Local Authority Property
A Management Overview
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This report is one of two which present the findings of an Audit Commission study of local authority property management. It is intended principally for those responsible for the strategic property management issues – council leaders, committee chairmen, chief executives and chief officers. The longer, and more detailed, second report amplifies the Commission's findings and is expected to be of particular use to property managers and occupiers in local government and, perhaps, elsewhere.

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1. The Context

THE SCALE

1. The full extent of local authority property holdings in England and Wales is unknown. Annual debt charges related to property of over £2.5 billion suggest a residual debt value of some £25 billion. But this certainly understates the current value of the portfolio. Estimates of around £100 billion at replacement cost for non-housing local authority property are probably nearer the mark. A rough breakdown of the portfolio by property type is shown in Exhibit 1.

2. To the capital costs of property holding must be added the running costs – energy, cleaning, maintenance, and so on. Expenditure on these items in local authorities in England and Wales is about £4 billion a year. They can amount to 15 – 20% of the total cost of services such as education and libraries.

3. One way or another the cost of holding and running property represents close to a quarter of total local authority rate and grant borne expenditure in any one year. If opportunity costs were taken into account, its importance would be even greater. Yet the time spent on property issues by senior members and officers of authorities in no way matches this importance. In many authorities, property is a hidden and undermanaged resource.

4. Against this background the Commission has undertaken a study of property management in local authorities in England and Wales over the past 18 months. The team – which was assisted by property officers from authorities – has, as in other areas of local authority work studied by the Commission, found a wide range of performance: from authorities which are applying some of the best practices found in the private sector, to others where the extent of their property holdings is unknown and where there is little evidence of a pro-active or strategic approach.

5. The Commission's study has recognised that local authorities hold property of different types and for different purposes. Local authority property management must take place in circumstances different from those of the private sector. But many of the management issues are the same, and good management principles apply equally. Exhibit 2 summarises the types of council property and the different management issues related to each of them. The centrefold summary describes the best practice approach in each case.

THE PRESSURES

6. In general, local authorities are moving towards more active management of their property portfolios and are upgrading their professional property skills. Property departments have been formed in many of the larger authorities, often by bringing together the old estates and architectural departments. Twenty-six counties are now represented in the Association of Heads of County Property Departments, which has more than doubled in size in the last two to three years. Several of the metropolitan authorities and larger shire districts have adopted a similar approach.
Exhibit 1

THE EXTENT OF LOCAL AUTHORITY PROPERTY HOLDINGS

No-one knows how much local government property is worth, but it is probably more than £100 billion, even excluding council housing.

This portfolio includes:

| 22,000 | Primary schools |
| 4,500 | Secondary schools |
| 550 | Politechnics and Further/Higther Education Colleges |
| 3,500 | Libraries |
| 20 | Airports |
| 200 | Crematoria |
| 3,500 | Police operational buildings |
| 17,500 | Police houses |
| 1,500 | Fire stations |
| 3,500 | Offices |
| 4,500 | Social Services homes |
| 1,000 | Day centres |
| 500 | Adult training centres |
| 1,500 | Swimming pools and leisure centres |
| 155,000 ha | Smallholdings |
| 100,000 ha | Urban parks and open spaces |

A typical COUNTY may have a portfolio worth some £600 million; a typical METROPOLITAN authority may have a (non-housing) portfolio worth £400 million.

<table>
<thead>
<tr>
<th>COUNTY COUNCIL</th>
<th>METROPOLITAN DISTRICT</th>
</tr>
</thead>
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<td>REPLACEMENT VALUE</td>
</tr>
<tr>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>Education</td>
<td>480</td>
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<tr>
<td>Social Services</td>
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<td>Offices</td>
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</tr>
<tr>
<td>Fire stations</td>
<td>39</td>
</tr>
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<td>Police stations</td>
<td>54</td>
</tr>
<tr>
<td>Recreation</td>
<td>–</td>
</tr>
<tr>
<td>Halls</td>
<td>–</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>?</td>
</tr>
</tbody>
</table>

£600m | £400m
7. Things are changing – but they are not changing fast enough. The need to make more rapid progress is vital, for five reasons:

