting the Best from Local Authority Assets** (national report)
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