



CIPFA Property

Property asset management – a whirlwind tour

PF Live

June 2023

The Chartered Institute of
Public Finance & Accountancy



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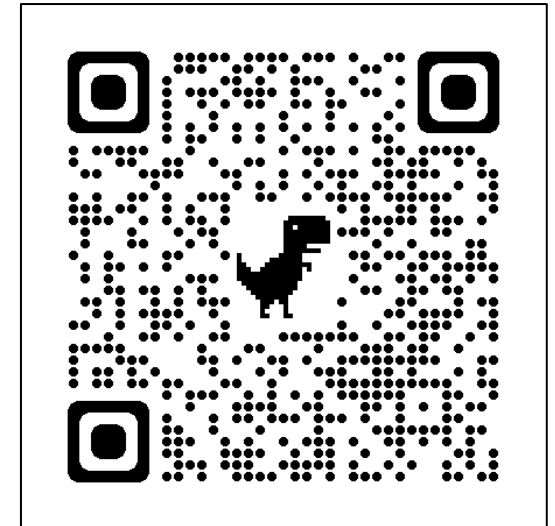
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<p>About CIPFA</p> <ul style="list-style-type: none"> • About CIPFA • Annual Report • Governance • News & Events • Contact Us 	<p>Members</p> <ul style="list-style-type: none"> • CIPFA Property Services • CIPFA Business Services • CIPFA Residential Services • CIPFA Commercial Services • CIPFA Professional Services 	<p>Qualifications</p> <ul style="list-style-type: none"> • Professional Property Services (PPS) • CIPFA Business Services (CBS) • CIPFA Residential Services (RS) • CIPFA Commercial Services (CS) • CIPFA Professional Services (PS) 	<p>Services</p> <ul style="list-style-type: none"> • CIPFA Property Services • CIPFA Business Services • CIPFA Residential Services • CIPFA Commercial Services • CIPFA Professional Services

Who are CIPFA Property?

- Strategic Property Events
- Diploma in Asset Management
- Certificate in Asset Valuation
- Condition Surveys
- Asset Management Software
- Property Related Consultancy
- Property Health Checks
- Corporate Landlord Reviews
- Asset Management Documentation
- Asset Management Challenge



Property asset management – a whirlwind tour

CIPFA Property



Where are we?

- Buildings are the second highest expenditure item after staff
- Seen as a clear target for efficiencies by this government and majority of Local Authorities/Police/Fire
- Property is 'illiquid'
- Therefore, it requires longer term planning
- Is it all about cuts?



Where are we??

COVID has made us stop and think about the way

- We deliver our services
- Our communities operate
- We work
- We invest

And there is always the Elephant in the Room.....



So.....

Information is Power

Asset Challenge

The changing way we work and impact on offices

Offices – Asset Valuations

IFRS 16

Governance

Corporate Landlord

Maintenance

Area Based Asset Management - One Public Estate

Impact of Buildings on what we do

20 Minute Neighbourhoods

Net Zero

The Battle Plan

?



Information is Power

- What do we own?
- Do we still use it?
- Property Cost per m²
- Condition Categories A, B, C, D
- Maintenance spend per m²
- Maintenance Need per m² and by Priority 1, 2 and 3
- Planned/Responsive %
- Energy/Water/CO₂ emissions
- Office Measures
- Service Delivery/Suitability
- But – Strategic, Base, Cost, Systems, Misinterpretation, Benchmarking

“I have no data. It is a capital mistake to theorise before one has data.”

Sherlock Holmes – Scandal in Bohemia

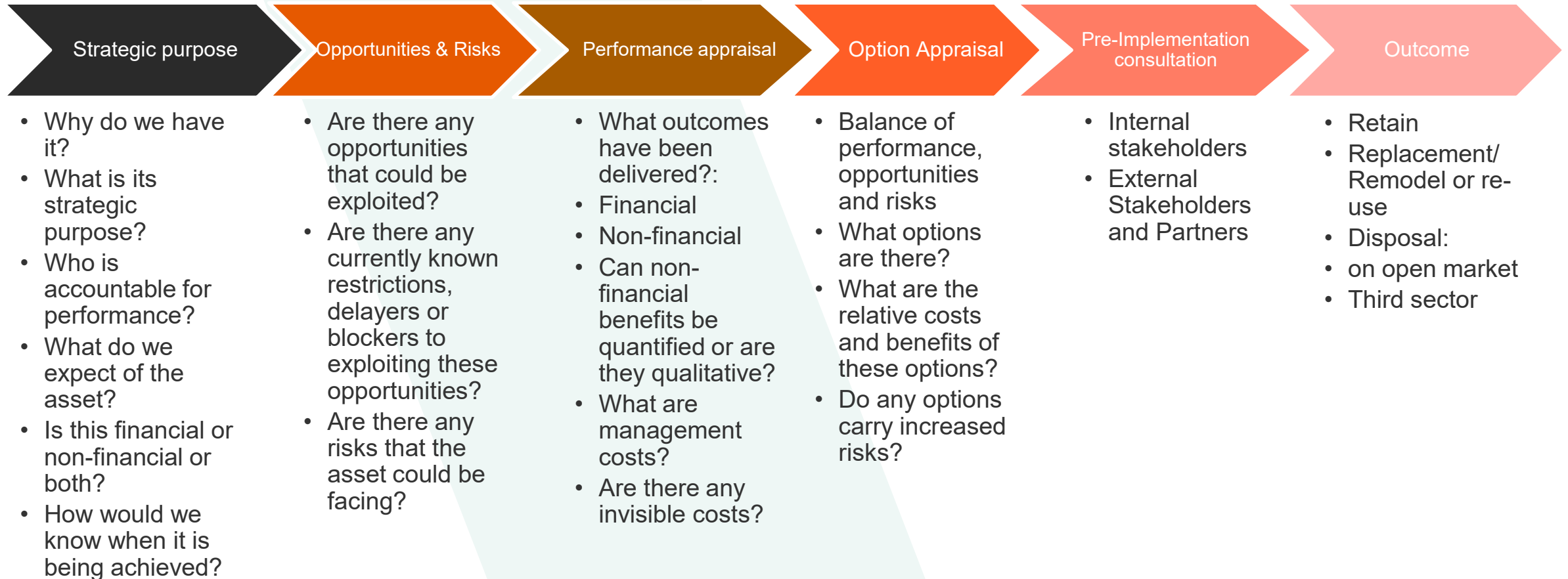


Asset Challenge

If it stops still, sell it – Focus on savings above all else

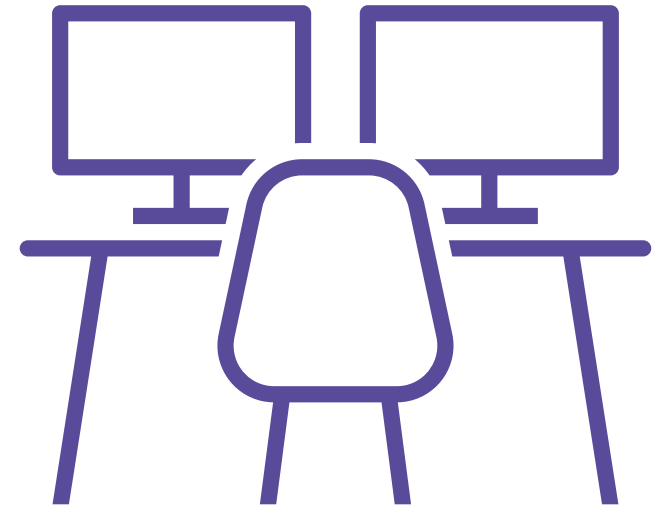
The wrong incentives?

