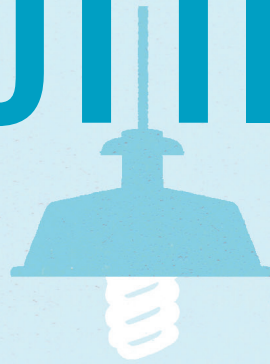


LEANER AND GREENER II



PUTTING BUILDINGS TO WORK



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FOREWORD

Tough economic times mean we need to rethink the way we deliver public services. Maintaining the best possible outcomes is only possible if we're also making savings at the same time.

This timely report shows that it's possible to do this, provided we view the £370 billion of property owned by the public sector in a radically different way. In the past public sector property has been treated as an asset, but it's more accurately thought of as a cost.

In February 2011's 'Leaner and Greener: Delivering Effective Estate Management' report we found that once this principle was accepted there were not only savings of up to £7 billion on property costs to be made, but also environmental benefits and improved services. We are delighted with the reaction it generated, and the momentum building behind the direction it set out.

'Leaner and Greener' focused on what Local Authorities could achieve by co-locating services, reducing unnecessary space and combining procurement policy. But the prize for improving property management across the public sector is much greater.

In this report we show the size of the prize, offer a guide for how to reach it, and case studies of those leading the way.

The prize is large. On top of the savings from annual property running costs, the Department for Communities and Local Government has estimated that a further £35 billion could be saved over the next 10 years if more well-informed capital decisions were made. Over the last year energy costs have increased by 25%. Carbon reduction measures of the sort recommended by the Westminster Sustainable Business Forum (WSBF) can reduce annual costs by £650,000 for the average public sector organisation.

Yet one consistent reaction to the first report was that just looking at these property costs is too narrow a focus. The greatest prize at stake is higher productivity and improved services. Co-locating services in the same building reduces overall running costs but it also means people from different departments talk face-to-face on a daily basis. We all know how easy it is to push a tricky problem to the bottom of the inbox. This is less likely to happen where all those concerned share the same room.

The research also shows that there are huge incentives to plan space reductions alongside more flexible working practices. Allowing employees to work from home once or twice a week, for instance, not only means fewer desks; it's also been shown to motivate staff to work harder, bring down the number of sick days, lower the turnover of highly skilled staff and reduce travel emissions. Some of the money saved from

rationalising the public sector property portfolio could also go back into improving workplace conditions. This has further implications for the productivity of the workforce. Indeed, if all areas of the public sector followed best practice in improving productivity we estimate it could produce up to £8 billion in financial benefits.

In this report we show how all this can be done. Our recommendations are not based on theoretical assumptions but on case studies of what the best Local Authorities have already put into practice. We aim to provide a clear guide not just to the best and boldest plans, but also to what people running local public services can do on Monday morning to get started.

Central government also has a role to play. Where its own property is concerned it should set an example by treating space as part of its budget. It also needs to cooperate fully with the wider public sector in thinking how to make best use of this property. Government is already moving in this direction. Place based budgets are important, and the Government Property Unit (GPU) is a step forward. It needs to push further.

But Central government alone cannot deliver the prize. Local leadership is vital. With determination, teamwork and innovation these improvements can be made and local partnerships formed. We hope this vision unlocks the potential that has been locked up in bricks and mortar for too long.

I would like to thank everyone who participated in this inquiry, who generously gave their time and expertise during its course. I would also like to thank the members of the steering group and our expert witnesses for their time and hard work. I am grateful to Ernst & Young, Telereal Trillium and TerraQuest for their sponsorship and to Peter Janoska for compiling this report.



A handwritten signature in blue ink that reads "Matthew Hancock".

Matthew Hancock MP
Inquiry Chair

EXECUTIVE SUMMARY

Public sector organisations need to become more efficient to meet economic and environmental challenges while continuing to improve service delivery. The sector can achieve much of this by rationalising its property portfolio, working in partnerships and improving workplace conditions.

This report shows how financial benefits worth potentially £8 billion could be generated by improving workforce productivity. This can be achieved by improving workplace conditions and implementing more flexible ways of working, through reinvesting money saved in rationalising the property portfolio and improving the performance of the retained estate.

This reports builds on the ‘Leaner and Greener: Delivering Effective Estate Management’ report published in February 2011, which estimated that public sector organisations can also deliver £7 billion in savings from decreasing the space they occupy and through aggregation in property related procurement.

Building public sector property partnerships

Public sector organisations should join forces to enlarge the property pool available for strategically matching service delivery needs to property. These partnerships must be sympathetic to the needs of different local communities. To embark upon successful cooperation in property use within a locality, organisational buy-in at executive level should be a strategic priority. Equally, central government should provide a single point of contact such as the Government Property Unit (GPU) for local property queries involving central government owned buildings.

