

The Board includes officers from the Scottish Government responsible for finance, procurement, transport, infrastructure, economic advice and communities. Other members include the Scottish Futures Trust and a non-executive director.

Northern Ireland – role of the strategic investment board

A Strategic Investment Board³ (SIB) was established as a public sector company in 2003. The company remains fully owned by and accountable to the Office of the First Minister and deputy First Minister (OFMDFM).

The SIB board comprises:

- Chair
- Four non-executive directors
- SIB Chief Executive Officer

The SIB supports the Northern Ireland Executive to deliver major and complex infrastructure projects by bringing high calibre investment skills into the public sector to accelerate the delivery of major infrastructure programmes and to ensure a good deal for the public purse. The SIB is tasked by Ministers with three main roles:

- to prepare and oversee the Investment Strategy for Northern Ireland (ISNI), the Executive's 10-year plan for infrastructure investment across the region, and advise Ministers on effective implementation;
- to support the procurement and delivery of major projects and programmes at the request of sponsoring departments in order to help accelerate delivery timetables and obtain better value for the taxpayer; and
- to foster reform in systems and processes across the public sector through investment in better infrastructure.

Wales – role of the strategic capital investment cabinet committee

In Wales it is the function of the Strategic Capital Investment Cabinet Committee to agree, direct and keep under review, the Strategic Capital Investment Framework. It is designed to strengthen the approach to prioritising and managing capital investment. The Framework takes a 'whole systems' approach to capital investment commencing with making effective, well-justified and strategic investment decisions and extends to the management of the assets throughout their lifetime.

The Cabinet Committee has a clearly defined role to agree and monitor the delivery of the Welsh Assembly Government's Strategic Capital Investment Plan, setting overarching capital delivery priorities endorsed by Cabinet.

The Committee ensures capital investment decisions support the Assembly Government's strategic priorities as reflected in the Strategic Capital Investment Plan and allocate the resources of the Strategic Investment Fund to obtain the maximum value and benefit.

³ See http://www.sibni.org/index/about_sib.htm

2) Building Block: Asset Management Strategy

We have assessed the extent to which each devolved nation has a recognisable strategy which is supported by clear plans for investment in infrastructure. Each nation has an infrastructure investment plan and we would comment as follows:

Scotland – Infrastructure Investment Plan

The Scottish Government produces an Infrastructure Investment Plan which places asset management at the centre of public service investment

Northern Ireland – Infrastructure Strategy (ISNI)

The Northern Ireland Assembly produces a ten year infrastructure strategy which the Assembly identifies as one of its key areas for devolved government in the province. Better asset management is an express intention of the strategy.

Wales – Infrastructure Investment Plan

The Welsh Government publishes an Infrastructure Investment Plan for Growth and Jobs. The plan distinguishes between economic infrastructure and social infrastructure. There is a stated intention within the plan “..to make better use of our assets”.

The Welsh Government has for the past four years published a State of the Estate Report which outlines information around their property estate and includes some efficiency measures. The most recent State of the Estate Report was published in November 2012 and relates to the financial year 2011/2012. In parallel with this the Welsh Government in July 2011 published its Location Strategy which provides a vision for their administrative estate over the medium term. Its stated overriding aim is to provide *“a high quality, compliant and sustainable property infrastructure in the right place to support the Welsh Government business – at a cost the organisation can afford.”*

Alongside the Location Strategy is a Location Programme Strategy 2010-2015, and the State of the Estate Report purports to be one means by which progress with the Location Strategy is measured. Thus the priority areas for the State of the Estate Report are:

- To reduce the size of the overall estate;
- To increase the efficiency of the administrative offices on the estate; and
- To improve the environmental performance of the buildings on the estate.

The State of the Estate Report is not a fully corporate asset management plan for the Welsh Government. Even though it is stated to be adopting good asset management principles, the report excludes from its remit any land and property that is not an administrative building, such as the Royal Welsh Showground Pavilion, storage facilities and properties outside of Wales. Also excluded are 10 administrative and specialist buildings which, although not necessarily significant in terms of floor area, suggesting that there is not an overall strategy for the estate.