1) The demands on authorities' services are now changing very rapidly, so property must be regarded as a dynamic rather than a static resource. Demographic changes, for example, are often shifting the balance of need from services for children and young people to those for retired people; there is a growing trend towards community rather than residential care for mentally handicapped people and others; institutional children's homes are being replaced by higher levels of fostering and adoption, and by emphasis on preventive treatment. These and many other changing service needs and priorities must be reflected in corresponding changes to authorities' property stock. Exhibit 3 shows graphically the impact of falling school rolls and the increase in numbers of elderly people.
Exhibit 3

DEMOGRAPHIC CHANGES
(England and Wales)

Demographic trends are changing the need for property

...school rolls will continue to decline until the 1990s

Source: Advisory Committee on the Supply and Education of Teachers (ACSET)

..... whilst the number of very elderly people continues to rise

Source: OPCS figures to 1986 and Government Actuary's Department 1983-based forecasts
2) Local authority resources, both capital and revenue, are under more and more pressure. Tight capital controls have prevented authorities from building the new facilities they believe they need. This has in turn placed further pressure on revenue budgets, as councils struggle to maintain the quality of outdated buildings. These pressures, again, look set to intensify.

3) The deteriorating condition of much local authority property is causing concern. An analysis of the school building profile since the War suggests that there is a worse problem round the corner. In many authorities a maintenance ‘time-bomb’ is ticking away and on present plans they will not have resources to defuse it.

4) Authorities face increasing pressure to take a more active role in economic development and to respond to changing needs for property in the economy as a whole. The pace of technological and economic change demands a more flexible approach to property holding and management. Local authorities, because of the sheer volume of their holdings (particularly in the urban areas), have a vital role to play.

5) The challenge of current and proposed central government legislation is already making a big impact on local authorities; that impact is bound to rise very sharply in the next few years, with the requirement for competitive tendering, increasing financial delegation, and grant maintained status for schools ('opting out').

THE ENVIRONMENT

8. The speed with which local authorities can respond to these changes is largely within their own control, but it will require a major change in attitudes by some elected members and chief officers from the current position of ‘what we have, we hold’. To achieve that change, there have to be incentives if difficult decisions, on school closures for example, are to be taken by members and agreed by local people. To some extent, however, local authorities' progress is determined by the willingness of central government to create an environment which facilitates active property management. That environment has been uncertain and, in some respects, hostile to portfolio restructuring for some years.

9. The proportion of capital receipts which can be used to top up capital allocations has been steadily reduced, and the future remains clouded. Local authorities cannot accurately assess their likely future spending power. This uncertainty makes property portfolio management more difficult. In addition, the restricted proportion of receipts usable in any one year can adversely affect the smaller authorities or those in areas of low property values. It will remain difficult for these authorities to undertake major property rationalisations without some relaxation of the control mechanism.

10. But although the environment could be altered by central government to the advantage of local authorities, there is still much which authorities can do within the present constraints to help themselves and their communities. Some councils have shown that a clear strategic vision and positive management can release resources on a large scale. With long-term planning, a rate of disposals can be sustained over time, generating capital receipts on a large scale to augment capital allocations. This can facilitate a more appropriate distribution of property resources in relation to changing service needs allowing, at the same time, disposals and acquisitions which benefit the community as a whole.

11. The Commission supports the activities of those officers and members who have been raising the profile of property management in recent years by attempting to grapple with these difficult management issues. It hopes that this report – and the more detailed
second report published alongside it – will assist authorities to bring their property portfolios into line with the needs of their service providers and to control property running costs.

12. It is difficult to assess the scale of value improvement opportunities available from improved property management. Earlier Commission studies have suggested that better control of energy, rates and cleaning costs could yield more than £250 million p.a., which could be used to improve maintenance standards. The total opportunity for redirecting resources (including potential capital receipts) is obviously far greater than this. Even in areas where land values are low the opportunities can be considerable. Property running costs can be reduced by good management. Surplus buildings can be closed to eliminate running costs and disposal may help to stimulate the local economy. There may be a north-south divide in terms of property prices, but the principles of economy and good management apply on both sides of the divide.