Maybe, but time to take stock

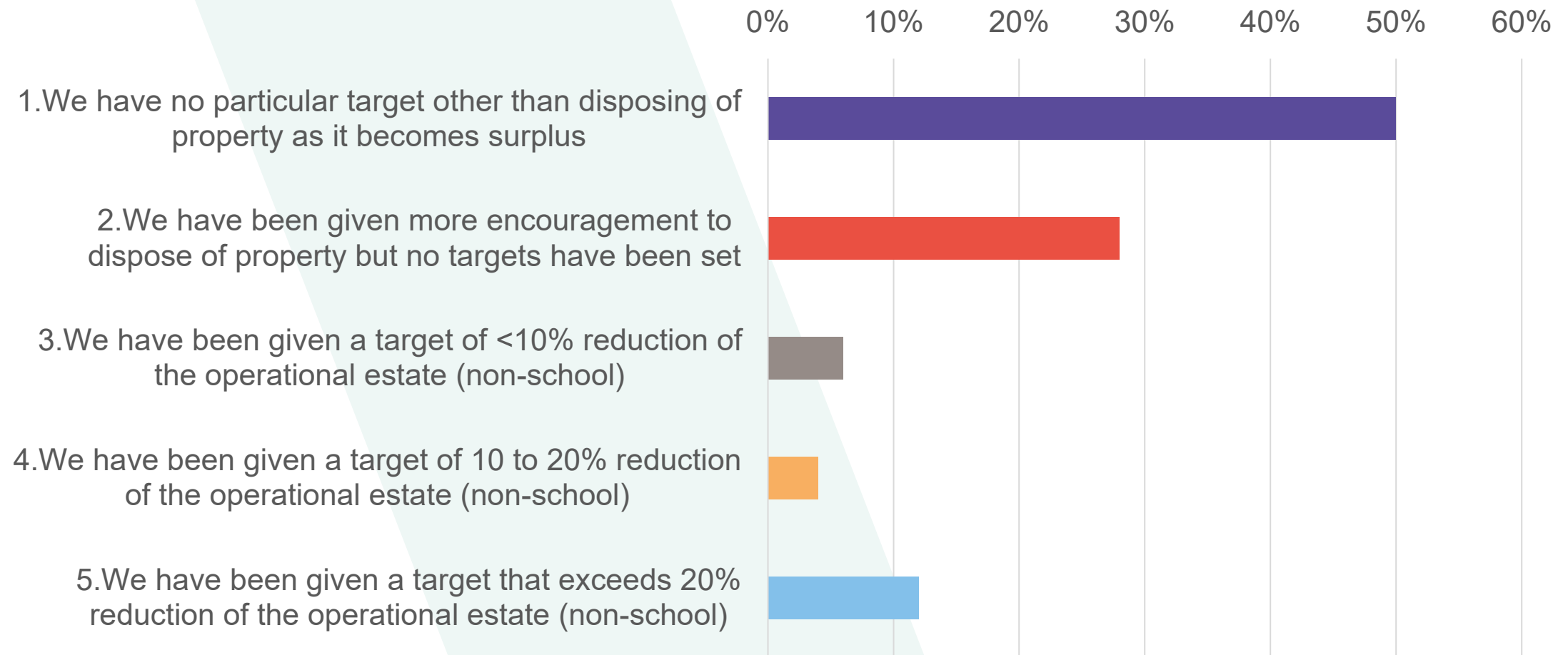


The changing way we work and impact on offices

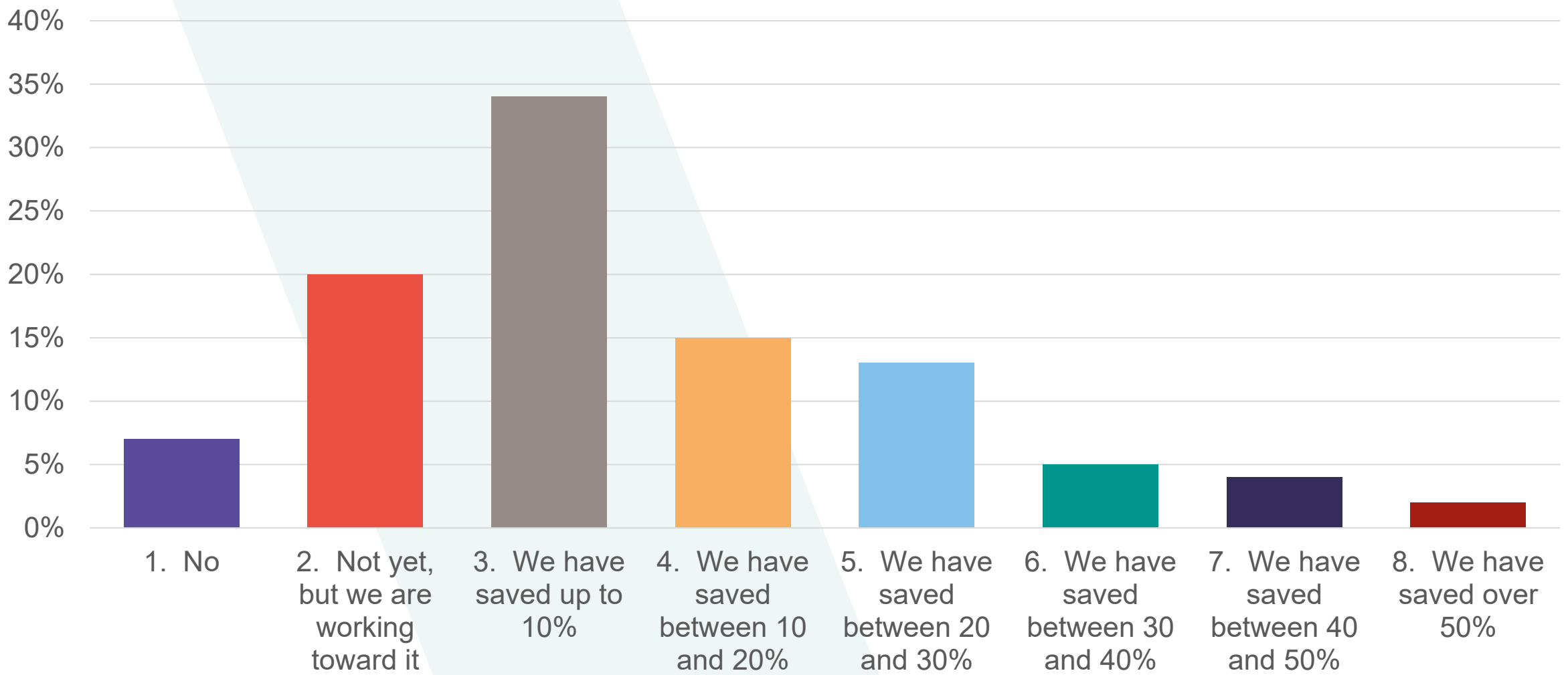
- To be or not to be (present)
- Multitude of approaches (and attitudes)
- Impact of offices on their surroundings (social value)
- Or just about saving space/money?