Nevertheless, the Welsh Government has certainly been successful in many of the performance measures contained within the State of the Estate Report, and the overall number of administrative buildings has reduced from 76 in March 2008 to 41 in March 2012, with property running costs reducing from £20m to £17.5m over the same period.

Counting the number of buildings is a crude measure, as the amount of space occupied is a more valuable indication of success in estate rationalisation. This is evidenced by the reduction in number of buildings of 16.33% over the past year, whilst floor area has reduced by only 5.58%.

Over the period March 2008 to March 2012 the number of buildings reduced by 46% with floor area reducing by only 8.7%.

The report contains a number of performance tables and graphs. In our experience care should always be taken in the interpretation of such tables and graphs as they will always represent a snapshot in time, and to understand overall performance the trend analysis are the most valuable data.

One weakness of the report is that the performance does not appear to be reported against any specific targets. Each indicator has a traffic light indicator which highlights whether or not performance is improving against that performance indicator. However, where performance has changed from one datum point to another, it is not clear whether this is actually good or bad compared to where the organisation could be. In other words, is performance on target against an overall strategy or not?

One particular measure of efficiency that the Welsh Government are appearing to be struggling with is space efficiency, in other words, the amount of office space taken up on average by each FTE staff member. This has been significantly higher than best practice for the past four years and the report describes this as "work in progress". It is not clear to us what the strategy is for getting this figure down and there are no clear targets being set, which is a weakness of the report. On our experience of best practice elsewhere this figure has the potential to be reduced significantly.

3) Building Block: Systems and Processes (procurement)

Scotland - The Scottish Futures Trust (SFT)

The Scottish Futures Trust was established in 2008 as a separate entity from the Scottish Government. The SFT is wholly owned by the Scottish Ministers. There are seven board members:

- Chair (non-executive)
- Four non-executive directors
- Two SFT officers (Chief Executive, Director of Finance & Structures)

The aim of the SFT is to *"improve the efficiency and effectiveness of infrastructure investment in Scotland by working collaboratively with public bodies and industry, leading to better value-for money and ultimately improved public services."*

An Independent Budget Review Panel in 2010 recommended strengthening the role of the SFT in relation to capital procurement processes, sustainable financing options and as a centre of expertise in relation to the management of public assets.

The SFT has savings targets to achieve, as specified by the Scottish Government, which it seeks to meet through:

- delivery
- collaboration
- funding and financing options

- validation (due diligence)
- acting as centre of expertise

Other Parts of the Public Sector: Local Government in Wales

1) Building Block: Asset Management Plans

In our experience most Welsh local authorities have adopted a strategic asset management plan (AMP). For some this will be refreshed or renewed on an annual basis. For others it is rewritten less frequently. In most of these AMPs there can normally be found, some reference to the strategic or policy objectives of the organisation itself but to be meaningful these references must be real in practices.

2) Building Block: Performance Objective and Framework

Nationally and locally there is a strategic objective for all public bodies to reduce carbon emissions. The following performance data is evidence that the strategic objective of reducing carbon emissions is directly influencing the asset management approach being adopted and the data evidences successful performance. The Local Government Data Unit publishes data on the carbon dioxide emissions from non-domestic public buildings operated by the 22 Welsh local authorities. The good news is that in 2010/2011 and 2011/2012 total emissions have fallen by 5.45% and 4.2% respectively. So the general trend across Wales is good, but there are still individual local authorities where emissions are still rising in certain years.

2. What lessons can, or have, been learnt from existing good practice in Wales, or elsewhere, in relation to approaches to asset management improvement in the public sector?

Lessons learnt from within Wales

CIPFA supported The Wales Audit Office (WAO) in the buildings management review that was undertaken in 2009/2010. We took the lead on drafting the Audit Guide and also worked with WAO on the drafting of their final report and dissemination of the findings to the Welsh Public Sector. As part of this work our role was to collate and validate good practice case studies from the audit work and also from further afield around the UK. These case studies now form part of the WAO Good Practice Exchange on their web site.