Exhibit 4

THE NORTH/SOUTH DIVIDE
2. Management Problems

13. It would be wrong to imply that high quality property management cannot be found in local authorities. It can. The Commission's team has encountered some examples of excellent and imaginative property management in the authorities visited. Some of them are detailed in the longer report. Many local government property officers are highly skilled and committed people. But they work in a difficult environment, heavily influenced by the external factors described above, and often by a fragmented approach to property management within authorities themselves.

14. As a result, property management is not always given the high priority it deserves. This in turn spawns a wide range of management problems, which can be found to a greater or lesser extent in nearly all local authorities.

15. Exhibit 5 summarises the major management problems and their consequences. Each problem must be addressed and overcome if the adverse consequences are to be avoided and the performance of local authority property improved.

INADEQUATE STRATEGY

16. In many local authorities property is considered to be 'owned' by the individual service committee occupying it. This means that property which is unused or under-used by one service area cannot readily be exploited by another, because there is no mechanism to encourage their joint occupancy or to transfer property between committees. Equally, there is no mechanism to encourage the identification of surplus property for disposal. This fundamental weakness arises because such authorities have failed to recognise the corporate aspects of property portfolio management.

17. Nevertheless, a number of authorities – particularly the county councils – have recognised the need to exercise corporate control. This recognition is shown by the increasing number of property committees and property departments. But, in some cases, this 'new approach' has not been accompanied by many tangible benefits. Property committees and departments set up without a clear idea of what they are expected to achieve will achieve little. Insufficient support from policy and resources committees, especially when combined with a lack of incentives to property users, inevitably leads to a failure to implement proposals.

18. Few authorities have yet got it right. But those which have can point to real and demonstrable benefits, not only in terms of valuable capital receipts and reduced running costs, but also in the improved quality of the services they deliver. The next paragraphs explore some of the specific problems resulting from the fundamental weaknesses outlined above.

INADEQUATE MANAGEMENT INFORMATION

19. In many authorities there is a conspicuous lack of information about property. Land terriers are frequently out of date and omit important information about property holdings. Many authorities do not, therefore, know what they own. Data on many aspects of property
Exhibit 5

PROPERTY MANAGEMENT PROBLEMS

An ill-defined strategy leads to serious consequences
management is often held only by service departments. Few authorities have developed a database to bring together the vital information about their property detailed in Exhibit 6. Conversely, some of those trying to develop such databases have opted for extremely elaborate systems which will take years to bring to fruition and be extremely costly to maintain. Financial information systems often do not analyse running costs by individual establishments so that unit costs are not always available to property users.

**NO INCENTIVES TO USERS**

20. There is often a lack of incentives for efficient and effective property management. Individual service committees see little benefit in surrendering 'their' vacant or under-utilised property either for disposal or use by other service areas. Education committees well know that schools' rationalisation engenders opposition amongst local electors which may

Exhibit 6

**PROPERTY INFORMATION**

Three sets of data are needed
BEST PRACTICE IN PROPERTY MANAGEMENT

MANAGEMENT

- Define responsibility for property at member level: set up a property committee or equivalent body to determine a strategy for managing the resource
- Set up an executive unit at officer level to review property holdings and property running costs
- Use incentives to persuade users to improve property utilisation and control of property running costs

PROPERTY OWNERSHIP

- Identify all property owned (or otherwise controlled), together with location, size and use
- Define criteria and measure the use of direct service property
- Survey the condition of the stock
- Prepare a five year maintenance plan taking account of the age profile of the stock
- Ensure that service committees are charged the opportunity cost of tenanted service property and vacant property
- Identify the full extent of vacant property
- Ensure that service committees do not re-use surplus property for some other purpose without reference to the property committee

PROPERTY REVIEW

- Institute a programme of reviews either on a service or an area basis, or both
- Bring information on utilisation and property running costs into the review process
- Ensure that such reviews are undertaken by staff of sufficient seniority to speak and bargain for their department
- Ensure that these reviews are short and focused
- Ensure that users are aware of the opportunity value of their sites where these are significantly higher than present use value
ARRANGEMENTS

• Set out property management responsibilities:
  – of the property committee and other central support committees, and relevant
    chief officers
  – of service committees and service chief officers
  – of building occupiers

