

FIN(4) 02-13 Paper 2

FINANCE COMMITTEE – INQUIRY INTO ASSET MANAGEMENT

Evidence from the Minister for Finance and Leader of the House

Introduction

1. This paper provides evidence to inform the Finance Committee's inquiry into Asset Management.
2. It is understood that the 'inquiry will adopt a cross -public sector approach under two main areas:
 - * Processes involved in the management of the Welsh Government's own estate; and
 - * Guidance, support and the promotion of good practice by the Welsh Government in relation to asset management across the wider Welsh public sector.'

Background

3. The route map to Asset Management Excellence was identified within the 2006 OGC report –'High Performing Property'. The report identified 4 key components to achieving excellence:

Leadership & Integration Benchmarking & Standards Skills & Capability Review & Challenge

4. Subsequent reports have highlighted similar themes and recommendations in respect of adopting best practice Asset Management e.g.

i) Northern Ireland Audit Office Report '*Property Asset Management In Central Government*' published in November 2012.

ii) National Audit Office report entitled '*Improving the Efficiency of Central Government Office Property*' published in March 2012.

Evidence

Welsh Government Administrative Estate

Welsh Government Location Strategy Programme (2010-15)

5. The current Cabinet approved Location Strategy Programme sets a clear vision and strategic plan for the Welsh Government Administrative Estate over the medium term and fully aligns with best practice Asset Management principles contained within the above referenced reports. The Location Strategy is projected to deliver gross aggregated savings of around £18

million over the 5 year period and an annual recurrent cost saving of circa £5.3 million (based on the 2010 baseline) from 2015, which equates to an approximate 30% reduction in the overall annual occupancy costs for the estate.

6. The administrative estate is managed against the objectives and targets set out within this Location Strategy Programme. The over-riding aim of the strategy is to provide a high quality, compliant and sustainable property infrastructure in the right place to support Welsh Government business and at a cost the organisation can afford. The Location Strategy is enabling the Welsh Government to consolidate its smaller workforce in fewer locations, generating the savings that will be required set against reduced budgets. Significant progress has been made to deliver a leaner, more efficient and sustainable estate.

7. Over the first two full years of the Location Strategy (2010-15), the number of properties¹ on the Estate has reduced from 75 (65 offices) to 52 (44 offices) with cumulative running cost savings of £ 4,898,704. At the end of the strategy period based on current projections and policies the administrative estate will comprise 21 properties (13 offices).

8. During the period of the strategy, the Administrative Property Strategy Group (APSG) provides a critical mechanism to shaping and reviewing against the Welsh Government's emerging business needs. The APSG acts both in an advisory role and as a clearing house for all new accommodation proposals. The process of channelling property aspirations via the APSG ensures consistency, policy alignment and best value. The Group meets once a month to consider strategic property issues and all new property proposals. The Group is chaired by the Head of Property Division and includes senior officials from all departments. The Group reviews and formally reports on its performance on an annual basis.

9. During 2011/12 a total of 12 papers were submitted to the Group for formal consideration by various Departments.

The Welsh Government 'State of the Estate Report'

10. This annual report publishes the performance of our administrative estate against key benchmarking indicators. To manage effectively we measure performance to ensure continual improvement.

11. The annual publication of the State of the Estate report is an example of the Welsh Government being transparent in the production of performance data and provides a basis for us to drive improvement. Our report is always well received. The Scotland and Northern Ireland Governments have and are using the Welsh Government approach as the template for their own reports.

¹ Properties refer to offices (including offices in London and Brussels) and storage/specialist facilities.

12. The 2011/12 report, (the 4th annual report²) published in November 2012, included the following positive efficiency gains from the previous reporting year -:

- A 5.58% reduction in the overall size of the Welsh Government estate;
- A reduction in the number of Welsh Government office locations across Wales, from 49 to 41³;
- A reduction of £973,869 (5.3%) in the overall annual occupancy cost from the previous year;
- Space efficiency improvement across the estate of 2.7%; and
- Exceeded targets for carbon reduction, cutting CO₂ emissions by 15%.

13. The effective management of the administrative estate over a number of years, aligned to best practice asset management principles, is delivering the following benefits:

- Accommodation that meets business needs;
- Increased efficiency in running costs demonstrated through benchmarking and the production of performance data;
- A smaller, more efficient estate that is fit for purpose;
- A significant contribution towards achieving the Welsh Government's Carbon reduction targets;
- Improvement in the utilisation of accommodation by adopting modern, flexible working practices;
- Improvement in the condition of properties through targeted capital investment; and
- Value for money for the taxpayer.

Advice to other Welsh Government Departments

14. Property Division – Estates (PPCS) provide professional advice and support across the Welsh Government, on all issues relating to land and property assets. A proportion of the advice is delivered to Departments via formal Service Level Agreements, which are regularly reviewed to ensure that performance meets client department' requirements e.g.

- Welsh European Funding Office (BETS) – undertake an independent assurance role on capital projects to provide assurance on 'value for money' and provide advice on compliance against European regulations to internal & external organisations.

