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ANNEX 4.8 ASSET MANAGEMENT

Each public sector organisation should develop and operate an asset management strategy (section 4.10). This important feature of the management of an organisation should be reviewed annually as part of the corporate or business plan.

A.4.8.1 Asset management is a key part of financial management and thus one of the responsibilities of the Accounting Officer in a public sector organisation (box 3.1). Each organisation should arrange for the efficient and effective use, maintenance, acquisition and disposal of the public sector assets under their control. So each needs to have a clear and full understanding of:

- the content of the current assets base;
- the assets needed to deliver efficient, cost effective public services; and
- what this means for acquisitions, disposals and maintenance.

A.4.8.2 Normally these responsibilities will be dispersed through organisations through a system of delegations with appropriate reporting arrangements. Similarly, departments should ensure that each of their sponsored bodies has equivalent arrangements. Managers in all public sector organisations should be fully aware of how their responsibilities fit within the organisation's corporate plan.

Asset registers

A.4.8.3 It is good practice for each organisation to draw up, and keep up to date, a register of all the assets it owns and uses. This will usually be needed for preparation of its accounts. It is also a good way of taking stock of the organisation's current position and planning change.

A.4.8.4 The assets on an organisation's register should include both tangible and intangible assets, covering both owned assets and assets under its legal control. The list in box A.4.7A gives the main groups but is not exhaustive. Each organisation should decide on a meaningful valuation threshold.

A.4.8.5 In drawing up the asset register, particular care should be taken with two sorts of asset:

- attractive items, such as works of art and items susceptible to theft. These may be included even if they are below the valuation threshold, in line with guidance provided by the Government Art Collection; and
- investments in the form of debentures and shares in commercial companies. These should be checked at least annually. Except for NDPBs, details of all share holdings should also be shown in section 2 of the Supplementary Statements to the Consolidated Fund and National Loans Fund Accounts.

box A.4.8A main categories of public sector assets**tangible assets**

- land
- buildings
- leased fixed assets (PFI and non-PFI)
- raw materials
- stocks and stores
- plant and machinery
- equipment
- tools
- furniture and fittings
- assets under construction
- donated physical assets
- infrastructure assets
- heritage assets
- antiques and works of art
- software developed in house

intangible assets

- copyrights
- Crown copyright
- trademarks
- franchises
- patents
- intellectual property rights
- goodwill
- data and information,
- knowledge and know-how
- software licences
- shares and debentures in companies
- public dividend capital
- loans and deposits
- other investments

Asset management plans

A4.8.6 Each public sector organisation should complement its business plan with a clear view of the asset base needed to deliver its objectives. Their asset management strategies should then aim to attain, maintain and where appropriate evolve this asset pattern, over a period if change is envisaged. Box A.4.8B suggests some key steps. The estates manager, the finance director and the organisation's business planners should all be engaged in this process. The organisation's board should take stock of progress with delivering the plan from time to time, and at least annually.

Management of assets

A4.8.7 Assets should be managed like other parts of organisations' business, with information systems to provide feedback on efficiency and value for money (box 4.2). Maintenance should be cost effective, designed to achieve and retain assets at a good standard, and taking steps to manage the risks of fraud and theft.

A4.8.8 Most public sector organisations should respect OGC initiatives for the coordination and management of the assets of the civil estate:

- ePIMS (electronic Property Management Information System), which is a central database recording information on the civil estate;

- the Civil Estate Occupancy Agreement governing relationships among Crown bodies sharing accommodation. Volume 1 covers leasehold agreements, Volume 2 covers freehold and long leaseholds and Volume 3 covers Private Finance Initiative funded properties; and
- the Civil Estate Coordination Protocol which is designed to improve the planning, acquisition, management, rationalisation and disposal of property and other workspace on the civil estate.

A.4.8.9 Loans of assets should specify the terms of each loan, with conditions for return, liability, damage and charges for use.

box A4.8B steps for developing asset management plans

- Review the asset register to assess its adequacy for the organisation's objectives and functions.
- Plan how retained assets will be used efficiently for the organisation's core functions.
- Plan asset acquisitions, eg to extend, modify or replace the existing estate. Proposals to acquire land or buildings in London and the South East require the approval of the Chief Secretary to the Treasury— see OGC's website (www.ogc.gov.uk/documents/DAO0505SupplementaryGuidance.pdf).
- Identify disposals, and plan to use the proceeds. Once decided upon, disposals should be as swift as the market will allow with reasonable value for money. (Treasury approval is required if departments do not have Estimate cover for spending receipts; if or sponsored bodies want to retain receipts from disposal of assets purchased out of grants.)
- Consider whether any retained assets have potential to generate revenue through non-core activities using the wider markets approach (see annex 7.6).

Asset transfers between public sector organisations

A.4.8.10 Public sector organisations may transfer assets among themselves without placing the property on the open market, provided they do so at market prices. They should follow the guidelines in box A.4.8C.

A.4.8.11 Sometimes transfers of assets result from machinery of government changes. The relevant legislation (eg a transfer of functions order) should prescribe the terms of any such transfers. The organisations concerned should follow the guidance in the Estimates Manual (www.hm-treasury.gov.uk/d/estimates_manual011007.pdf).