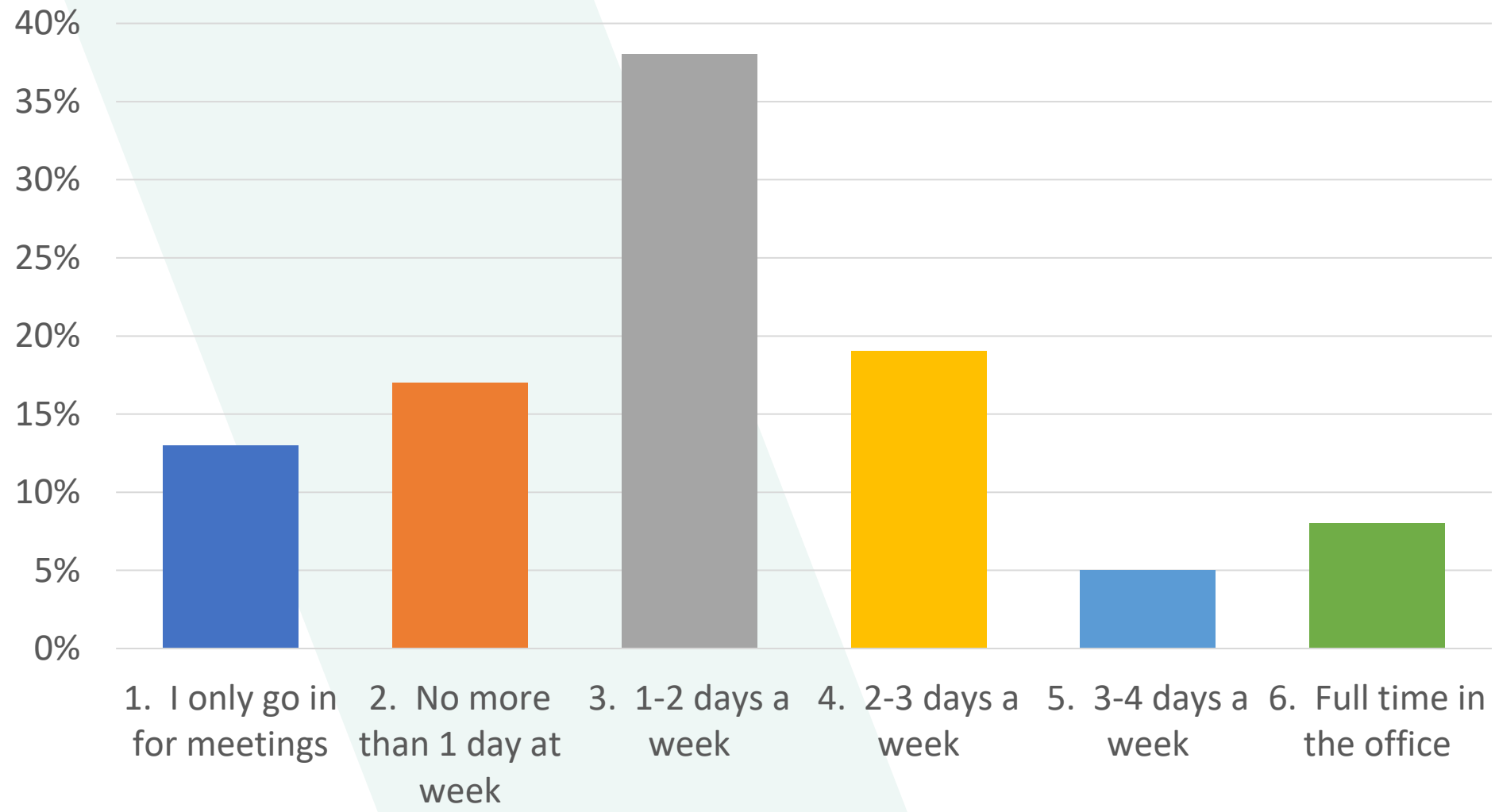
What is your target for asset rationalisation after the COVID Pandemic? – Poll Results 24th May 2023



Has your organisation reduced office space post pandemic? – Poll Results 24th May 2023



Following the COVID Pandemic has your organisation moved to a more remote way of working? – Poll Results 24th May 2023



Offices – asset valuations



Offices – asset valuations



Owner occupied offices
categorised as
“operational PPE –
other land and
buildings”



Valuation basis is
Existing Use Value
(EUV)

An assessment of what constitutes replacement at least cost of the asset’s remaining service potential for continued delivery of the current functions that are being provided by use of the property

Valuation approach where not all parts are required by the business

LA has NO intention of re-using the vacant part

Could the vacant part be sold or leased for separate occupation?

↓ NO

All parts valued together at EUV, but

Unused part will contribute a nominal amount to the EUV

↓ YES

Re-categorise vacant part as either surplus under IAS 16 or investment property under IAS 40

Basis of value = Fair Value

CIPFA\ Be prepared!

- Does the authority have unused parts of any operational assets (both buildings and land)?
- Are there any plans for unused parts to be used for operational purposes?
- Could unused parts be separately sold or leased without adverse material impact on the continued use of the remaining operational property?
- Do those unused parts need to be separately classified?