Whilst there is knowledge of these good practice case studies amongst strategic property managers, we do not detect much evidence of organisations actively seeking out that good practice to establish whether or not it might transfer successfully to them.

Since the initial buildings management work undertaken in 2009/2010 the case studies have not been updated or augmented to our knowledge.

Our general comment would be that the WAO project in 2010 was a very positive piece of work and definitely assisted some public bodies by highlighting specific deficiencies in asset management approaches and allocation of resources.

In the period since the WAO project was completed some local authorities have used the resulting report to secure additional resources. In our view it would be beneficial if the project were repeated, both to show what progress there has been since 2010 and to seek to identify what has triggered progress or created stagnation.

CIPFA has provided assistance to local authorities in managing its property estate and the following examples of where assistance has been provided by CIPFA, gives an indication of where through practical application of the 'building blocks we identified weaknesses, assisted with change and promoted improvement.

Building Block: Organisation

- a review of tenanted non-operational property portfolio highlighted hidden costs associated with ownership and identified opportunities to link tenancies of sports clubs with wider council sport initiatives;
- a review of tenanted farms portfolio highlighted the wider outcomes and opportunities of ownership including; sustainability, wider links to school education projects, food miles and community allotments;
- a professional facilitation of local public authorities was conducted to encourage joint asset approaches, development of protocol for working together on assets, identification of shared hot desk offices used for joint working to minimise travel by community based workers.

Building Block: Property Asset Management Strategy

- a new Asset Management Plan was drafted for an organisation assisting it to move away from 'position statement' document enabled it to stand back and consider purpose of each asset;
- a review of Investment Property Portfolio identified the potential negative impact of hidden deterioration on asset value from lack of maintenance;

Building Block: Information

- A compliance audit was undertaken reviewing all main areas of service, testing and health & safety associated with property management identifying high risks in terms of processes, procedures, accountability and skills.
- an Asset Management Healthcheck was conducted and identified strengths, weaknesses and various areas for improvement;

Building Block: Resources

- A review of the property function, across the whole authority Identified risks and inefficiencies through the fragmentation of responsibilities and lack of clarity of roles. We provided support in implementing changes in roles, culture and practices
- 'critical friend' advice was provided to Council in respect of an innovative proposal to set up a wholly owned company to deliver professional property services and advice, as a trading company, to the wider public sector. We provided challenge to the robustness of the business case and flagged up issues to ensure the sustainability of the proposal;

Building Block: Systems and Processes

- a review of the asset management systems and processes throughout the council including capital prioritisation, identified the lack of a strategic approach to Asset management, highlighted silo mentality within services and lack of any prioritisation of capital spend. A prioritised action plan was developed to implement changes, deliver improvements and a better value for money service;

Examples of Lessons Which can be Learned From Across the UK

Building Block: Vision

Customer mapping - One English local authority has undertaken customer demographic mapping. With the demographic variables across different parts of Wales and, in some cases, different areas within the same local authority boundary, we believe there is tremendous scope for this approach to be rolled out across Wales. With this in mind, we have invited a representative from that particular local authority to speak at our next Welsh AMP network event in February 2013.

Building Block: Performance Objectives & Frameworks

Performance measurement and Benchmarking - In both England and Scotland there is an established suite of property performance indicators that have been developed by and for the local government community. Whilst CLAW is represented on the English group this has not resulted in the area being developed by Welsh Authorities.

At present there is only one area of property performance that Welsh Authorities regularly measure, and that is property condition (via the Local Government Data Unit). Even this data is not collected by all 22 local authorities. In the most recent analysis year of 2010/2011 only 20 Authorities reported the condition of their buildings and only 19 reported the urgency of outstanding maintenance

Building Block: Organisation

Collaboration - The Asset Pathfinder programme in England is being driven through a number of pilot authorities, and this is already showing benefits to those organisations that have been involved. The opportunities to make efficiency savings and to improve service delivery for the customer through collaboration between health, local government, central government and the blue light services are huge, but this policy initiative has not been picked up in Wales.

