



Room for improvement

A briefing for elected members on managing
land and buildings

August 2009

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

A briefing for elected members on managing land and buildings

All councils need land and buildings to deliver frontline services and back office functions. But few are excellent managers of their property assets, and make the best use of the huge value they represent. Councils must do more to ensure that these important assets provide exceptional value for money for local taxpayers.

This briefing explains how members can ensure that their council manages its property more efficiently and effectively. It is aimed at all councillors, although those in cabinet, or with scrutiny or audit responsibilities, will be particularly interested.

There are questions for members to help them assess how well their council is performing. We have based this briefing on evidence from the Audit Commission's national study report, *Room for Improvement: Strategic Asset Management in Local Government*, published in June 2009.

To see the full report go to:

www.audit-commission.gov.uk/roomforimprovement

In *Room for Improvement*, we said that:

- Council property is big business, with a book value in England of £250 billion. Despite the recession, its market value is probably higher.
- Auditors reported in 2008 that only 1 in 14 councils is an excellent manager of its property assets. The Audit Commission test is now even harder under Comprehensive Area Assessment (CAA).
- The days of big centrally funded capital investment programmes are over. Councils will have to take hard decisions about what property to occupy, and how they can make best use of it.
- Many councils do not have enough data and capacity to take strategic decisions about property assets. This makes it harder for them to respond effectively to tougher economic times.
- The recession provides opportunities for councils as well as challenges. While councils will sell less property – and get less for what they do sell – they can now also plan for the upturn, including possibly buying assets and capacity more cheaply.

Councils must balance competing expectations about local government property. They must ensure that land and buildings improve services, meet environmental and equalities legislation requirements, and offer decent and productive working conditions for staff. And they must do this while finding efficiency savings and providing good value for money.

Prioritising these is difficult. A strategic approach to managing land and buildings is vital if councils are to meet this challenge. The Audit Commission's Use of Resources assessment for asset management within CAA will focus on land and buildings. You can find guidance on the asset management Use of Resources assessment criteria here:

www.audit-commission.gov.uk/useofresources/guidance/index.htm

CAA will look at whether councils:

- think strategically about how their property assets help them achieve their objectives;
- hold no more property than is necessary, and use what they do hold differently; and
- work with partners and community groups to ensure property assets are used for the benefit of the local community.

Members have a vital role in addressing these issues. Members can challenge their council's approach to managing its property, including whether the council could manage more of it in partnership with other local services. And members can scrutinise council decisions and assess how far the council's property provides the best possible value for local people.

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Questions for elected members

We have designed the following questions to help you achieve these objectives and assess how well your council is performing. You should discuss these questions with your council's officers. The external auditor, whether from the Audit Commission or other provider, and the CAA lead will be happy to discuss any issues or queries you have about how we assess asset management.

How do land and buildings help to achieve your council's strategic and community priorities?

It is easy for members and officers to regard their council's property as a permanent fixture and to take it for granted. Strategic councils actively manage their property to achieve their community objectives. They ensure asset management is a corporate function, with clear cabinet and management team responsibilities. They have an up-to-date asset register, asset management plan and capital strategy, which contain robust information, including savings targets. They invest where necessary to keep maintenance costs down, and dispose of any property that is surplus to requirements.

Do you know:

- how your council decided the priorities for its property?
- the information it took into account when deciding those priorities?
- what property your council needs to deliver its strategic priorities, service needs, and intended outcomes?
- how your land and buildings help to achieve the council's priorities?
- whether your council's priority is to sell its property, obtain efficiency savings from property, or to invest in it to achieve other benefits?
- who is responsible in the cabinet and senior management team for managing your council's property?
- whether your council has the capacity and skills to manage its property well?

How much do you know about your council's land and buildings?

Lack of good data and information about land and buildings prevents many councils from managing their property assets strategically. Having an asset register is important, but is not enough on its own. Councils need robust management information and reliable data on which land and buildings they occupy, what they cost to run and what they are worth. Without this, councils cannot take informed decisions, for example, about whether to buy new property, sell what is surplus to requirements, or share with partners.

Do you know:

- what property your council owns, rents and leases?
- who manages the property your council rents and leases, and the conditions attached to the leases?
- if your council ever reviews why it should own its land and buildings?
- what condition the property is in?
- how many staff and service users use council land and buildings?
- whether the property is in the right locations to meet your council's needs?
- the size of your council's maintenance backlog; namely, how much the council needs to spend to bring all its property up to an acceptable level?
- how often reviews of each piece of land and property are carried out?
- what these reviews cover?
- whether your council benchmarks and compares property management performance against other councils, and if so,
- how your council compares with others in these areas?

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How does your council take decisions about land and buildings?

A decision to move, refurbish, sell or buy land and buildings can lead to short-term expense, takes much time to put into effect, and can attract unfavourable public or media attention. Councils may find it easier to put off difficult decisions, and ‘make do and mend’ with the property they have, even when they know it is not fit for purpose.

But there is huge value locked up in council property. It represents a major opportunity for councils – if decision makers use all relevant information and base their decisions on a long-term perspective, not just short-term expediency.

Do you know:

- who takes decisions in your council about property?
- how often cabinet, committee or council discuss property?
- what data and information they use to inform decisions about property?
- whether they consider the satisfaction of service users and employees?
- how your council monitors the performance of its property management?
- what information and guidance officers provide for members so that they can take informed decisions?

How does your council scrutinise decisions about land and buildings?

