

Internal Audit Estates Management Seminar

12 February 2007

Summary Report

Introduction

1. Over the past two years or so, the civil estate has increasingly come into focus as an asset that the government should be managing and exploiting more efficiently and effectively. Data on the holdings in the Government's estate portfolio and on the way these holdings are being managed and used, is essential in order to identify and make improvements and achieve value for money savings. Quality of data, and the need to maintain that quality, is equally essential. Given that the data is the responsibility of each Department, it is important that each Department has robust quality control and checking/auditing systems over its data.

2. On 12 February a seminar/workshop took place in the Treasury for internal auditors which set out to raise awareness of developments in improving the management of the government estate and to explore how internal auditors could contribute significantly to the success of new measures developed by OGC to manage the estate better.

Speakers

3. Chris Butler of ACR introduced Mary Keegan who opened the event with a keynote talk that stressed the importance of the new initiatives and asked internal auditors to join the Treasury and OGC in thinking about what can be done to stimulate better management of property. She said that "this seminar could be the beginning of a series of events focussing on financial management exploring how internal auditors can make a difference to the way that departments manage their costs, assets and liabilities".

4. Speakers at the event included: Mike Burt, Director Government Estates Transformation at OGC; Yvonne Hardy, OGC's Senior Asset Management Advisor; Richard Graham, Asset Manager Best Practice Manager at OGC; Martin Booth, Head of Co-ordination of the Civil Estate; Chris Statham, e-PIMS Project Sponsor; and Amarjit Atkar, HIA at the Department for Transport.

Coverage

5. Mike provided an overview of Government property management; Yvonne spoke about OGC's publication "High Performing Property" which is the Government's five year strategy for transforming the management and use of its office estate; Richard covered performance measurement and management; Martin

addressed property co-ordination; Chris Statham provided a demonstration of e-PIMS; and Amarjit offered some useful advice about auditing e-PIMS data.

Summary of Main Points

6. The event provided a great deal of useful information. Below are some of the key messages, useful information and observations made by speakers that arose from the sessions:

- Property is our biggest asset after staff (£30bn in value, £6bn a year to run, 13m sq metres, 8,000 holdings, 300 separate property centres, 40% outsourced). The 2004 Lyons Review “Towards Better Management of Public Sector Assets” looked at estates management in 2004 and identified potential savings of around £800m a year from better management and rationalisation of the Government estate and OGC was given the task of achieving these savings.
- In recent years a number of important reviews and studies have been carried out into the way property is managed in the public sector:
 - In response to the Lyons review, OGC commissioned research into Government property asset management by Leeds University in April 2006 which led to OGC’s publication “High Performing Property – a routemap to asset management excellence”.
 - In June 2006, the Government announced its sustainable development targets which were very much focussed on the government estate.
 - The Varney Review on service transformation in Dec 2006 looked at accommodation used by government departments to deliver services to customers (e.g. Job Centres) with a view to rationalisation (e.g. one-stop shops).
 - The CSR2007 included property asset management for the first time.
- OGC response to the various reviews was to:
 - Implement the Government relocation initiative involving moving 20,000 posts out of London and the South East by 2010;
 - Strengthen further OGC’s Government estates coordination activity;
 - Strengthen property controls for London and the South East in 2005 so that new acquisitions, lease renewals or leases need the approval of the Chief Secretary;
 - Mandate the use of e-PIMS – the central database for managing the whole of the Government estate and the central tool for coordinating land and property.
 - Develop property benchmarking for both the efficient and effective operation of buildings. In time, standards for new government accommodation will emerge.
- “High Performing Property” provides the framework and direction for improving strategic property asset planning with the key actions required by the centre and

departments clearly defined. The report is available on OGC's website¹ and identifies that there needs to be better:

- Leadership and integration: there is no real focus on property management at Board level in most government bodies. A related issue is the way that parent and arms length bodies interrelate on property management and the amount of knowledge that parent departments hold about property occupied by their arms length bodies. Property has tended to be seen as an operational area with no real attempt to integrate property management into business delivery and business planning.
 - Benchmarking and standards: these are fundamental in terms of being able to measure what is happening in a building and across the estate as a whole and to provide departments with information to help them manage the estate for efficiently and effectively.
 - Skills and capability: how skilled are departments at property management? Estates management has never been a profession in Government, perhaps it is time to make it one. There is a need to raise the skill sets and raise the capability of managing the estate better.
 - Review and challenge: a role for OGC and Treasury but Internal Audit can significantly contribute in terms of what is happening in their own departments.
- “Transforming Government Procurement” was launched on 23 Jan 07. All that is said in that document applies to estates management activity. OGC will have stronger powers of intervention in order to achieve the savings that they are looking for. This document covers setting standards, monitoring performance, and demanding departmental collaboration. There is no intention to take responsibility away from departments, to dilute local accountability or to change the responsibilities of Accounting Officers. The emphasis is now being placed on the provision that vfm should take account of the impact on the exchequer as a whole rather than just the pursuit of individual departments’ objectives.
 - Things to look out for include:
 - OGC’s implementation plan for the recommendations made in “High Performing Property” and in the Varney Report (April 2007).
 - The mandated use of property benchmarking (Apr 2007).
 - Departments nominate their property asset management champions (Apr 2007).
 - Departments establish property asset management boards (Apr 2007).
 - Implementation of Government property standards (June 2007).
 - NAO study on departments’ estate management. 12 departments will be selected, the worst performers will appear before the PAC. Much emphasis will be on the quality of data. (Fieldwork between March and June).

