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Dear HIA

GOVERNMENT ESTATE TRANSFORMATION AND INTERNAL AUDIT

The purpose of this letter is to let you know about some recent OGC initiatives aimed at improving the way that the civil estate is managed, the requirements now placed on departments and agencies and the possible implications for scoping and prioritising the audit of property management and property data capture and reporting systems.

Recent Developments

2. On 12 February ACR and OGC ran a seminar for internal auditors with the aim of raising awareness of developments in transforming the management and use of the government estate, and exploring how internal auditors might respond to and contribute to the success of the new measures. A summary report on the event is attached for information. The background and some more recent developments in this area are summarised below:

- The Chief Secretary to the Treasury launched “High Performing Property” on 9 November 2006 and a detailed implementation plan was published at the end of March 2007. “High Performing Property” provides the framework and direction for improving strategic property asset planning in central government over a defined period with the key actions required by the centre and departments. The objective of the programme is for a tighter, better managed and exploited estate delivering annual efficiency savings of around 20% of current expenditure (ie between £1 billion and £1.5 billion a year) by 2013. This will be achieved by taking full advantage of the opportunities for disposal of surplus accommodation, improving the management and use of retained accommodation, in particular improving the use of space occupied, increased co-location and shared services, including with other parts of the public sector, integrated strategic estates planning and exploiting appropriate models for estate management including outsourcing.
- In December 2006, Sir David Varney published his report on Government to citizen service transformation (“Service transformation: a better service for citizens and business, a better deal for the taxpayer”). One strand of that is



the need to rationalize and reduce the number of Government “front office” buildings delivering services to the citizen and to seize opportunities for collocating “front office” delivery with other parts of the public sector. OGC is responsible for overseeing the delivery of this strand of the Varney recommendations, and implementation of this is integral to the delivery of the High Performing Property initiative.

3. The delivery of High Performing Property is almost entirely dependent on leadership, ownership and action taken by Departments, their Agencies and sponsored bodies. To achieve this Departments and their bodies are required to:

- Appoint property asset management champions at Board level (Departments representing over 90% of the Government office estate have appointed these champions and other Government organizations are in the process of appointing champions);
- Establish property asset management boards, or their equivalent, as the fulcrum for coordinating the Departments’ estate improvement strategies and integrating these and their delivery with the Department’s business delivery and strategic resource management; these boards will also oversee the estate improvement plans of their Agencies and sponsored bodies;
- Ensure that the right skills and capability are in place to achieve the required improvements in estate management and use;
- Participate fully in the OGC’s Property Benchmarking Service (mandated in May 2007) and in the use of the OGC’s cross Government property database e-PIMS (electronic Property Information Mapping Service) (mandated in 2005 - see DAO (GEN) 08/05); and
- Ensure that their buildings deliver against the Government’s sustainability targets published in June 2006.

4. Between March and June NAO carried out a study entitled “the Government use of Office Property” looking at the value for money of the use of office accommodation by 12 central government departments. This study examined the way the departments managed their office property portfolios and how their strategies for the future of this portfolio were likely to result in efficiency gains. The Report is due in Winter 2007.

5. Good quality data on the buildings occupied by Government organisations and on how these are being managed and used, is fundamental to the delivery of the High Performing Property initiative. The data is owned by the relevant Government organisation so theirs is the responsibility for ensuring the quality and timeliness of this data. Both e-PIMS and the property benchmarking service (and the achievement of High Performing Property) are entirely dependent on the quality of this data.

Implications for internal audit

6. Property management is usually a significant cost item, with significant opportunities for efficiency savings. Internal audit therefore has an interest in how property is managed and in opportunities for improvements in property management.

7. OGC's data quality team has undertaken a check on data held on e-PIMS and has identified numerous errors and omissions. As not just OGC but departments themselves make use of this information for managing their property portfolios the quality of data matters and individual bodies are responsible for the quality of their own data. A number of Internal Audit units have already audited the controls over capture of e-PIMS data. Where property is an important asset for your organisation you should consider the implications of these developments and ensure that the emerging risks are adequately covered in your audit plans. You may also find e-PIMS to be a valuable source of information for your audits.

8. OGC would like some assurance over the completeness and accuracy of the data because the success of e-PIMS and the initiatives that it supports depend on the quality of the data. It would help them if, when departments submit e-PIMS data, they are able to say whether internal audit has reviewed the completeness and accuracy of this data or the systems that ensure the same.

9. Management of property use and occupation is also subject to OGC requirements (see DAO 07/06 "Collaborative Management of the Civil Estate"). Changes to property use and relocation exercises can bring risks to business continuity and therefore are of interest to internal auditors. I would be interested to hear of your experiences in any of these areas of asset management and the links with other efficiency and strategic planning audits you are doing. It would be good to share experiences across the HIA net in this challenging area.

Yours sincerely

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