Recommendation 1

Public sector organisations should jointly establish the scope of benefits achievable through the rationalisation of their property and determine what type of joint property and service delivery models would be appropriate for their locality.

Recommendation 2

The executive management in the public sector, including Chief Executives, Chairmen, Council Members and Leaders, should provide proactive leadership and sponsorship in order to ensure successful property partnerships.

Recommendation 3

Central government should show clear support and provide full commitment to locality-based cross-public sector property partnerships when the central government estate is involved.

Recommendation 4

Central government should provide a single point of contact for property queries, such as the Government Property Unit, whose powers and capacity need to be enhanced.

Local Strategic Property Forum

A Local Strategic Property Forum should be established to generate common property and service strategies and build trust between partnering organisations. The Forum should be composed of as many public sector providers in the locality as possible and be guided by a common set of principles. The Forum ought to aim to implement local Service Asset Strategies and prioritise property rationalisation opportunities.

Recommendation 5

Public sector bodies should establish a Local Strategic Property Forum to improve the service delivery and the efficiency of property, to promote trust and transparency between different organisations, and to be a vehicle for joint property strategies.

Recommendation 6

Local Strategic Property Forums should be composed of as many service providing bodies as possible to reflect the geographical and demographic characteristics of the locality, including the County and District Councils, police, fire, health services, GPU and relevant voluntary sector organisations.

Recommendation 7

The Local Strategic Property Forums should create a common database of local property, services and contractual arrangements that can be accessed and updated by all partners for the storing, mapping and viewing of asset data for strategic decision making.

Delivering property partnerships

The creation of a Local Strategic Property Forum should be the first step in property partnership working. The Forum should aim to implement property rationalisation opportunities in a locality on a project-by-project basis. However, to deliver more extensive property efficiencies and service benefits for the local community, changes in the level of collaboration beyond the remit of the Forum are required. A range of possible property governance structures could be used to increase the efficiency of the use and management of public sector property portfolios.

Recommendation 8

Local Strategic Property Forums should aim to implement quickly executable common property rationalisation projects and other collaborative saving opportunities to demonstrate the viability of the partnership and to provide intermediate steps prior to achieving further benefits.

Pooled Property Partnership Board

The establishment of a Pooled Property Partnership Board involving public sector organisations in a locality, empowered to exercise strategic asset management over a selected pool of cross-public sector assets would move property partnerships towards the more strategic end of the governance spectrum.

While the legal ownership of assets could remain with partnering organisations, the Board would be able to strategically manage all earmarked public sector property as a quasi-single estate. The Board could enable the sharing of property services through a Pooled Property Management Service and to facilitate the sharing of property through a Pooled Property Management Agreement.

Recommendation 9

Public sector organisations should create a Pooled Property Partnership Board within their locality to enable strategic control, planning and management of public sector properties in the locality as a quasi-single estate.

Public Property Company

To obtain maximum efficiencies, public sector organisations could extend their commitment beyond the Pooled Property Partnership Board by pooling public property assets with the greatest common rationalisation potential within a single Property Company.

Transferring control of ownership of certain assets into a single legal entity would enable a greater level of rationalisation at an increased speed and deliver greater financial and environmental benefits for local residents. Direct tax implications should however be considered when determining the legal status of the Property Company.

Recommendation 10

Public sector organisations should explore the viability of establishing a Public Property Company as a separate entity, with responsibility for common public operational assets to maximise the potential benefits from shared property use and management.

Recommendation 11

Central government should consider lifting tax barriers associated with property transfer entirely within the public sector, such as the Stamp Duty Land Tax, to enable local structures to be put in place.

Public-private partnership arrangements

To mobilise the required resources to implement property rationalisation projects, public sector organisations could form a partnership with private sector organisations. This could enhance strategic property planning skills, increase capital resources to implement the desired changes and increase the speed at which property-related savings could be generated.

Recommendation 12

Public sector organisations should consider utilising private sector expertise and capital resources to enhance their capacity and increase the speed of execution in delivering public sector property partnerships and estate rationalisation.

By developing an incentivised strategic joint venture (JV) property partnership, public sector organisations could achieve better results from a wider skill set while deferring the costs incurred until the point at which real savings are being delivered. Public sector organisations could explore the range of options from strategic performance-based contractual partnerships to forming corporate structures with the ownership of assets transferred into it.

Recommendation 13

Public sector organisations should explore forming long-term strategic joint venture partnerships with the private sector to generate financial, environmental and social benefits from property rationalisation including, where appropriate, an initial asset transfer and financing through a pay-as-you-save scheme.

The rationalisation of an operational property portfolio will create assets for disposal that can play an important role in generating local economic development. Utilising property for disposal and seeking a strategic private sector partner to match the value of their property with capital and commercial expertise might facilitate the delivery of major regeneration projects.