PROPERTY RUNNING COSTS

• Define cost centres for each (major) property
• Produce regular and timely cost data that can be linked to non-financial data (number of
  pupils, floor area, etc) to facilitate performance measures
• Ensure that the different cost elements (cleaning, maintenance, energy, etc) are separately
  reported and that the information is available to building users
• Produce league tables of unit costs for libraries, secondary schools, etc
• Identify programmes to improve efficiency in respect of energy, cleaning, maintenance, etc
• Review the rateable value of schools in the light of falling rolls

TENANTED PROPERTY

• Define a rationale for holding tenanted property
• Categorise the portfolio according to the objectives for which it is held (service delivery,
  investment)
• Make explicit the costs of services delivered indirectly through the provision of tenanted
  property
• Value the investment portfolio to determine the rate of return being achieved
• Examine the need to invest in tenanted property to improve performance
• Ensure rents are reviewed on the due dates
later be manifested through the ballot-box. Similarly, the loss of school playing fields and library closures are unpopular at the local level. Such changes may be more acceptable to the local community if there are some gains in return. Incentives are also required to encourage building users to manage property running costs such as energy and cleaning more carefully.

21. It is often argued that the use of incentives runs counter to the ideals of corporate management and rational resource allocation. There is some truth in this argument. But service committees and their managers do not always act in the corporate interest. Therefore incentives are likely to prove necessary in the real world to answer the question: ‘What’s in it for us if we give up some of our property?’ And, in any case, reallocation of resources can still be made during the budget-setting process to correct major imbalances.

INADEQUATE PROPERTY REVIEW

22. If property is to be managed as a dynamic, rather than a static, resource, it must be regularly reviewed. Corporate property reviews (i.e. across service committees) have been successful in only a small minority of authorities. In some, the lack of corporate management of the property resource means that there is no mechanism for carrying out such reviews at all. In others, reviews may fail when:
   – they become bogged down in too much detail;
   – no timescales are set;
   – service committees prove hostile to the findings;
   – they are carried out by low level staff without the power to bargain and negotiate.

23. Similar failings can apply to departmental reviews (i.e. single service reviews). Property review is a difficult process. But the difficulties can and must be overcome if authorities are to make the most of their property portfolios. Exhibit 7 illustrates a small part of what has been achieved in the review of Worcester, carried out by Hereford and Worcester County Council.

OPPORTUNITY COSTS NOT RECOGNISED

24. There is nearly always an opportunity cost associated with holding property. But this cost is frequently ignored in local government decision-making. It is not uncommon for development proposals to be perceived to be cheaper than they would otherwise be ‘because we already own the land’. Authorities should be aware of the alternative land use values of their property and this awareness should be communicated to all those responsible for taking decisions concerning property. Equally, users should be aware of the opportunity cost of using property inefficiently in terms of excess running costs.

CONFUSED OBJECTIVES

25. Few authorities have clearly stated reasons for holding property. In many authorities the distinction between the categories of property identified in Exhibit 2 is non-existent or blurred. Property should be categorised and the purpose for which it is held clearly stated so that appropriate performance measures can be set. Such an argument applies particularly to tenanted and vacant property holdings. Tenanted property held for investment should be clearly distinguished from tenanted property held to provide a service. Where land lies idle, there should be a coherent plan for bringing it into use in the near future. If there is no rationale for retention, the property concerned should be sold.
WHAT PROPERTY REVIEW CAN ACHIEVE

An area property review can lead to beneficial transfers of property between committees.

Illustration of part of a self-financing corporate property review of West Worcester

Old prefab library

New car park for shoppers and churchgoers

Redundant school
(surplus playing fields sold for sheltered housing development)

New library for local residents
(and a new home tuition unit behind library)

(Photographs courtesy of Hereford and Worcester CC)

UNCO-ORDINATED MAINTENANCE

26. In some authorities, strategic maintenance (to safeguard the asset) is managed by each service department with only advisory support from the centre. This has led to maintenance budgets being used for what are seen to be more pressing needs. Fortunately, this practice is now rare. But the consequences of it are still with many authorities in the form of a backlog of maintenance work. Even where strategic maintenance has been managed centrally, many years’ underfunding has created large backlogs.