Clear instructions
to the valuer

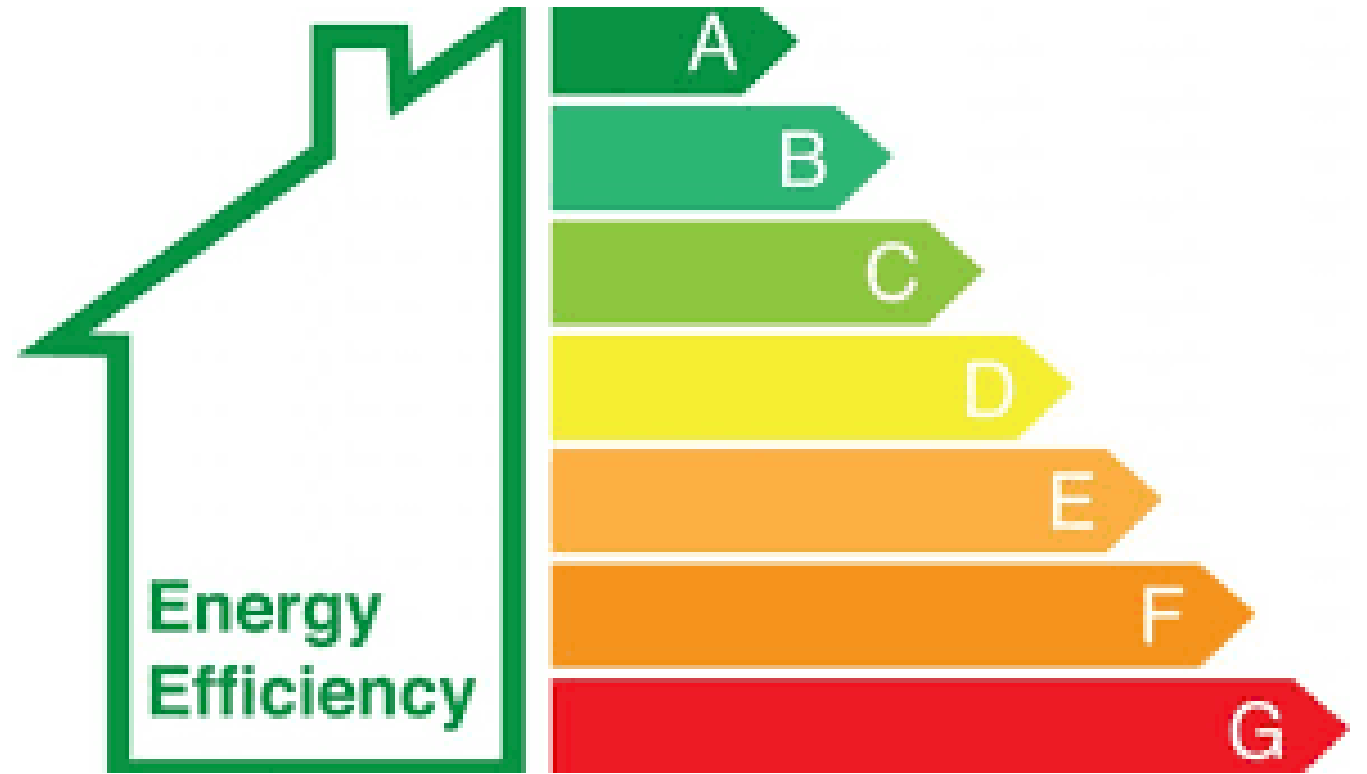


Audit trail



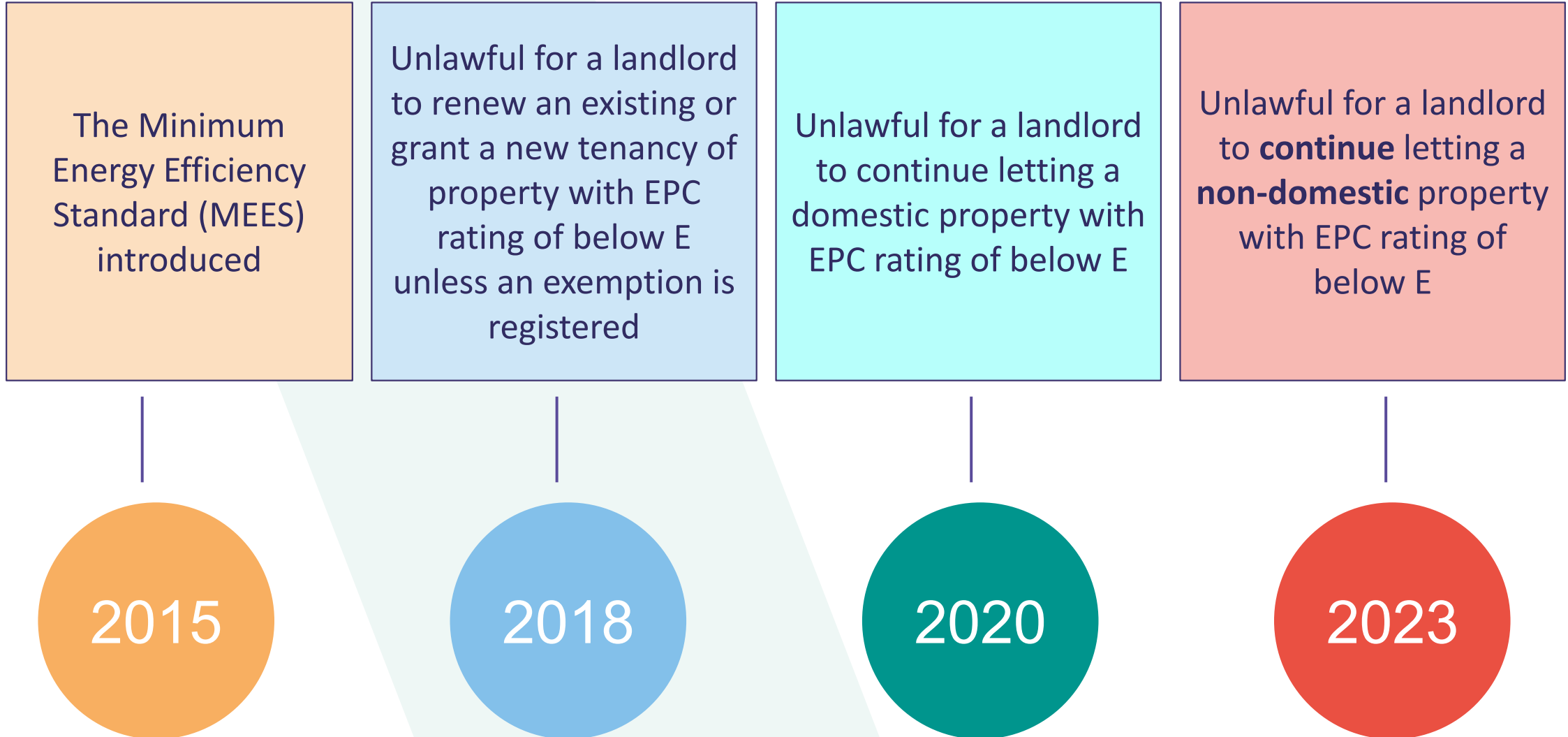
Save time

Minimum Energy Efficiency Standard (MEES)





MEES standard - Important dates



Penalties

Type of Non-Compliance	Penalty
Providing false or misleading information to PRS Exemptions Register	Fine of £5,000 and publication of non-compliance
Renting out a non-compliant property for a period of less than 3 months	Fine of 10% if the rateable value with a min fine of £5,000 and max fine of £50,000
Renting out a non-compliant property for a period of more than 3 months	Fine of 20% of the rateable value with a min fine of £10,000 to a max of £150,000

MEES Regulations enforced by Local Weights and Measures Authorities

CIPFA \ Be prepared!

- Does the LA have any let sub-standard property?
- Is the LA anticipating undertaking improvement works prior to 31 March 2024?
- Is the LA going to register an exemption?
- Are cost estimates of improvement works available?