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http://www.ogc.gov.uk/better_asset_management_efficiency_in_property_asset_management.asp

- To deliver the agenda, departments need to:
 - Appoint property asset champions;
 - Establish property asset management boards;
 - Implement estates strategies;
 - Make estates management integral to business delivery; and
 - Collect good quality data about their properties.

- Internal audit have a key role to play in reporting on whether these things are implemented properly, function effectively and that data is accurate and complete. OGC Is moving towards a more challenging and intervening role and needs allies such as internal audit and NAO to achieve all this.

- Measuring efficiency and effectiveness of the management and use of the estate on a building by building basis is a critical component of better asset management and provides opportunities for increased productivity and delivery of savings. It allows organisations to benchmark property against industry best practice, informing strategic decisions about buildings and their impact on delivery. For Government to succeed in effective management and rationalisation of the estate, access to base data on what is best in class is fundamental. Key learning points so far are:
 - It is very difficult to start to develop an asset management strategy if there is no basis for understanding how the estate is performing at the moment. OGC needed to establish a system to meet the needs of departments.
 - OGC wanted a hierarchical framework that started with key performance indicators of efficiency and effectiveness and allowed those figures to be broken down into their constituent parts to identify particular factors that might impact on a building's performance. It was also important to establish a consistent database across government and establish this as an annual service in order to be able to track performance over time.
 - Another requirement was easily understood performance reports sufficiently detailed to provide useful information but also of value to those not directly involved in the world of property so that they could see how the building was performing and provide a springboard to improvement through the High Performing Property programme.

- OGC has selected IPD Occupiers as its partner in delivering Government property benchmarking. The programme is being delivered in phases following the completion of a successful pilot. The results of this pilot are set out in "Better Measurement Better Management"². Each phase comprises a number of Departments entering buildings for benchmarking against KPIs and benchmarks established by IPD Occupiers and agreed by an OGC chaired project board. Property will be compared against similar properties in terms of location, size and usage. The intention is for Departments to use e-PIMS to capture benchmarking data on their properties and for IPD to use that data to produce benchmarking results and reports. It was therefore essential for Departments to input reliable and quality data and for OGC to be re-assured on that quality, ideally via internal audit.

- **Property coordination:**
 - It is important to coordinate property events. Individual departments and agencies are accountable for their own decisions but it is important to ensure that the benefits of a large estate are captured centrally so that decisions can be taken from the point of view of the exchequer position. Nick Mcpherson said on 8 January 07: “there are no changes to your Accounting Officer responsibilities. However, the OGC will be laying more emphasis on the existing Government Accounting provision that value for money should take account of the impact on the Exchequer as a whole, rather than just the pursuit of individual departmental objectives, particularly in relation to its work on promoting collaborative procurement and more effective estates management.”
 - Why property coordination? To ensure one department does not rent or buy when suitable space in a suitable location is available on the estate.
 - What is coordinated? Demands for office space; disposals and vacancies of office space; rent reviews and other market events.
 - Surplus Public Land Register – does not capture all surplus properties but only freehold property and property with 99 year leases.
 - The completion of e-PIMS for all non-office property by March 2007 will make the coordination of non-office property possible.
 - Coordination cannot run without good data. The quality of a lot of departments’ data is variable and there is no link between the databases held by the 300 or so property centres. This is why e-PIMS is so important. A pan government property database is key to good estate coordination. The crucial thing is to have a link to financial management systems because these are highly scrutinised and data relating to property (e.g. rentals) ought to be accurate.
 - e-PIMS has a direct link to the Land Registry. Government being one of the biggest land owners is also one of the organisations with the most unregistered land. The Lord Chancellor has given an undertaking that all departments will register all land with the Land Registry by 2012. This is important because title is defended by the Land Registry, without proper registration legal title to land is at risk.
 - The basic tools are: the **Civil Estate Coordination Protocol (CECP)** which sets out the way departments deal with each other; and the **Civil Estate Occupancy Agreement (CEOA)** which enables government departments to share property with each other and this is likely to be extended to cover Executive NDPBs (see DAO 07/06).
 - Surplus Public Sector Land Register is mandated and is run by English Partnerships on e-PIMS technology.

- For more information about e-PIMS see:
 - http://www.ogc.gov.uk/electronic_property_information_mapping_service.asp

- **Auditing e-PIMS – typical objectives:**

- To provide the AO with an independent and objective opinion on the operation of the control processes established over e-PIMS;
 - To provide assurance that e-PIMS data is complete and accurate;
 - To provide independent evidence that information recorded on e-PIMS is accurate and complete.
- **Auditing e-PIMS – possible approach:**
- Identify key risks (key risks include: not all properties are captured; details of properties not recorded accurately, property data records are incomplete; failure to comply with OGC requirements).
 - Identify key controls to mitigate risks (focus on data migration from existing systems and processes for capturing data).
 - Use common audit approach across all business areas (e.g. use common risk/control matrix).
 - Test key controls on a sample basis (data migration, recording new properties, removing old properties, completeness and accuracy of records, data input controls).
 - Test department's compliance with OGC requirements.