Whilst a truly collaborative approach to area based strategic asset management is still developing nationally, there are already examples of joint Asset management Plans involving multiple public sector organisations, including the joint Herefordshire and NHS Herefordshire Asset Management Plan and the Cambridgeshire Public Sector Asset Management Strategy which covers the property portfolios of the County Council, all five district councils, the police, fire service and the Primary Care Trust.

In Scotland community planning partners, including health boards, local authorities, police, and fire and rescue services together with a private sector development partner have been brought together through the Hub procurement initiative. A hubCo is formed to increase joint Asset management planning and procurement.

Building Block: Systems & Process

Centre of Expertise – The Scottish Futures Trust (SFT) referred to earlier in this submission publishes on an annual basis a 'statement of benefits'. This is incorporated within a formal report and expressed as savings to the Scottish public purse. In July 2012, SFT reported a net benefit for the year of £131M. The benefit calculation is based on 6 criteria:

- Avoided cost;
- Additional investment;
- Funding and finance;
- Delivery;
- Validation; and
- Centre of expertise.

A financial value (saving) is applied to each criterion and the total cost of operating SFT is deducted from the total. The statement is independently validated and is supported by full details of each calculation including a sensitivity analysis.

The statement provides a transparent indication of the performance of a centre of expertise on both quantitative and qualitative terms.

Lessons Which Can be Learned From Guidance and Advice on Infrastructure Assets

CIPFA in its formal role as the only chartered accountancy body dedicated to public services, is of course at the heart of promoting high standards of stewardship in the management of public money. We are therefore aware of the strong role that guidance and advice can play in supporting public bodies fulfil their role. As the author of the Prudential Code for Capital finance in Local Authorities, we designed that Code in order to formally integrate capital investment with asset management. Separately we have developed a code of practice to support improved asset management in relation to infrastructure assets.

The scope of assets used in, and vital for, public service provision extends of course beyond the Welsh public sector's buildings estate. By way of example, the local highway network and other local transport infrastructure assets represent probably the biggest capital asset that the Welsh public sector holds. Transport networks are vital to economic prosperity. The comfort and safety in which people can move from place to place and the appearance of local streets are important contributors to quality of life.

As an indicator of scale, in the UK as a whole the value of infrastructure assets is estimated at approximately £454 billion. This is nearly 50% of the total value of the UK's public sector property, plant and equipment⁴.

Not all public sector organisations will be aware, at a corporate level, what their infrastructure is worth, or have detailed information on what it comprises, and the condition it is in. There is a risk, particularly in the current economic climate, that spending is insufficient to maintain transport infrastructure to satisfactory standards. To ensure that available spending provides value for money and is appropriately prioritised, robust and consistent information about the true cost of holding and maintaining the assets, or the size of maintenance and investment backlogs, is essential.