Clear instructions
to the valuer

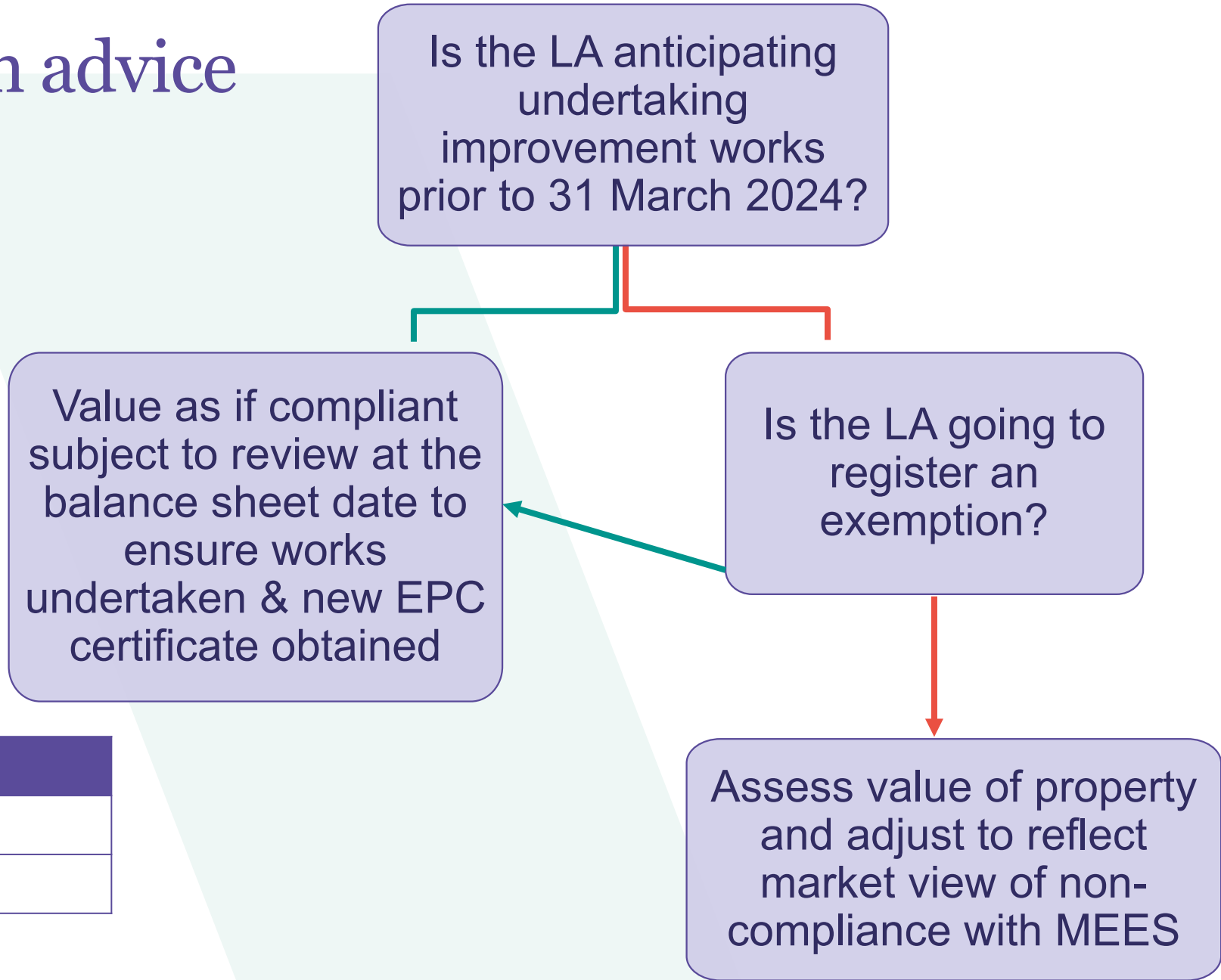


Audit trail



Save time

Valuation advice



Key	
	Yes
	No

Further reading

RICS Insight Paper

Minimum Energy Efficiency Standards (MEES)

Impact on UK property management and valuation





Minimum Energy Performance of Buildings Bill



Bill started in the House of Commons



1st reading



2nd reading



Committee stage



Report stage



3rd reading

Proposed minimum rating of B required by 2030

2030



IFRS 16



“One of my great ambitions before I die is to fly in an aircraft that is on an airline’s balance sheet...”

Sir David Tweedie - April 2008

IFRS 16 – Main Technical Changes

- Accounting requirements set out in Appendix F to 2022/23 Accounting Code
- Effective date revised to **1 April 2024** (for 2024/25 financial year)
- Earlier adoption possible
- No substantial changes for lessor accounting (some exceptions eg sub-leases)
- Lease definition adapted for public sector application
- Significant changes for lessees
- More extensive disclosure requirements

Further reading

CIPFA Bulletin 14 – Closure of the 2022/23 Financial Statements

Published March 2023

Appendix 2: Project Plan for Implementing IFRS 16 Leases

The Chartered Institute of Public Finance & Accountants
cipfa.org

CIPFA Bulletin 14
March 2023

CIPFA issues this bulletin to meet the requirements of the United Kingdom (SeRCOP) and to provide urgent accountancy advice intended to be the formal statement of the formal statement.

Please address any queries to CIPFA members at technical.enquiries@cipfa.org

The Chartered Institute of Public Finance & Accountants provides advice throughout the accountancy firm to ensure that accountancy firms are the foundation of performance in clear advice and finance by strong governance.

Appendix 2

Appendix 2: Project plan for implementing IFRS 16 Leases

Action	Description	Dates
1	<p>Establish a project team</p> <p>Establish a project team to implement IFRS 16 reporting to the CFO and other relevant groupings (eg the Audit Committee) on progress on the plan. This should include:</p> <ul style="list-style-type: none"> relevant members of the finance team (including capital finance and those preparing the financial statements) property managers within the authority, including the assistance from experts in measurement of property, plant and equipment IT managers to assist with systems assessment key services holding major leases prioritising contract managers. <p>Note that there may need to be a sub-group of the project team dealing with the financial reporting implications.</p>	April 2023
2	<p>Establish the governance for the project team</p> <p>Ensure that the governance for the project team is clearly established with appropriate reporting arrangements to the CFO and as necessary to local authority management (Cabinet) and the Audit Committee.</p>	April 2023
3	<p>Undertake a readiness assessment for implementation of IFRS 16</p> <p>Project team to undertake a readiness assessment for implementing IFRS 16. This might require revisiting an earlier project plan. Key questions the readiness assessment might undertake are:</p> <ol style="list-style-type: none"> Is the authority able to locate all its leases or contract documentation that might contain leases? What systems will it need to manage the leases and the information contained therein to implement the standard? (This will include contract management systems, asset management systems and changes to the financial reporting systems.) An assessment of the accounting requirements, what this will mean for the financial statements and the prudential framework including the capital strategy. Note that this will not just include finance staff but should be considered across directorates. 	Complete by end of April 2023



Transition

Balance Sheet

Right-of-use asset at 1 April 2024

Leases previously recognised
as FINANCE LEASES



As per lease asset
carried in the balance
sheet at 31 March 2024

Leases previously recognised
as OPERATING LEASES



IFRS 16 Cost Model

Leases not previously
accounted for as operating
leases (PEPPERCORN
LEASES)



Fair Value



AssetManager.net

CIPFA's fully integrated finance and asset management package

IFRS 16 Ready!

