**DEPARTMENT FOR INTERNATIONAL DEVELOPMENT**
**ASSET MANAGEMENT STRATEGY**

## Summary

1. The Pre-Budget Report and Comprehensive Spending Review reported that as part of the Government's plans to improve asset management each Government department would publish an asset management strategy[1].

2. This Asset Management Strategy for the Department for International Development (DFID) describes:

   - how we use capital now (section B);
   - our plans for investment and other spending within the capital budgets agreed in the Comprehensive Spending Review (section C); and
   - how we manage our assets (Section D).

## B. Capital Stock Survey and Asset Disposal Plans

3. Information about DFID's major asset holdings at March 2005 was published in the National Asset Register 2007[2] . More detailed and more recent figures are published in DFID's Resource Accounts 2006-07[3]. A summary is in Table 1. DFID has fixed assets of £89 million (net book value). Of these £40 million is for headquarters buildings in Scotland (freehold) and London (leasehold) and their fixtures and fitting[4]. The largest element of the balance is corporate Information Systems. There are also intangible assets (mostly software licences) of £1.6 million.

[1] Cm 7227, Paragraph 3.36
[2] http://www.hm-treasury.gov.uk/media/A/C/nar2007_chapter13.pdf
[3] http://www.dfid.gov.uk/pubs/files/dfidresourceaccounts0607.pdf
[4] DFID also has a lease on property formerly occupied by its research agency at Chatham, Kent. This is not currently included in fixed assets; this treatment is being reviewed and may bring this on-balance sheet.

**Table 1**

**Tangible Fixed Assets at 31 March 2007**

| | Freehold Land and buildings £000 | Leasehold related assets £000 | Vehicles £000 | Furniture and equipment £000 | IT equipment and systems £000 | Assets being constructed £000 | Total £000 |
|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | 10,402 | 42,939 | 6,720 | 15,732 | 35,219 | 24,079 | 135,091 |
| **Accumulated Depreciation** | (445) | (10,224) | (3,630) | (5,914) | (26,288) | - | (46,500) |
| **Net Book Value at 31 March 2007** | 9,958 | 32,715 | 3,089 | 9,819 | 8,931 | 24,079 | 88,591 |
| **At 31 March 2006** | 10,624 | 30,609 | 3,072 | 9,406 | 15,857 | 13,429 | 82,997 |

4. DFID's balance sheet also includes investment assets representing the UK's share of capital subscribed to the World Bank and Regional Banks (£2,154 million on 31 March 2007) and DFID's 100 per cent interest in CDC plc (£765 million at cost) and a minority interest in Actis llp (£1.7 million).

<u>Condition and need for assets</u>

5. The two headquarters buildings have been taken on (London) or refurbished (East Kilbride) since 2001 and are in good condition. Some overseas offices need improved security. Information systems have recently been modernised (in particular for document management and personnel management) or are currently being upgraded (in particular financial and project management).

6. Our plans for DFID staffing and location mean that the property assets in London and Scotland are required and are a cost effective solution to DFID's accommodation needs. Relocation of staff to East Kilbride has freed up room for concentration of all London staff in 1 Palace Street. There are therefore no plans to dispose of either of these buildings. We are negotiating a sale of the leasehold interest in property no longer used by the department at Chatham (see footnote 4 above). However, we will be reviewing our use of accommodation and alternative working practices, which along with longer

term staffing reductions may offer opportunities to sub-let part of our existing buildings to other government departments.

7. The scope for disposal of surplus assets will continue to be reviewed as part of the asset management arrangements (see Section D below). Given the limited size of the asset base, there are no significant surplus assets: other fixed assets (e.g. computers and vehicles) are disposed of when not required or at the end of their economic life.

8. The Shareholder Executive in the Department for Business Enterprise and Regulatory Reform (DBERR) deals with DFID's interest in Actis llp and advises on the shareholding in CDC. In both cases our aim, continuing over the CSR period, is to manage our interest for best value for international development of the funds employed.

## C. Forward Investment Plans

9. In the SR04 period, we made significant capital investment in Information Systems (corporate networks, finance and HR); and also in our offices in Scotland and overseas. This investment has been to support business needs and to secure longer term efficiencies; for example by facilitating video conferencing and providing scope for relocation of posts from London.

10. In the Comprehensive Spending Review Capital DEL budget (CDEL) for DFID was agreed as:

| 2008-09<br>£m | 2009-10<br>£m | 2010-11<br>£m |
|---|---|---|
| 891 | 1,366 | 1,556 |

11. This budget will be used for DFID fixed capital investment. CDEL also makes provision for capital grants to the International Development Association and comparable international financial institutions and for other capital grants (e.g. for debt relief). These payments do not add to capital assets in DFID's balance sheet but are budgeted in capital in order to align budgeting more

closely with the National Accounts treatment which scores investments in International Financial Institutions (IFIs) as financial transactions.