Property Division also receives numerous ad-hoc requests for advice and assistance e.g.

² <http://wales.gov.uk/about/civilservice/facts/ourbuildings/estate20112012/?lang=en>

³ *The State of the Estate report only analyses the performance of offices located in Wales*

- Planning Division – In 2012 helped to remove a £4 million compensation claim risk liability.

Carbon Reduction

15. The Welsh Government is committed to achieve at least a 30% reduction in greenhouse gas emissions by 2020 (on a 2011 baseline) and to at least a 3% per annum reduction for its buildings and fixed infrastructure. The Welsh Government also participates in the UK Carbon Reduction Commitment Energy Efficiency (CRC) Scheme. This requires a corporate approach with the capture and reporting of energy consumption data covering the full range of Welsh Government activities. Each relevant department has developed and is implementing an action plan in response to their element. In the 1st annual CRC performance league table (for 2011-12), a creditable 320th place of the 2,091 participants was achieved. Second year figures are due to be reported in February 2013. Indications suggest a further move up the table can be anticipated.

16. The majority of the Welsh Government's direct carbon emissions are attributable to its administrative estate. A bespoke Carbon Management strategy and action plan for the administrative estate provides a blueprint for delivering carbon emissions reductions in line with the targets. Targets have been exceeded in the last year with emissions cut by a substantial 15%. These savings are a result of implementing the action plan and estate rationalisation (the latter accounting for around one third of the total). Our plans and associated investment are fully aligned with the wider Location Strategy and asset management plan and will continue to provide the basis for future savings.

Corporate Asset Management Plan

17. The Location Strategy for the Welsh Government administrative estate, as detailed above fully aligns with RICS Best Practice Guidance and with the Wales Audit Office Report 'Buildings Management National Briefing' published in June 2010. The Location Strategy, as developed, would form an integral part of any updated WG Corporate Asset Management Plan.

External Role

18. Under Public Service Leadership Group (PSLG), the National Assets Working Group (NAWG) continues to take forward a programme of work aimed at delivering on the agenda for collaborative asset management by identifying, supporting and encouraging innovation in the management of the public estate and its corresponding assets, which present opportunities for improved service delivery and realise significant efficiencies.

19. Collaboration is critical across the wider Welsh public sector estate in order to meet financial targets and service delivery aspirations. The drive for collaboration around the public sector asset base has three main strands:

- ◆ Collaboration around delivery of services;

- ◆ Collaboration around asset management; and
- ◆ Collaboration around policy development.

20. Public sector property plays a key role in delivering public services and can be used as a catalyst for service rationalisation. There is potential for public sector organisations to jointly improve the planning and operation of their property and aid service delivery across Wales generating more benefits and using fewer resources.

21. The aim of the NAW Group is to develop a structure to help ensure that the public estate, including land, is utilised to its maximum efficiency to support service delivery and value for money across a wide range of assets. Its objective is to work in collaboration with public sector bodies to influence and persuade in order to facilitate a change in the way in which public assets are procured, operated, shared and disposed.

22. Achievements of the National Assets Working Group so far include:

i) Establishment of an all Wales Public Sector Property Database

Our approach to strategic management of the public estate continues to be underpinned by the phased creation of an All Wales Public Sector Asset Register, through the use of the Electronic Property Information Mapping Service (ePIMS⁴). The database (ePIMS Lite) was developed by NAWG in collaboration with the Cabinet Office with a remit to enable high-level property information to be recorded by and accessible to (shared with) all public bodies in Wales. It is starting to achieve its potential to become the most transparent and accessible estates co-ordination tool for public bodies in Wales.

The database facilitates/enables users to:

- Spot efficiency opportunities and options for co-development, co-location, asset sharing and strategic asset rationalisation
- Interrogate the data to identify key assets, contacts and potential partners.

All of the above will ultimately save money, make better use of resources and reduce greenhouse gas emissions.

To date 14,815 Welsh Public Sector entries have been captured (15,663 including Central Government).

This approach is now being promoted and rolled out across Third Sector organisations in Wales. ePIMS Lite is now beginning to be adopted in

⁴ e-PIMS is the central database of Government Central Civil Estate properties and land. e-PIMS records the precise location of property, along with the associated information such as, tenure details, size and usage.

England to help to develop the collaborative approach to the use of assets and it is being extensively used by the Scottish Government.

ii) Surplus/Vacant Space

The ability to search and list current or future potential vacant property holdings is available through ePIMS. A more easily accessible vacant space/property register and monthly vacant space bulletin is also issued to those bodies formally registered on ePIMS. Organisations are encouraged to cross check any 'live' property requirements that they may have before searching the wider market for accommodation.

It is a recommendation of NAWG that when public sector organisations identify an asset as being surplus and/or vacant, they would initially alert the public sector of its availability via ePIMS, prior to wider private sector marketing.