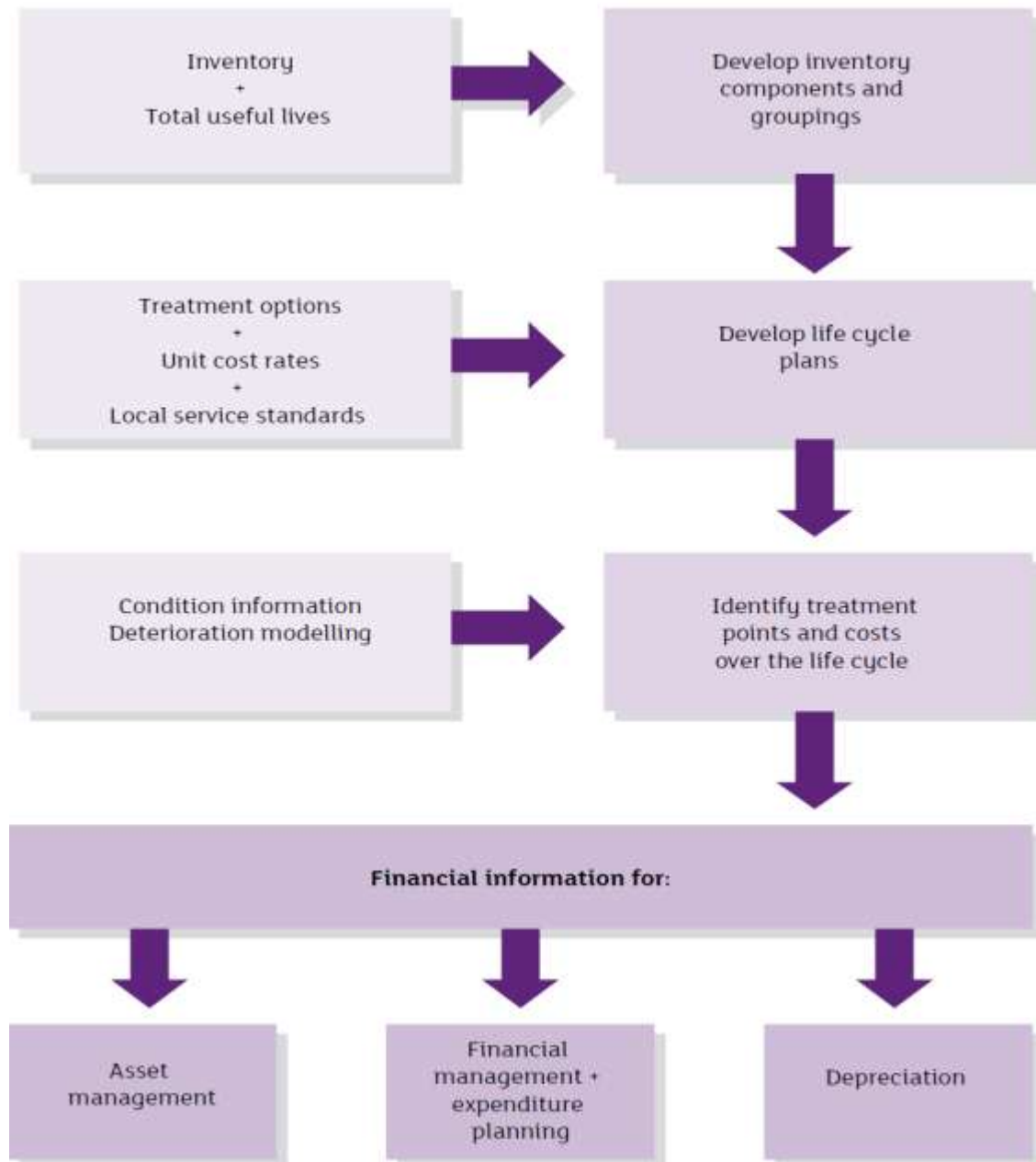
CIPFA has demonstrated significant commitment to assist UK local government in this area through the development of the 'Code of Practice on Transport Infrastructure Assets'. The Code seeks to strengthen the connection between the physical infrastructure inventory, and its suitability for purpose, and the long-term financial planning that is needed to ensure on-going service provision. The Code therefore supports the following:

- whole life cost-based modelling, to understand and minimise costs, maximising value over the long term;
- scenario planning and option appraisal to model and understand the cost consequences of different maintenance strategies;
- prioritising work programmes to maximise the return on a given level of investment;
- reducing the amount of unplanned, reactive maintenance;
- reducing the number and value of successful third-party claims;
- understanding and adjusting trade-offs between capital and revenue spend to achieve the best balance;

⁴ Figure of £454 bn based on Whole of Government Accounts 2010-11 (http://www.hm-treasury.gov.uk/d/whole_of_government_accounts_31-03-2011.pdf) table in paragraph 3.48 £254.1 bn PLUS estimate of error £200 bn as noted in paragraph 3.52. Percentage of total Property, Plant & Equipment is therefore estimated as $(254.1 + 200.0) / (710.0 + 200.0) = 454.1 / 910.0 = 49.9\%$.