12. Strategic investment plans for the CSR period are being refined as part of the Corporate Business Planning process following the CSR settlement. The main outlines of our plans are as follows.

13. We will need to continue to make investments in **core IS systems and equipment** to service our two HQ offices and world-wide network. This will include programmed replacement and upgrading of workstations, servers and core software.

14. The present "Catalyst" programme comprising improvements in document management (Quest), financials (ARIES), e-enabled HR, improved internal communications and other improved ways of working is now being implemented. We are considering the need for follow-on investments and how these should be managed. Our current HR system will probably need to be replaced towards the end of the CSR period. We will review options for shared services and integration with the financials system as well as dedicated systems for this need.

15. Our present assumption for corporate systems programmes is that in comparison with the significant levels of investment in SR04, we will need to spend less in CSR07. Our proposed budget for these core investments over the three years to 2010-11 is £36m.

16. We need to continue to maintain the stock of **furniture and fittings** in the UK and overseas and to turn over the overseas vehicle stock (though we will continue to review opportunities for shared arrangements with FCO).

17. We continue to review the nature of our overseas network and **overseas accommodation** needs. In some countries we have to move to new premises to improve our security: in these cases and elsewhere we have reviewed and will review options and costs, taking account of our commitment to share premises with FCO where this makes sense. For shared premises,

where FCO are in the lead we contribute from our capital provision to FCO construction costs.

18. Projects in Rwanda, Ethiopia, Sudan, Uganda and Pakistan are complete. Projects in DRC, Nigeria (refurbishment), South Africa, Zimbabwe, Malawi, Burma and Indonesia have been approved, or are well advanced and should be largely complete by March 2008, and Bangladesh is scheduled for completion in 2009/10. A further project in Mozambique has now been approved, but we are looking for a new site, and projects in India and Jerusalem have also recently been approved.

19. Further projects may come forward for implementation in 2008 – 2011. We are considering proposals for co-location with FCO in Nigeria and in Afghanistan (this latter could be a very large project possibly extending beyond 2011), and for building in Guyana following de-concentration of work from Barbados. Other proposals may come forward as we consider increasing our presence in fragile states. We are also reviewing a number of options for capital investment in our UK buildings as part of our environmental operations strategy. These proposals will not only contribute to our achievement of the DEFRA sustainable development targets, but in doing so also reduce our recurrent expenditure on utilities. Subject to individual projects being justified and possible re-phasing across the period we propose to plan within a budget of £45m for overseas investment over the CSR period.

20. The outline budget for balance sheet additions over the period for capital expenditure is:

| £/million | 2008-09 | 2009-10 | 2010-11 |
|---|---|---|---|
| Information Systems | 11 | 11 | 14 |
| Overseas Accommodation | 15 | 15 | 15 |
| Other domestic capital | 1.8 | 1.7 | 4.5 |

21. Particular project proposals for IT investment will be subject to benefits review and those for accommodation moves including co-location of overseas offices with Embassies and High Commissions will be subject to cost-benefit and

value for money review. These forward investment plans are therefore our current estimate of the costs of proposals currently being considered or likely to come forward in the CSR period.

Investment Assets

22. There are no current proposals for additional capital subscriptions to the World Bank or other regional banks where the shareholding is included in DFI's balance sheet.

Capital Grants

23. Most of the capital DEL budget will be spent as capital grants to international financial institutions (IFIs). IFIs play a major role in delivering aid; as an aid channel they have advantages of geographic reach, economies of scale and legitimacy. Allocating aid through IFIs is efficient and increased allocations over the CSR years will contribute to DFID's value for money savings[5]. During the CSR period we will significantly increase funding to IDA - which has a central role in the multilateral sector - to £2,134 million. We will double funding for the African Development Fund (AfDF) to £417 million.

24. Future decisions about allocations to replenishments are informed by our objectives to reduce poverty, promote improved effectiveness of the international system, reward good performance and promote reform. We will consider evidence on the efficiency and effectiveness of individual multilateral institutions and other strategic issues including country choice and sectoral priorities.

25. We assess performance of the IFIs using DFID's Departmental Strategic Objectives (DSO) targets, Institutional Strategy scores and Multilateral Development Effectiveness Summaries[6]. Data sources used to inform these assessments include the Paris Declaration Monitoring Survey and the Multilateral Organisations Performance Assessment Network (MOPAN)

[5] See the vfm delivery agreement [reference to be supplied]
[6] An updated set of MDES reports were published on DFID's website in December 2007: http://www.dfid.gov.uk/news/files/assess-multilateral-effectiveness.asp

Survey. IDA and the AfDF remain among the most efficient channels of contribution for DFID.