27. Few authorities have carried out a full condition survey of their buildings to assess the scale of their maintenance backlog. Essex, which has done so, calculates a backlog of £70m, at least four times its annual expenditure on maintenance. Without such surveys, it is impossible to produce a plan for strategic maintenance that will beat the backlog.
28. This is a problem which will grow over the next decade. Not only is there a large existing backlog of maintenance; there is also a 'time bomb' ticking away as the components of the buildings erected in the 1950s, 1960s and early 1970s begin to wear out. Exhibit 8 shows how even in the absence of an existing backlog, the maintenance bill for schools will rise inexorably for years to come.

Exhibit 8

THE MAINTENANCE TIME BOMB

Maintenance expenditure will rise dramatically as the stock ages

![Graph showing maintenance need for all schools from 1987 to 2012]

Indexed Costs

(1987 = 100)

Source: Audit Commission study team
(Results from a computer model forecast of required maintenance expenditure)

29. The next section examines some of the practical consequences of these management problems.
3. The Consequences

POOR CONTROL OF RUNNING COSTS

30. Poor control of property running costs is a direct waste of revenue resources. Exhibit 9 shows the wide ranges in unit cleaning costs, for example, for different types of property in several authorities. Many authorities are still using outdated ‘provincial agreements’ for cleaning schools. Few measure unit costs of cleaning to identify expensive buildings in order to improve performance. There are other opportunities for savings. Rateable values for schools can be reduced if authorities notify the District Valuer of reductions in pupil numbers each year. This can have two effects. Rate payments (including water rates) will fall and the rate base will be reduced. In most authorities the result will be more block grant entitlement because this increases both as expenditure falls and as the rateable value per head of population reduces.

Exhibit 9

CLEANING COSTS (1985-86)

Cleaning costs vary considerably for different properties of the same type

<table>
<thead>
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<th>Cleaning cost £ per m²</th>
<th>No. of properties</th>
<th>No. of authorities</th>
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<td>7</td>
<td>8</td>
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<tr>
<td>24</td>
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<td>10</td>
</tr>
</tbody>
</table>

Source: Audit Commission study team
31. There is still room to economise on energy costs, as the reviews carried out last year by the Commission's auditors demonstrated. Improving the management of maintenance, for example by abandoning dayworks in favour of schedules of rates, can also yield substantial cost reductions.

BADLY UTILISED PROPERTY

32. Property which is not fully used ties up capital resources and diverts revenue resources from areas of more immediate use. Given the considerable backlog of maintenance work in many authorities, it clearly does not make sense to waste money maintaining buildings which are only partly used. Equally, there is little point in cleaning, heating and paying the rates on such property. Such expenditure could be better applied to improving the quality of service provision or reducing the rates.

FAILURE TO GENERATE CAPITAL RECEIPTS

33. Resources unnecessarily tied up in property could be released to generate capital receipts. At a time of increasing pressure on resources it is vital that authorities seek to augment their capital allocations whenever possible. Despite restrictions on the use of capital receipts, they are still worth having, especially if an active programme of review generates a steady stream of receipts. Even given the restriction that only 30% of a capital receipt can be used in any one year, after five years an authority has had the use of more than 80% of its value. In any event, expenditure on capital repairs and maintenance is not subject to these restrictions. Overall, non-housing capital receipts in 1985–86 were equivalent to over a quarter of local authority capital allocations, twice the proportion five years earlier, as shown in Exhibit 10. (More recent receipts have been swollen by residuary body disposals, which will eventually decline in importance).

Exhibit 10

CAPITAL RECEIPTS AND ALLOCATIONS
England and Wales

(Non-housing – March 1987 prices)

Capital receipts are an increasingly important source of capital finance
EXCESSIVE VACANT PROPERTY

34. Land is frequently held ‘in advance of need’ when the authority has no coherent plan for its exploitation and there is little likelihood of making the necessary resources available for development. As a result, the authority locks up land with development potential which could be exploited by others with benefits for the community as a whole.

35. Not many authorities know how much vacant property they own. The Register of Unused Land on which authorities are required to register their holdings, does not record all vacant property, e.g. if it is being used for some temporary and sub-optimal purpose such as surface car parking or grazing. Few authorities have procedures for periodically reviewing their vacant land holding and justifying its retention.