- using the detailed information that the system will provide about the cost of individual maintenance activities to drive down the cost base, and to monitor whether treatments deliver the expected performance;
- informing better procurement;
- monitoring performance trends over time; and
- benchmarking

An overview of how the information which flows under the Code is built into meaningful and useful financial information is provided below:



Lessons Which Can be Learned From Guidance and Advice on Integrated Financial Planning

To fully integrate financial planning with asset management It is necessary to decide on the role of option appraisal in capital prioritisation and preparation of detailed capital programmes. This will include:

- preparation of options for potential financial resources;
- Preparation of options for management and control of relevant revenue budgets and how these will be integrated with capital investment options;
- Preparation of Outline Strategic Business Cases for capital investment, including a range of options;
- Undertaking a corporate capital prioritisation exercise using option appraisal to assess and rank projects;
- Agreeing longer term capital investment strategy, taking account of the results of the capital prioritisation exercise and the options for financial resources;
- Preparing more detailed option appraisals for implementation of the capital investment strategy;
- Agreeing a project level capital programme for the shorter time period based on the results of the option appraisal exercise.

Before implementing a strategic approach, the time period for a high level integrated capital investment strategy, whether national or local should be determined. This will be considered taking into account relevant factors. CIPFA considers that a period of 10 years should be selected.

The timeframe adopted for capital planning should be appropriate for and consistent with:

- Integration with the national investment strategies, Community Plan, Structure Plans and Local Plans;
- Joint working with Community Planning partners;
- Consideration and anticipation of future service provision;
- Sustainable development;
- Executives and board members focusing on long term strategic objectives, rather than service or ward level priorities;
- Making best use of executives and board member time;
- A strategic assessment of future needs;
- An affordable long term business model, which recognises that capital investment funded by borrowing commits authorities to many years of repayment of principal and interest;
- Optimal allocation of scarce financial resources;

- Enabling the longer term investment needs of all local authorities to be quantified, thus assisting in Spending Review submissions.

In addition, consideration is required on the time period to be covered by a detailed project level capital budget. In local government, it is suggested that the minimum timeframe should be the current year, plus three future years. This complies with the requirements of the Prudential Code for Capital Finance in Local Authorities. On a practical basis that timeframe, provides certainty for services and is not unrealistic in terms of identifying specific projects.

NB extracted from CIPFA Directors of Finance Guidance on Capital Planning & Option Appraisal.

3. What progress has been made by the Welsh Government in strategic asset management and implementing initiatives to improve the efficiency of asset management across the Welsh public sector?

Comparing progress in areas across the UK, and against the building blocks, enables us to judge where there are areas of progress and where there is scope for further progress still to be made.

Building Block: Vision

The Localism Act in England has raised awareness of the role and importance that property assets have in local communities and have regulated to provide a right to bid mechanism for such assets to be saved for the local community. In Scotland the Government has gone further with a community 'right to buy'. Neither of these initiatives has been pursued by the Welsh Government, even though the Localism Act includes power for the Welsh Government to regulate along the lines as for England.

Building Block: Performance Objectives & Framework

In England the Government transparency agenda has manifested itself into seeking to make public certain key data around property assets and their performance. DCLG is currently consulting on a property attribute list that would mean all local authorities having to publish key data on its property assets, probably from April 2014. The Welsh Government has not pursued the same course.

There is some evidence of progress in terms of a better understanding of the state of the local authority estate but much to do to progress improvement. A professional assessment compiled by CIPFA of the condition of local government buildings in Wales is set out below and maps the performance of Wales with that of local government in both Scotland and England. These figures are of course only a snapshot in time but demonstrate that in terms of the condition of public buildings, Welsh local government is lagging behind their English counterparts in every measure, and also lagging behind Scotland in the measures around building condition.