26. We will use discussion on capital grants and other influence to achieve reforms that improve the effectiveness of the IFIs and thereby strengthen the international system so it is fit for purpose to respond to the needs of the poorest.

27. Capital grants will also be provided for debt relief including through the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative. Exact amounts spent on debt relief will depend on the timing of individual countries meeting the required standards for qualification. The UK is committed to the full implementation and financing of these initiatives.

28. We will also consider use of capital DEL funds for creating capital assets in developing countries through the provision of infrastructure. This will support much needed economic growth in those countries and increase access to basic services such as energy, water and transport.

## D. Asset Management Strategies

29. This section describes DFID's procedures for investment in and management of fixed assets and for allocating capital grants.

30. DFID has a comprehensive process for allocating resources to objectives covering both current and capital expenditure. The Management Board makes budget allocations to main business units which have to demonstrate through divisional performance frameworks how budgets will be used to deliver Departmental Strategic Objectives and contribute to cross-departmental Public Service Agreements.

Capital investment

31. Capital investment budgets are allocated to responsible departments for maintenance of the condition of the UK estate (including furniture and fittings);

investment in overseas offices including essential security improvements; investment in communications and core information systems equipment and operating systems; and investment in IS applications to improve corporate performance and deliver efficiency savings. Within these budgets, capital investment projects are expected to be supported by an investment appraisal which considers both present value of cash flows and the recurrent resource implications of decisions.

32. Most investments for business improvement have been within the framework of a programme of Information-Systems (IS) enabled change (“Catalyst”). Catalyst is managed by a programme board which oversees investment cases and monitors technical and financial aspects of project implementation. The programme board is chaired by the Director General, Corporate Performance. Significant information systems investments within the Catalyst programme have their own Senior Responsible Owner and Project Boards.

33. Most investments within the Catalyst framework are now in later stages of implementation. Consideration is now being given to successor arrangements for management of IS-enabled business change.

34. The other major area of capital investment is for accommodation in the UK and overseas. We have a commitment to closer working and sharing of services with the FCO, including co-location of overseas offices where appropriate. In some cases we contribute capital funding to FCO projects; appraisal and management of these projects are controlled through FCO procedures. DFID contributions to these and to stand-alone projects are subject to investment appraisal including review of feasible options; project implementation of DFID’s own projects is managed by contracted consultants.

<u>Capital Grants</u>

35. We make capital grants in CDEL to the low interest lending activities of the International Development Association (IDA) and comparable soft-lending facilities in other Regional Development Banks; for debt relief and possibly for infrastructure development in partner countries. Decisions on capital grants allocations are the same as those for current grants based on the

effectiveness of particular policy instruments or institutions to contribute to achieving the Millennium Development Goals. As noted above we believe that the International Development Association continues to be one of the most effective multilateral agencies; a significant part of the Capital DEL budget will support the $15^{th}$ replenishment of IDA.

Management information and making best use of assets

36. We currently have a fixed assets financial ledger holding information about cost, current value and budget centre responsibility. There is a separate data base of IT assets. Property holdings are registered in the central OGC "EPIMS" data base. We are implementing new corporate financial systems; once these are in place the current resource costs of capital investment (depreciation and capital charges) will be fully identifiable to the unit holding the capital asset. We will then consider whether it would be appropriate to include these current resource costs in divisional budgets.

37. As part of the follow up to the Capability Review, we are creating an Investment Committee. This will be a sub-committee of the Management Board and will provide financial leadership and quality assurance. The Investment Committee will have oversight of capital investment decisions on behalf of the Board.

38. The Management Board already considers capital allocations within the broader resource allocation process. For the future we plan that:

- Improved information on capital expenditure will be included in a revised Board reporting package;

- Significant developments in major capital programmes will be included in the Quarterly Business Reports to the Board;

- At least once a year, the Management Board will have on its agenda a review of capital management issues, including the scope for wider markets initiatives. This will be informed by discussion in the Investment Committee.

39. Government policy is that use of departmental assets should be considered to provide services to wider markets. As noted in Section B, DFID has a very small fixed asset base. This offers little or no capacity to service wider markets. In addition, there is very little DFID can commercialise: in the nature of its responsibilities and mission, any knowledge products generated are normally made freely available rather than sold. DFID has therefore concentrated on continuing efficiency priorities (Lyons, Gershon) and has not carried out a formal wider markets review. The scope for wider markets work is unlikely to change but will be kept under review as part of the Management Board supervision of use of capital.

Department for International Development
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