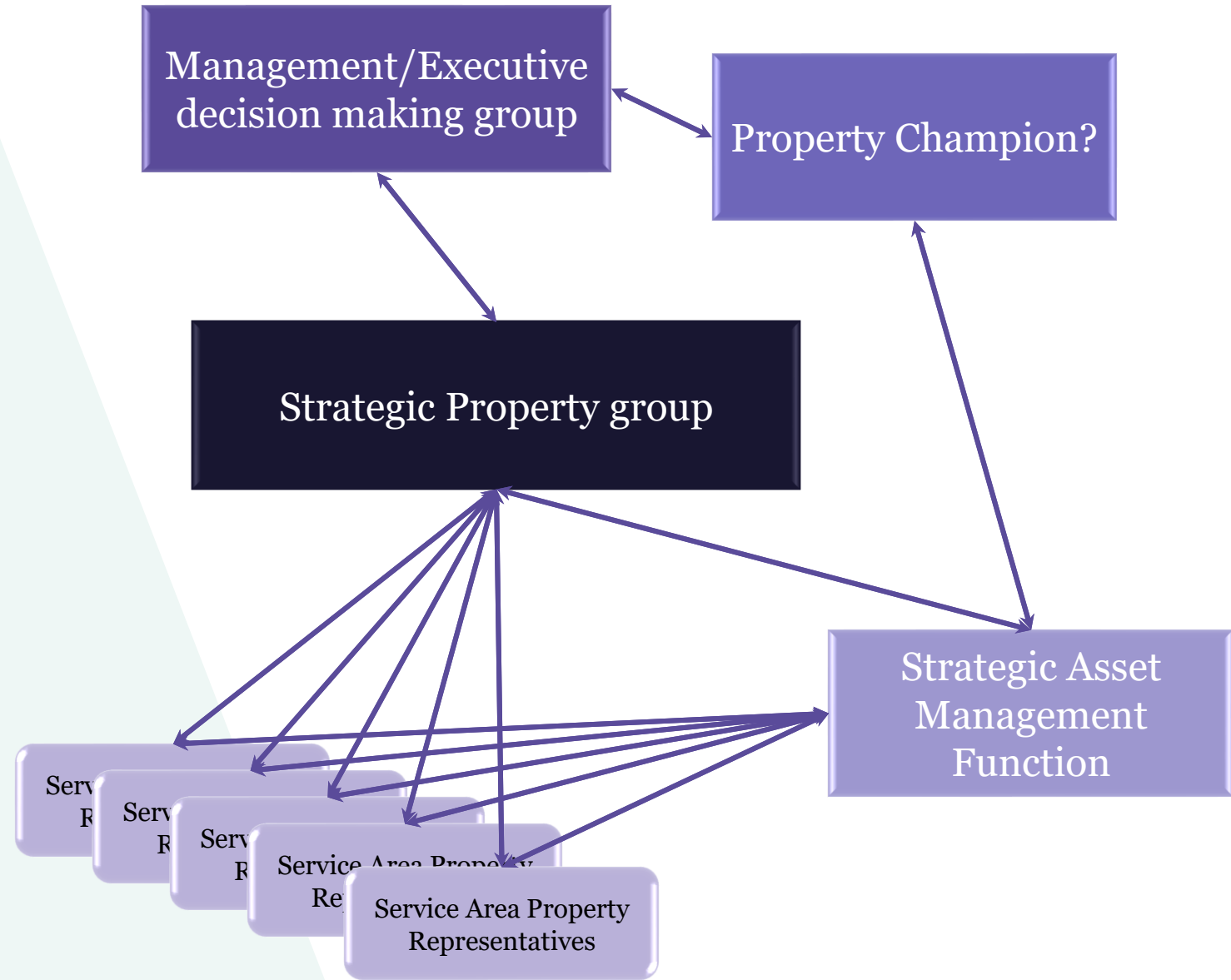
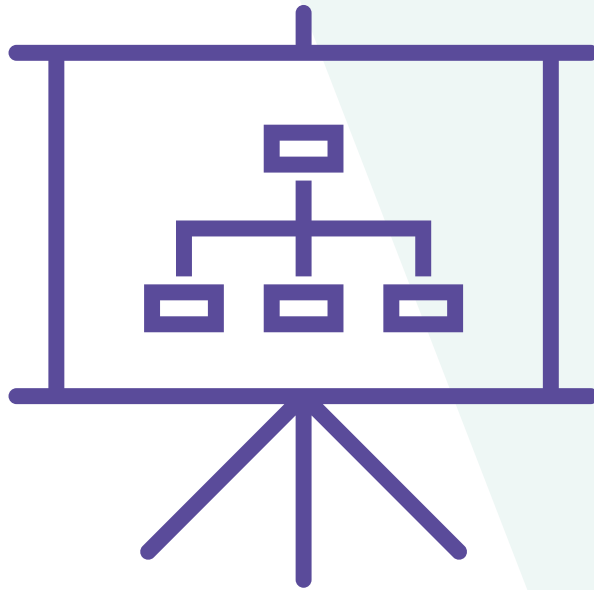
For more information or to arrange a demonstration, please contact property@cipfa.org

The screenshot displays the CIPFA AssetManager.net dashboard. At the top left is the CIPFA logo. To the right, it says "AssetManager.net" and "You are signed in as Admin". There are buttons for "Change Password", "Support", and "Sign Out". Below this is a horizontal navigation bar with tabs: "Dashboard", "Core", "Financial", "Property & Asset Management", "Estate Management / Terrier", "Performance", "General", "Security", "Support", and "Sign Out". A dropdown menu is open under "Property & Asset Management", showing categories: "Condition Survey", "Water Hygiene", "Asbestos", "Fire Risk", "Disability Access Audit", "Compliance", and "Works Ordering". Each category has a list of sub-items. For example, "Condition Survey" includes "Survey", "Administration", "Utilities", and "Reports". "Water Hygiene" includes "Management", "Record Results", "Administration", "Utilities", and "Reports". "Asbestos" includes "Register", "Administration", "Utilities", and "Reports". "Fire Risk" includes "Survey", "Administration", "Utilities", and "Reports". "Disability Access Audit" includes "Survey", "Administration", "Utilities", and "Reports". "Compliance" includes "Management", "Record Results", "Administration", and "Reports". "Works Ordering" includes "Maintenance", "Orders", "Expenditure", "Organisations", "Financial Monitoring", "Administration", and "Reports". On the right side of the menu, there is an "Add Property" button. Below the navigation bar, there is a list of filters with "Go" buttons: "Filter By Gazetteer Reference", "Filter By Property Address", "Filter By Committee /Sub-Committee", "Filter By Category/Category Division/SubCategory", "Filter By Property Type", "Filter By Contamination", "Filter By Ward", and "Filter By Parish".