There are already examples where putting properties on the vacant/surplus space register has resulted in inter public sector transfers and resulting efficiencies, financial savings and service delivery improvements:

- Former WG offices in Aberystwyth to HMCTS
- WG unit at Dafen, near Llanelli to Carmarthenshire CC

iii) Find Me Some Government Space (FMSGs)

FMSGs is a database of public sector meeting rooms and is a further tool developed through ePIMS. The NAWG in Wales initiated and led the development of this particular function. It was developed following representations from organisations within the Welsh public sector, where opportunities were identified for extending the use of ePIMS. Its aim is to enable the sharing and booking of meeting and conference rooms across the Welsh public sector, making better and more efficient use of public sector buildings and facilities across Wales and help reduce costs. FMSGs went live in November 2012.

iv) Land Transfer Protocol

The Land Transfer Protocol was developed by the NAWG as a best practice guide for the transfer or disposal of land between public bodies in Wales and has the following key features:

- Increase efficiency, reduce time and cost associated with the transfer, use and disposal of the public estate between public bodies in Wales
- Identify budgeting /accounting issues and barriers that could arise from such transfers – this work is ongoing.
- Detail the disposal powers and constraints of the various bodies.

Each public sector organisation determines when an asset is deemed surplus to requirements and could be subject to disposal. A link to the protocol is attached⁵.

This process has been approved by Welsh Government's Internal Audit because transactions are conducted at market value.

In excess of 30 instructions have been issued via the LTP with current direct savings in fees estimated at £100,000. This is purely a cost saving in respect of surveyor appointments and does not take into account the time saved by organisations in transferring/disposing of the asset i.e. should be a reduction time spent by officials in negotiating terms. A 'Lessons Learned' exercise has begun seeking feedback from those organisations that have used the Land Transfer Protocol. The intention is to improve the current process and also identify those areas where the protocol could be further developed.

23. Going forward the NAWG is also supporting the work of two specific projects -:

➤ **IT**

A work stream is in place to explore opportunities for the specification and development of a centrally procured, comprehensive asset management IT programme for use by all public sector organisations in Wales.

This work is examining the potential for savings and streamlining the range of different systems in use across the public sector to allow easier data transfer between organisations and to promote more transferable skills set for staff.

A potential 'Cloud computing solution'⁶ to data management, interrogation and reporting would enable each organisation to retain independence whilst providing the capability to communicate directly to other systems e.g. ePIMS and enhance collaboration opportunities, building on the principles successfully established through the high-level information already held within ePIMS.

➤ **Fleet Management and Passenger Transport**

There is evidence that more integrated passenger transport and fleet management can deliver significant financial savings with no detrimental impact on service.

⁵ <http://wales.gov.uk/topics/improvingervices/pslg/nwp/assetprocure/landtransfer/?lang=en>

⁶ *CloudComputing - A model for delivering information technology services in which resources are retrieved from the internet through web-based tools and applications, rather than a direct connection to a server. Data and software packages are stored in servers. However, cloud computing structure allows access to information as long as an electronic device has access to the web.*

The current project is targeting the following outcomes:

- Clear identification of how well developed the Welsh public sector is in relation to fleet management (all public sector) and passenger transport (local government and health);
- Case studies to support the public sector in understanding opportunities for improvements; and
- A menu of steps to enable organisations to individually or collaboratively improve in this area.

It is impossible to force action or collaboration but it is possible to drive the change agenda through highlighting best practice, developing and sharing practical steps and enabling organisations to measure where they are against a standard framework.

The scope of the work on fleet management includes number of vehicles, driver behaviours and operations and maintenance costs – but not currently procurement and standardised specifications. The potential for financial savings nationally has not yet been fully established, but through initial work being undertaken in North Wales where savings of around £3m are being pursued, it is felt a similar scale of savings could be extrapolated across the public sector with some degree of confidence.

Current activity relating to passenger transport includes:

- transport for young people (home to school, SEN, post 16, subsidised bus network);
- transport to support vulnerable adults and independent living;
- non emergency patient transport but not community transport; and
- the commercial bus network.

A maturity matrix has been developed and will be issued to Chief Executives shortly in order to establish as national picture for both Fleet Management and Passenger Transport and to assist in identifying the potential for future improvements and opportunities to improve service delivery and drive cost efficiencies.

24. Invest-to-Save Projects

The NAWG has facilitated a consolidated bid to support four specific pilot projects through the I2S Fund: Blaenau Gwent CBC's collaborative asset management project; Cardiff Local Service Board's Collaborative Asset Project; Cardiff and Vale UHB's Estate Strategy and Space Utilisation Strategy; and, Powys CC's property scoping exercise for the proposed regeneration of Brecon town centre. These projects aim to bring about public service improvements and savings through improved asset management. I2S funds have been used to accelerate activities at three levels: corporate asset

rationalisation; local area collaboration; and opportunities from the use of surplus assets.

The sharing of good practice amongst public service partners is a key condition of funding and lessons are already being shared across the sector from early pilots. It is hoped that this approach will be continued through the next wave of I2S Funding.