UNKNOWN COSTS OF PROVIDING SERVICES THROUGH TENANTED PROPERTY

36. Tenanted property is often let at below market prices to voluntary or other bodies. The implied subsidy may be reasonable expenditure in pursuit of the council’s objectives, but it is wrong that it should be hidden in the form of subsidised rents. If the council wishes to make a grant it should do so. Disguised subsidies encourage inefficient use of resources.

37. Sometimes the service is by way of capital subsidy at the outset of the project (e.g. industrial units) after which it is let at a market rent. Such capital subsidies should be quantified and measured against the likely social benefits from the project. After completion of the project the only rationale for retaining the property is for investment purposes. Accordingly, it should be revalued at market price and transferred to the investment portfolio to be managed on a fully commercial basis, as illustrated in Exhibit 11. Alternatively, it can be disposed of and the proceeds applied elsewhere. For example, once an industrial estate has been fully let and the jobs created, the authority could sell it and apply the proceeds to another job creation project.

POOR PERFORMANCE OF THE INVESTMENT PORTFOLIO

38. Many authorities – particularly the old county boroughs – have substantial holdings of town centre and other property held primarily to generate revenue support and capital receipts. This element of the property portfolio is no different from that held by a private sector property company. Yet few authorities recognise it specifically as investment property and manage it accordingly, e.g. by valuing it in order to determine the rate of return being achieved. The value of this property can be very great. The investment portfolio of Leicester City Council (one of the few authorities that has valued its investment property) is worth as much as £60 million. Many of the larger city councils hold investment property of similar or greater value.

39. Without knowing the value of the investment portfolio it is impossible to measure the return being achieved. A more rigorous approach needs to be adopted to identify poorly performing properties. Rational decisions can then be taken to invest in order to improve performance, or to dispose of property where performance cannot be improved.
DETERIORATING BUILDING STOCK

40. The serious backlog of maintenance in some authorities inexorably leads to a deterioration in the building stock, even without the effect of the maintenance 'time bomb'. Not only does this mean that the eventual costs will be much greater than would otherwise be necessary: it also has implications for the quality of service delivery. Children are being educated in substandard accommodation, and in some authorities it is only a matter of time before it becomes necessary to close schools for safety reasons. The scenes shown in Exhibit 12 are becoming all too common.
It is only a matter of time before schools will have to be closed for reasons of safety

...children had to be evacuated during an exam...

...and, daily, children are taught in poorly maintained classrooms

(Photographs courtesy of "New Civil Engineer")
4. Solutions

41. Changes need to occur at three levels if these management problems and their consequences are to be satisfactorily resolved:

*firstly*, changes are required in the environment imposed by central government on local authorities

*secondly*, members and chief officers need to set policy guidelines in relation to the authority's property portfolio and strategy and,

*thirdly*, property users and managers must operate professionally and effectively within these guidelines.

CENTRAL GOVERNMENT

42. There is an inevitable conflict between central government's desire to control local authorities' capital expenditure as part of its macro-economic policy, and authorities' own desires for the maximum freedom to manage their capital receipts and expenditure. The Commission has already expressed its views on the existing system of capital controls; a new system is to be introduced with the community charge in April 1990.

43. The Commission hopes that the government will take this opportunity to provide local authorities with a more certain environment so that they may plan the use of capital receipts from surplus property holdings. There should also be greater recognition of the need to raise capital in order to undertake investment schemes which in the long run will save both revenue and capital resources (particularly in relation to energy saving).

44. The present Land Register system seeks to identify all 'unused and under-used' land in local authority ownership. Much of the land currently on the register is at present incapable of development because of adverse ground conditions and planning constraints. As a result the register has little credibility as a source of information to potential developers. The system is seen as adversarial even by councils anxious to exploit their assets to the full. The criteria also exclude very many sites which may now be in use but which could be more profitably used for some other purpose. Central government ought to place more emphasis on 'carrots' rather than 'sticks'. Incentives to develop under-used land could be improved by changes to the system of capital controls. The present exemption from prescribed expenditure, for land acquisition which is matched within a short period by a capital receipt should be extended to embrace developments over a longer timescale, such as school rationalisation.