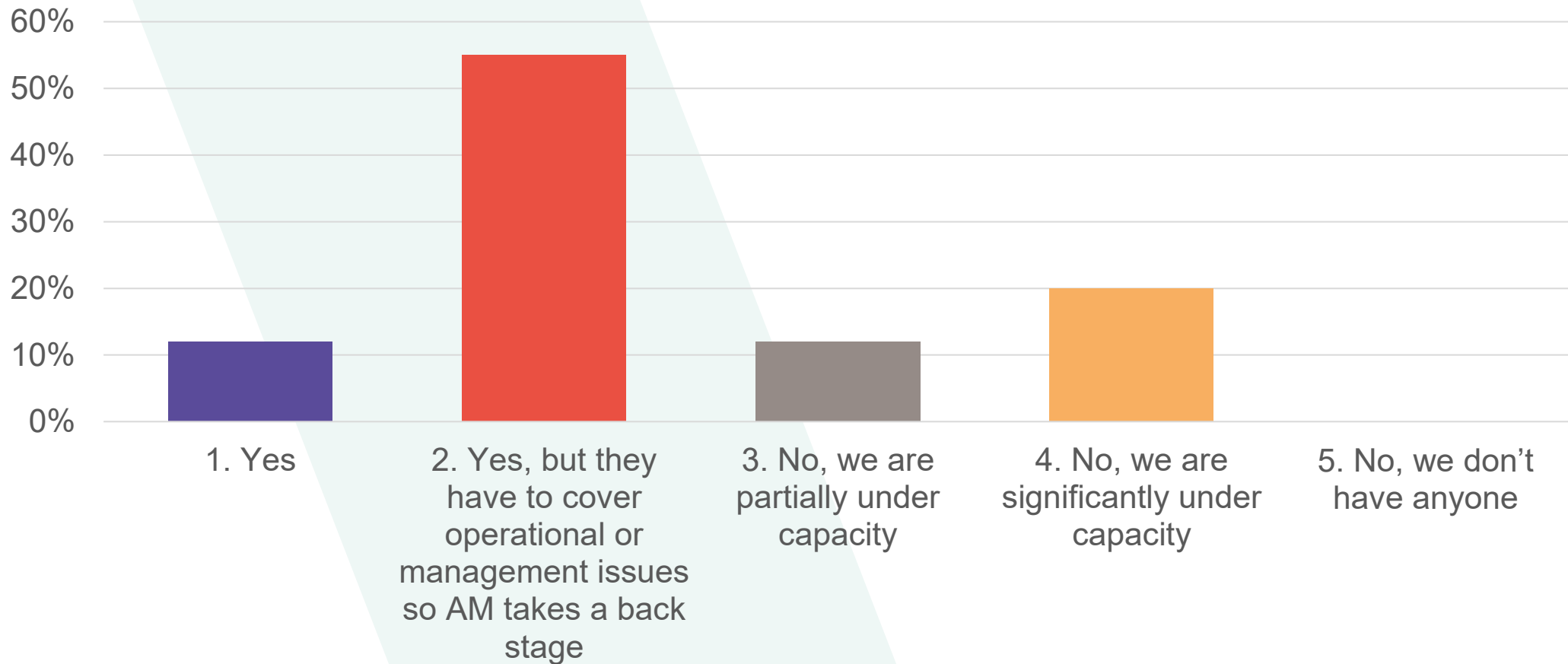
Governance

(top to bottom, technical and non-technical)



Has your organisation got adequate skills and competencies to undertake strategic asset management?

– Poll Results 24th May 2023



Corporate Landlord?

To support wider organisational objectives and priorities

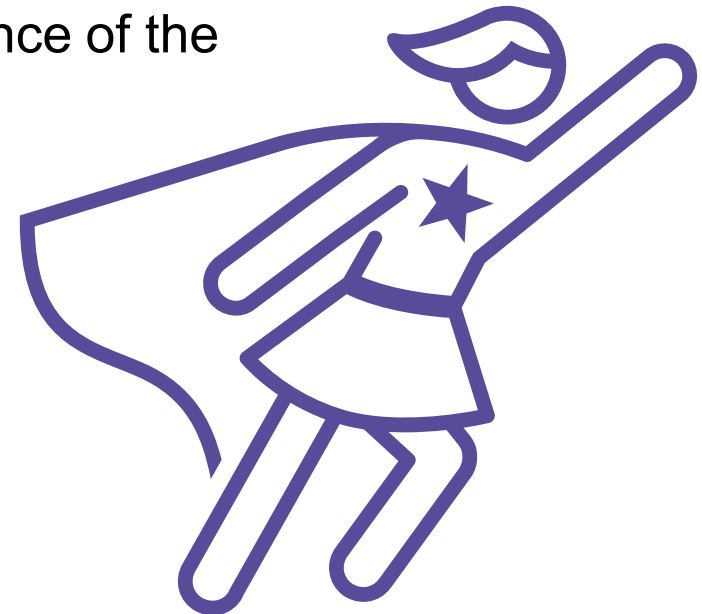
To better plan resources across the organisation

To set clear and consistent policies and procedures in a strategic setting

To ensure skills and resources are best used

To enable a comprehensive understanding of the performance of the portfolio and its use to inform strategic decision making

- To ensure that the property portfolio is safe & fit for purpose
- To ensure a sustainable asset base
- What should it look like, and what do most look like?



Maintenance

- Time for a moan
- How do you set your maintenance budgets?
- Condition Surveys Planned to reactive
- Bad prioritisation
- Accident waiting to happen?
- Year on year comparison?
- On a beach in the Bahamas?



Area Based Asset Management (The One Public Estate)

- Public Bodies coming together with a view to sharing assets.
- Statement of intent
- Joint Mapping
- Joint Strategies
- Joint Place based reviews
- Joint Property Vehicle



Impact of Buildings on what we do

HM Government: Better Public Building

‘Good design is about providing buildings and spaces that are fit for purpose, built to last, and lift your spirits’



Impact of Buildings on what we do

- What gives you the first impression of a business?
- How do buildings make you feel that you work or meet in?
- What is a building in the public sector?
- Now think about your own organisations?
- Buildings are not just bricks and mortar, they are part of what we do and how we do it.
- Social Value?

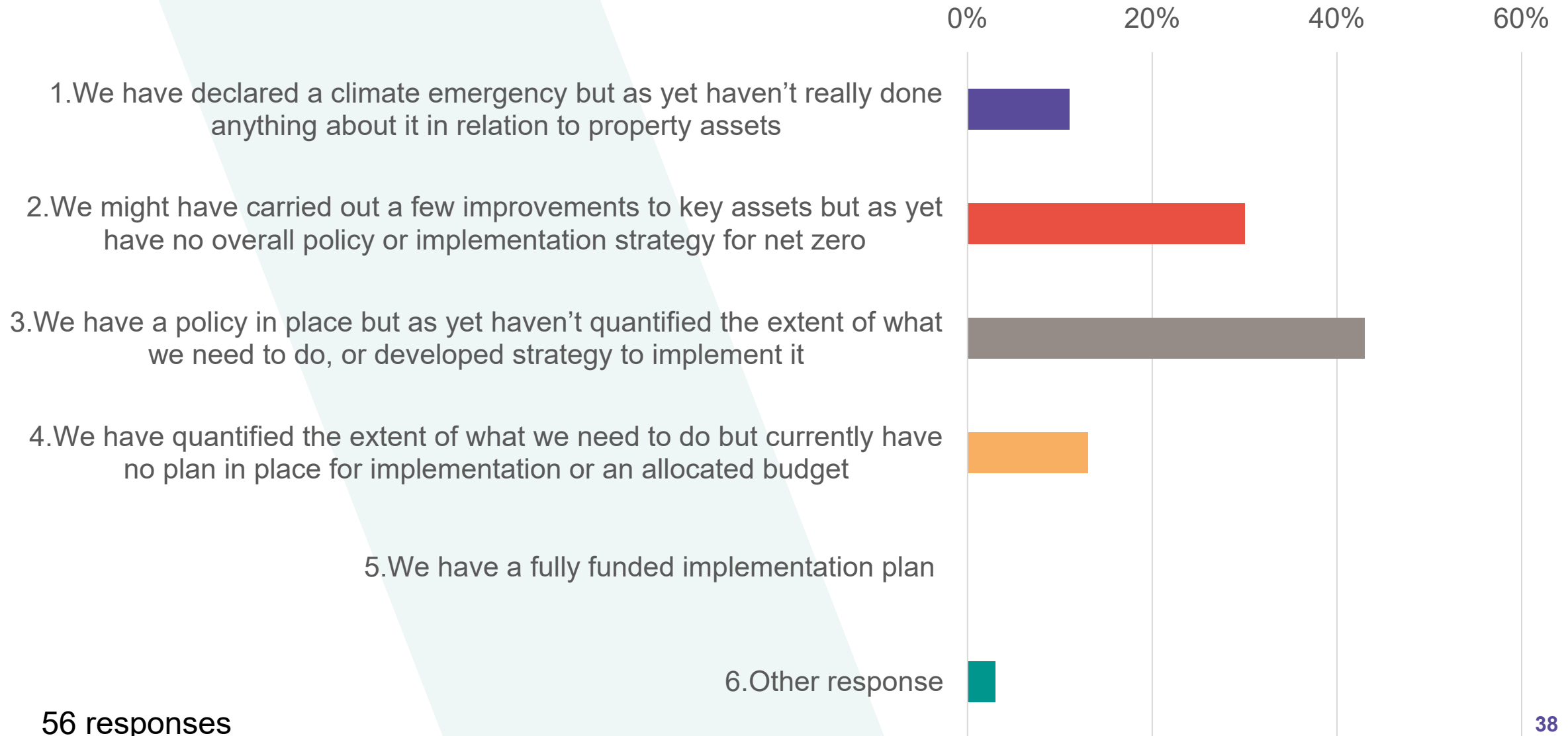


Twenty Minute Neighbourhoods?