Performance Indicator	England (median) 2009/2010	Scotland 2010/2011	Wales 2010/2011
Condition A - Good	16%	20%	12.1%
Condition B - Satisfactory	61%	60%	56.6%
Condition C - Poor	15%	16%	29.2%
Condition D - Bad	1%	3%	2.2%
Urgency 1 - Severe	6%	29%	8.2%
Urgency 2 - Essential	48%	22%	55.8%
Urgency 3 - Desirable	46%	28%	36.0%

This is of course a high level analysis, and average or mean numbers can mask figures at a lower level. Further analysis however indicates that in the area of building condition, 2 Welsh Authorities have in excess of 10% of their buildings in

'bad' condition. Three Welsh Authorities have over half of their buildings in either 'bad' or 'poor' condition.

In terms of urgency of works, three Welsh Authorities are in a situation where more than 20% of outstanding maintenance is 'urgent'.

This snapshot raises a serious issue around the economic sustainability of the current building stock for some Welsh Authorities risking future funding difficulties. On a positive note Welsh local authorities appear to be keeping condition of their stock under control and at a steady state, even if that does lack behind other parts of the UK in some areas

Building Block: Property Asset Management Strategy

The Welsh Government established a requirement over ten years ago for each local authority to produce an AMP. A framework for this was commissioned by CLAW in September 2001 and is widely regarded as a solid approach. The momentum that was generated by the production of the CLAW guidance has been lost and, aside from the continued success of CIPFA asset management network, there is little resource provided to support local authorities in developing their approaches. The Welsh Government requirement for local authorities to produce an AMP was not extended to other public sector bodies, and as a consequence asset management is generally not so strong in these areas.

Building Block: Information

The Asset Management work stream of the Efficiency & Innovation Programme sponsored and funded by the Welsh Government has, to a certain extent, been a success story. This has enabled all Welsh public bodies to record details of their property assets onto GIS software (ePIMS-lite) allowing organisations to view high level details of the assets of other bodies on a shared map. The work stream has also secured agreement to a shared Land Transfer Protocol which provides a process whereby other public bodies are consulted before property disposals take place. However, in our view, the work stream has not tackled some of the bigger issues around cultural and political barriers to collaboration and asset performance that are in desperate need of addressing.

Phase 2 will see the publication of model occupation agreements between public bodies. The IT strand of the programme is considering the use of property management software across the Welsh public sector and the potential benefits of a single platform that would be used by all bodies. If this were achievable there might be direct financial savings plus other benefits around consistency of holding and reporting property performance data.

Building Block: Organisation

The Welsh Government's Invest-to-Save Fund had limited impact on strategic asset management in the early years, but this has improved through round 3. The Newport City Council case study (One Newport Information Station) from round 2 demonstrated an example of a shared service building and how this can improve customer interface. We are sure that this example could have been even more ambitious had the English style Asset Pathfinder approach been considered. In round 3 the Flintshire case study demonstrates some benefits that can be derived from embracing mobile working and how this can be an enabler of an asset programme. The limited scope of the project means that the project benefits are confined to operational procedures, rather than to any strategic impact on the

organisational demand for assets. However, round 3 contained a number of ongoing projects each of which should bear some fruit. From our perspective the bigger question is not whether or not projects can be identified that can generate efficiencies, but how the learning and experiences from those projects can be promoted across Wales. CIPFA is very keen to be involved in supporting any roll-out of best practice in this area.

Whilst collaboration is a key policy initiative of the Welsh Government, the Government has not pursued a collaborative pilot programme along the lines of the Asset Pathfinder programme in England. Despite Government policy initiatives around encouraging local authorities to collaborate, this appears to be happening in isolated pockets and is certainly fairly rare when it comes to sharing property services or sharing of assets with other public bodies. The public bodies in Wales tend to operate as defined sectors with many practices and procedures around asset management being sector specific. This often creates challenges that actively discourage collaboration. These challenges include factors found in the Asset Pathfinder programme around funding sources and programming, a tendency to focus on the gains and losses to organisations individually and an inability to view benefits in the wider public good. The Welsh Government is in a position to recognise these issues at national level and provide support to help overcome some of these barriers.