45. The current proposed legislation on education will also have an impact on local authority property management. The Commission, in its response to the consultation papers on the government’s proposed education reforms, drew attention to the possibility that the ‘opting out’ proposals could slow down plans for school rationalisation. There will be a similar effect upon any plans for the re-use of surplus capacity. The Commission also emphasised the importance of rapid decisions by central government on school closure proposals submitted by local authorities.
STRATEGY AND DIRECTION FROM MEMBERS

46. Good property management is not an end in itself. It must clearly respond to the policies and objectives of the service areas. These, in turn, will relate to the policies of the council as a whole. But there are certain principles relating to property management which, the Commission believes, hold good whatever the authority's political complexion or service strategy. They are:

1) Property must be held for a specified purpose.
2) Property must be seen as a dynamic resource, the use of which must be continually reviewed in relation to the strategy of the authority as a whole.
3) Property users must be aware of, and held responsible for, the opportunity cost of the asset.
4) Individual properties or groups of properties should be managed on a cost centre basis with clear identification of the responsibility for control of running costs.

47. Though these principles may seem obvious, embedding them in the culture of the organisation requires determination and patience. It is a process which needs leadership at member level. Members should ensure that a property strategy exists in their authority and that it corresponds generally to the principles set out above.

48. Implementing an authority-wide property strategy will require appropriate central structures. The precise way in which these central structures should be established – where they do not already exist – will vary from authority to authority. In most cases (except the smallest districts) a property committee, or perhaps a property sub-committee of the main policy committee, will be appropriate. This need not be an additional committee. A property committee could replace an existing estates committee, by taking on the wider responsibilities needed for more strategic management of all the council’s property. Such a body may not need to meet on the same cycle as service committees. But its chairman should have equal status with those of service committees. And its recommendations should be considered by the council as a whole and given as much weight as those of other committees.

49. Thus the main responsibilities of a property committee should be:

1) To bring together information on the authority's property holdings.
2) To analyse regularly the appropriateness and occupancy of the authority's holdings in relation to its changing service objectives and methods of delivery, by initiating property reviews.
3) To help identify surplus properties for disposal and to manage the disposal process to ensure maximum benefit for the authority as a whole.
4) To account for the performance of the investment portfolio, and monitor the performance of the tenanted service portfolio against service objectives.
5) To determine overall strategic maintenance priorities on a medium term basis; a five-year maintenance plan is essential.
6) To review the methods of control exercised by service committees over their property running costs and to make service committees aware of the opportunity costs of property.
7) To work towards the creation of a system of incentives within the authority to optimise property utilisation and property running costs.
To provide guidance in the setting of budgets for service committees for cleaning, energy, day to day maintenance, etc.

To set and monitor overall energy management policy and practice. This would involve investment decisions on energy conservation measures.

OFFICERS' ROLE

50. Many authorities have created property departments. Some are very effective. In other cases their objectives are frustrated by inadequate co-ordination with other committees and both service and central departments. Chief executives need to ensure that, where a property department is established, it has the ability to manage and to pursue its legitimate objectives. This is more important than considerations of which detailed management structure would best deliver effective property management. Treasurers need to ensure that information on property running costs is available to (and used by) property occupiers.

51. Managers' first task will be to support the property committee in pursuit of its principal objectives outlined above. The way in which it does so, and the relative importance of different elements of the task, will vary significantly from place to place. A critical requirement is good relations with the individual service departments. The essential activities for successful property management are described in the centrefold.

52. The second report published with this one, examines each of these areas in more detail and illustrates the characteristics of best practice management in each case.

THE NEXT STEPS

53. Auditors will be undertaking local audits of property management during the course of the next year. They will review the extent to which an authority's practices correspond to the principles outlined in the Commission's two reports, with a view to identifying value improvement opportunities. The Commission hopes that local authority members and officers will appreciate the contribution that this study and the local auditors can make, and co-operate with and participate in the work.

54. The scope of the Commission's study of property management has necessarily been wide ranging. There are several property related issues which require more detailed consideration and which will be the subject of forthcoming Audit Commission special studies. Among these are:

– the management of local authority direct labour building maintenance organisations;
– grounds maintenance and the management of sports and recreation facilities;
– the property requirements for the delivery of operational police services;
– the management and administration of local education authorities.

55. The Commission also intends to carry out a separate study of urban regeneration and economic development, and the impact of central government funding. Local authority property, and its management, have an essential part to play in the process of regeneration.
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