- Gaining momentum for several years
- Paris, Melbourne, Edinburgh
- COVID shined a spotlight on the importance of neighbourhood
 - More time spent locally
 - Working at home or in local area
 - Utilising public green space
 - Walking and cycling
- Paris, Melbourne, Edinburgh, Waltham Forest
- Public Assets would have a key role to play
- How do people receive their services, and how will they in the future?



Progress towards net zero – poll results 24th May 2023



56 responses

Net Zero

- Public sector buildings responsible for approximately 9% of CO2 emissions
- Aim of reducing direct emissions from public sector buildings by 75% against a 2017 baseline by the end of Carbon Budget 6 (2037)
- Only a small proportion of organisations have quantified what this means in practice
- Is it just a case of passing the problem on to others?
- Offsetting?
- Everyone's going E?



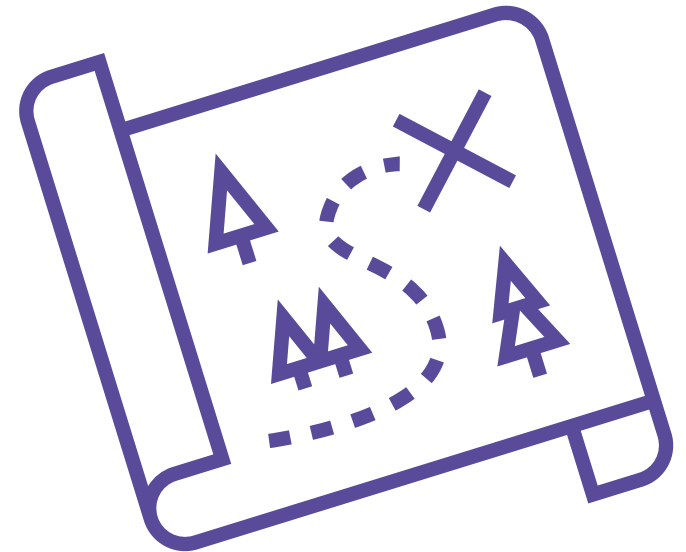
The Battle Plan?

“Planning is an unnatural process, it is much more fun to do something else.

The nicest thing about not planning is that failure comes as a complete surprise rather than being preceded by a period of worry and depression.

Failure to plan is planning to fail.”

Sir John Harvey Jones



The Battle Plan?

Estate Vision/Policy

Simple high-level document that describes the principles adopted in applying asset management to achieve the organisation's educational and wider strategic objectives (3-5 year horizon?)



Estate Strategy

Intermediate document setting out how property asset management will support the achievement of the estate vision (1-2 years?)

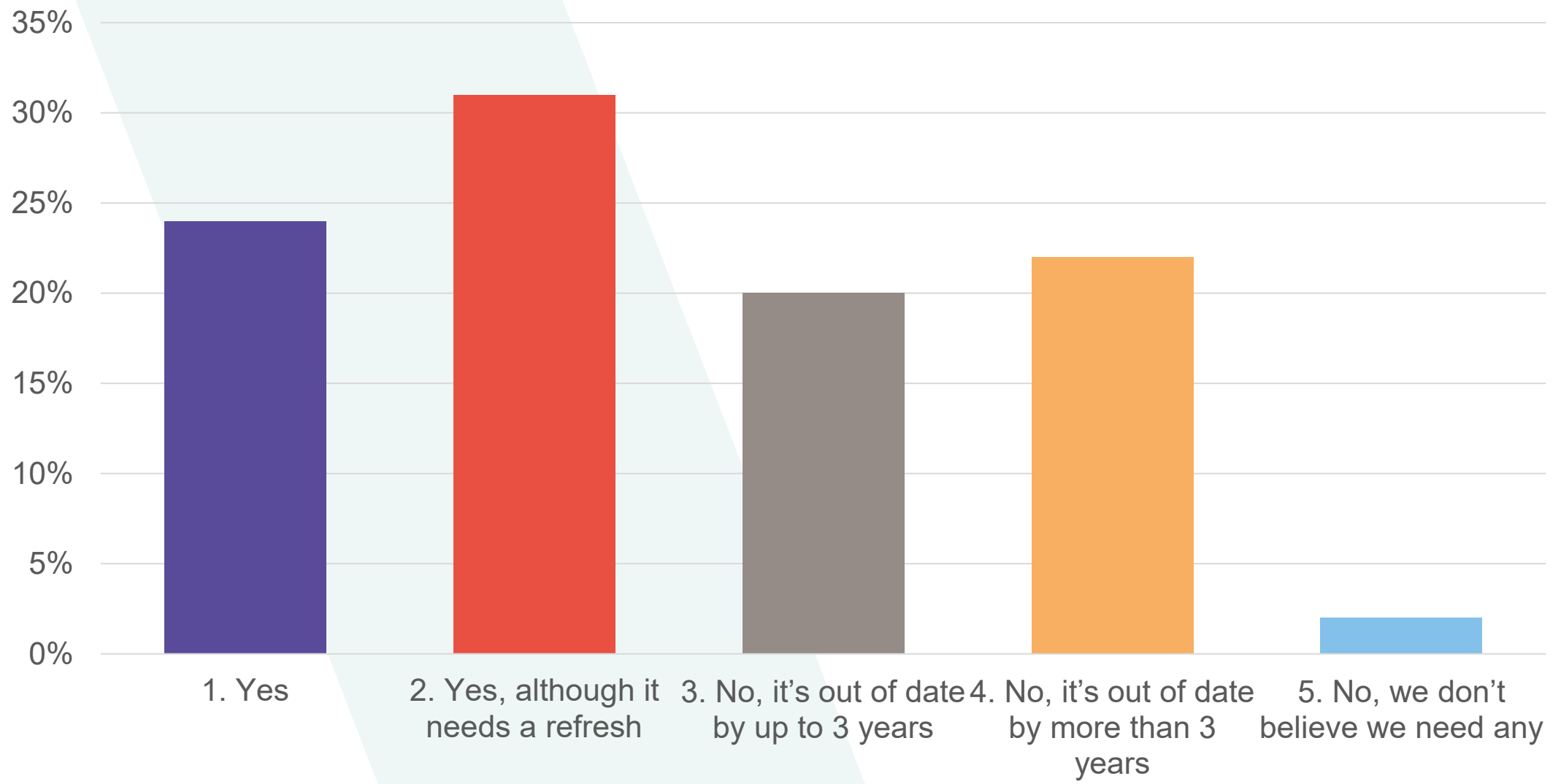


Property Asset Management Action Plan

Spreadsheet?

Provides clear and measurable actions that will be implemented over the short term, as part of delivering the Estates Vision and Strategy (Constantly Changing)

Have you got current Asset Management Documentation that is within date? – Poll Results 24th May 2023



49 responses

Any
Questions?