Scrutiny of asset management plans, capital strategies, and office accommodation strategies is very important. Major property investment or disposal decisions could be subject to call-in by the council's overview and scrutiny committee. It is therefore important that councils review how well asset management is integrated with other key plans and strategies to help to deliver the council's objectives. These include the community strategy, the local development framework and service improvement plans. Members should ensure that the contribution of property to achieving service and community objectives is actively managed.

Do you know:

- how often members scrutinise property decisions?
- which property decisions have been scrutinised?
- how far member scrutiny of property management is supported by experts?
- the process for challenging whether council property is needed?
- how often scrutiny covers questions on whether to own, rent or lease a particular building?
- any outcomes of this scrutiny?

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How good is your council's asset management plan?

Most councils consider their asset management plan to be important and have updated it within the last three years. But external auditors often find asset management plans are weak. The existence of a plan itself is no more than a first step. A good plan enables councils to make strategic choices about property and shows how decisions can be implemented. Asset management plans should contain quantitative information about the estate and its current use, including:

- the value of land and buildings on the open market;
- the costs of bringing land and buildings up to a saleable condition; and
- the opportunity costs of tying up value in land and buildings.

Our work shows that no plans contain all of these data. Only half contain any quantification of targets for selling land and buildings. Many plans lack detail about councils' ambitions for their property and possible alternative uses. Councils need data rich, rather than aspirational asset management plans, if those plans are to make a useful contribution to strategic asset management. Councils must collect data intelligently, balancing the costs of collection with the benefits to decision making.

Do you know:

- if your council's asset management plan is up to date?
- what information the asset management plan contains?
- how it is produced and reviewed, how often, and by whom?
- whether it shows how well your council's property helps to achieve corporate and service objectives?
- how well it allows your council to measure the contribution of its property to improving its financial and service performance?

How does your council achieve savings from using land and buildings more efficiently?

Despite the pressures to invest and improve, not all councils are net spenders on property. Between 2000 and 2008, a sizeable minority of councils – 80 in all – obtained more in capital receipts than they spent on property. These councils reflect all types and areas of the country. By no means all are or were wealthy, in terms of the property they held. Most councils believe that it is natural for them to own the property they occupy. But they could learn lessons from the private sector, which rents or leases much more. This is because, in the private sector, capital depreciation impacts on the company's bottom line. Few councils encourage service managers to think about how they could operate with less property by using a system of asset rentals. This is where managers bear the cost of occupying buildings in their service budgets. The minority of councils that do this have an incentive to rationalise and use council property more efficiently.

Do you know:

- if your council has recently rationalised its property?
- how much surplus property your council has, and how it was identified?
- whether council services could be delivered to the same or better quality from a smaller number of properties?
- how your staff can work more efficiently from a smaller number of properties?
- how much resource could be freed for other purposes if more property was leased or rented, rather than owned?

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How does your council work with others to manage its property effectively and efficiently?

Some councils have invested in significant partnership developments for new projects. But few councils and their partners adopt a joint approach covering all publicly owned land and buildings. Few local strategic partnerships treat publicly owned property as a shared strategic issue. A strategic approach implies more co-location – more than one service provider in one building, for example, the police and a library sharing a building. Joint reviews of property across an area should lead to more efficient use and opportunities to dispose of surplus assets, including transferring assets, where appropriate, to community groups. The most common partner with which councils share property is the NHS. Many councils are rich in capital assets, but poorer in revenue, while the reverse is true of the NHS.

Do you know:

- if your local strategic partnership manages property as a shared resource to meet community needs?
- the barriers that prevent more sharing of property between local partners?
- the property your public sector partners own in your area?
- how your council assesses the costs and benefits of transferring property to the third sector?
- whether your staff can direct the public to the right location, whether your own or your partners'?

How has your council reassessed its approach to its property following the economic downturn?

Most councils have invested heavily in property in the last ten years. They have taken advantage of central government grants and used prudential borrowing. Most have spent more on buying or renovating property than they have obtained by selling.

But the time of major capital investment in public services is over. Throughout the recession, and the foreseeable future, efficiency savings will be a higher priority. Councils will have to decide which property is surplus and release the value locked up in it. Councils will have to ask themselves if they need to own as much property as they do, or whether renting and leasing are more cost-effective options.

But the recession may also offer opportunities. Councils may be able to spend to take advantage of lower property prices, or expertise that is newly available in the labour market. Councils that have a strategic approach to asset management will be better placed to survive the downturn and to make gains from the recovery when it comes.

Do you know:

- if your council's asset management plan has been revised in the light of the downturn in property prices?
- what opportunities there are for your council to purchase property more cheaply?
- if your council has taken advantage of the recession to obtain property expertise or services more cheaply?
- how your council is using its property to stimulate the local economy?

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How much do the public and service users know about how your council manages its land and buildings?

Managing land and buildings is not always a high-profile public issue, although some decisions, for example, closing or opening a school or library, will be. Strategic councils involve their local residents in decision making for major capital schemes. But given the value of council-owned property, it is also important that decisions about investment and disposal are transparent, and informed by the needs and wishes of local people.

Do you know:

- how much the public knows about the land and buildings your council occupies?
- how much the public is engaged or consulted about large-scale capital projects?
- how the financial consequences of property decisions for your council's budgets and council tax are communicated to the public?
- whether decisions are explained to voters in an open and transparent way?



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We welcome your feedback. If you have any comments on this report, are intending to implement any of the recommendations, or are planning to follow up any of the case studies, please email: nationalstudies@audit-commission.gov.uk



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