A.4.8.12 To help public sector organisations identify assets for acquisition by others, they should record their surplus assets on the Register of Public Sector Lands (www.englishpartnerships.co.uk/rspl.htm), maintained by English Partnerships. Leasehold property with less than 99 years outstanding is excluded.

A.4.8.13 Exceptionally, certain sales to the Homes and Communities Agency (HCA) (replacing English Partnerships) may include overage. The only circumstances in which overage is acceptable are where:

- HCA intends to sell the property to a private developer for housing development within two years;
- there is a realistic prospect that selling through HCA will improve the outcome for housing policy, eg by creating an aggregate site;

- the Accounting Officers of both the selling public sector organisation and HCA are convinced that, in this transaction, overage offers value for money for the public sector as a whole;
- the development gains is to be split equally between the selling organisation and HCA; and
- the Treasury agrees.

box A.4.8C protocol for transfers of assets

- Value assets at market prices using RICS' Red Book (www.rics.org/Knowledgezone/RICSRedBook/).
- The organisations should work collaboratively on the transfer to agree a price. It is good practice to commission a single independent valuation to settle the price to be paid.
- The organisations should take legal advice, especially where sponsored organisations are involved as these may have specific legal requirements.
- There is no need for full investigation of legal title since full transfer is not always necessary because of the indivisibility of the Crown.
- The terms of transfer should not normally involve neither clawback (rights to share disposal proceeds) or overage (rights to share future profits on disposal) though see A.4.8.13 below.

Disposals

A.4.8.14 Public sector organisations should take professional advice when disposing of land and property assets. Some key guidelines are in box A.4.8.8D. Further guidance is on the OGC website.

box A.4.8D protocol for disposals of land, property and other assets

- Value assets at market prices using RICS' Red Book (www.rics.org/Knowledgezone/RICSRedBook/).
- Dispose of surplus land property within three years.
- Dispose of surplus residential property within six months.
- Sell plant, machinery, office equipment, furniture and consumable stores by public auction as seen; or by open tender. Obtain payment before releasing the goods.
- If an asset is sold or leased at a loss, the proceeds forgone (compared to market value) should be treated as a gift, and the routine in annex 4.12 should be followed.

A.4.8.15 Sometimes PFI projects involve disposals. Each such case should be evaluated as part of the PFI project, with due attention to the need to secure good value for money. Further guidance is in annex 7.5.

A4.8.16 Public sector organisations which make grants to third parties for the acquisition of assets should normally include a clawback condition under which they can recoup the proceeds if the recipient of the grant later sells the asset. There is some scope for flexibility in this discipline: see annex 5.2.

A4.8.17 Disposals to charities require particular care. Their trust deeds sometimes place restrictions on how they may use their assets. It is good practice to consider the possible disposal of assets by such recipients before making gifts to them.

Central asset registers

A4.8.18 From time to time the Treasury gathers information in order to publish a National Assets Register. Central government organisations and NHS bodies should supply the information on their assets when requested.

A4.8.19 Under Crown copyright policy, certain public sector organisations are required to supply details for the official bibliographic database. See annex 6.3 for further details.

Digest of guidance

Box A4.8E guidance specific to asset management**mandatory**

- High Performing Property – a routemap to Asset Management Excellence (OGC) www.ogc.gov.uk/better_asset_management_efficiency_in_property_asset_management.asp
- Common Minimum Standards - procurement of built environments in the public sector www.ogc.gov.uk/documents/Common_Minimum_Standards_PDF.pdf
- guidance on the Register of Surplus Public Sector Assets www.englishpartnerships.co.uk/rspsl.htm
- English Partnerships quality standards www.englishpartnerships.co.uk/qualitystandards.htm
- recording property details on OGC's ePIMS (electronic Property Information System) www.ogc.gov.uk/electronic_property_information_mapping_service.asp
- Treasury approval for substantial accommodation proposals in London and the South East; supplementary guidance www.ogc.gov.uk/documents/DAO0505SupplementaryGuidance.pdf
- Sustainable Development on the Government Estate targets www.defra.gov.uk/sustainable/government/gov/estates/index.htm
- Civil Estate Occupancy Agreement (2006) - providing standard terms and conditions for terms of occupation www.ogc.gov.uk/high_performing_property_property_coordination.asp
- Civil Estate Coordination Protocol - coordinating property activities and events across the civil estate www.ogc.gov.uk/better_asset_management_property_coordination.asp
- recording details of Crown copyright on departments' Information Asset Registers (Annex 6.1)
- Crichel Down rules - offering land and property acquired by the public sector back to former owners – www.communities.gov.uk/publications/planningandbuilding/circularcompulsorypurchase2 .
- Disposal of Historic Buildings: Guidance Note for Government Departments and NDPBs www.culture.gov.uk/reference_library/publications/4734.aspx

recommended

- Towards Better Assets Management – A Report by Sir Michael Lyons (December 2004) www.hm-treasury.gov.uk/prebud_pbr04_lyons.htm ;
- Guide to the Disposal of Surplus Assets www.ogc.gov.uk/estate_rationalisation_disposal_of_surplus_property_.asp
- Better Measurement, Better Management – effective management of the government estate www.ogc.gov.uk/better_asset_management_property_performance_measurement.asp
- Working without Walls www.ogc.gov.uk/high_performing_property_transforming_workspace.asp