Recommendation 14

Public sector organisations should facilitate regeneration of the local community and drive economic development by utilising existing surplus property assets and forming strategic local asset backed partnerships.

Aggregation in public sector property

Financial benefits

Partnership working can deliver financial benefits through the sharing of both front and back office services, creating joint procurement strategies, lowering the operational costs of public estates and realising capital receipts from freed-up property.

Carbon savings

As public sector property represents 8% of total non-domestic carbon emissions, there is great potential to reduce carbon emissions by improving space utilisation, reducing occupied space and improving the efficiency of the remaining property portfolio. The development of joint public sector investment solutions, resulting in larger economies of scale, could enable the cost-effective implementation of carbon reduction schemes.

Public sector organisations should consider all cost-effective options for carbon reduction available to them. In the long term, investing in renewables might offer insulation against rising energy costs and provide a potential long-term revenue stream as well as carbon reduction. In the short term however, improving the energy efficiency of their buildings offers public sector organisations the opportunity to significantly lower their energy cost and thereby both cut carbon emissions and receive a quicker return on their investment.

Public sector organisations need specialised skills to devise improvements in energy efficiency. The required skill set includes the business planning skills to prepare the energy efficiency strategy as well as technical knowledge of available energy efficiency solutions and their application. Developing a team of energy management specialists that is shared by a range of public organisations might be a cost-effective solution to the issue.

Recommendation 15

Public sector organisations should invest in both energy efficiency measures and renewable energy generation to deliver cost-effective carbon reduction within the built environment.

Recommendation 16

Public sector organisations should cooperate with public and private sector partners to develop cost-effective and systemic programmes of energy investment and maximise the cost efficiency of energy management and carbon reduction strategies by aggregation in property.

Recommendation 17

Public sector organisations should enhance internal skills to devise and implement comprehensive energy management strategies covering both energy generation and efficiency measures.

Improved Productivity and Service Delivery

The rationalisation of the public sector's property portfolio offers an opportunity to improve the physical characteristics of the workplace to maximise the productivity of the workforce and revolutionise the way services are delivered.

Equally, introducing flexible working can also lower space requirements and thereby reduce property costs and carbon emissions. Flexible working is also associated with reduced sickness absence, lower employee turnover and an improved service through increasing contact time with customers from a wider range of working hours.

Research shows that increased productivity of 5% to 15% can be generated by improving workplace standards and the flexibility of the workforce. Taking a 5% productivity increase, it is estimated that financial benefits of up to £8 billion annually could be generated.

Recommendation 18

Public sector organisations should assess the financial and social benefits of increased workforce productivity resulting from improved workplaces and more efficient service delivery.

Recommendation 19

Public sector organisations should introduce programmes aimed at improving workplace productivity and workforce flexibility to increase the efficiency of their workforce, improve service delivery and generate financial savings.

METHODOLOGY AND STEERING GROUP

Methodology

The inquiry was initiated in March 2011 with scoping sessions held in May. A range of steering group sessions were held between June and October 2011 to explore issues raised by the research.

The findings and policy recommendations in this report are based on evidence collected from steering group sessions, extensive in-depth interviews and written submissions involving business leaders, local and central government representatives and other stakeholders.

Steering group sessions

The findings from the research were scrutinised in a series of meetings led by the inquiry chair Matthew Hancock MP, member of the Parliamentary Public Accounts Committee. Expert witnesses were also invited to the sessions to give evidence.

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<u>Paul Hepburn</u>	<u>Director, Interserve</u>
<u>Robert Holt</u>	<u>Director, Carillion</u>
<u>Duncan Johnson</u>	<u>Assistant Director, Corporate Property, Suffolk County Council</u>
<u>Phil Kirby OBE</u>	<u>Director, Policy Connect</u>
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1 INTRODUCTION

1.1 Efficiency imperatives

Public sector organisations currently face a range of drivers and pressures to improve the efficiency of their operations. To contribute towards the government debt reduction targets set out in the October 2010 Comprehensive Spending Review, all public sector bodies face tight budgets. In addition, the public sector must improve the environmental efficiency of its operations to adhere to the legally binding Carbon Budgets, with the third Carbon Budget requiring a 35% reduction in carbon¹ emissions on 1990 levels by 2020².

Public sector organisations will need to become increasingly innovative to deliver public services with reduced resources whilst decreasing their carbon emissions. Property in the public sector accounts for about 8% of total non-domestic carbon emissions and is currently responsible for approximately one fifth of its revenue expenditure³. There therefore needs to be an increased focus on using property to deliver efficiency savings. This report sets out case studies of some of the most advanced local partnerships.

1.2 Benefits from a leaner and greener estate

Service delivery is the main objective of public sector organisations. Public property plays an important role in facilitating the effective delivery of these services. The central thesis of this report is that a service-led transformation of public property portfolios and working practices has the potential to deliver economic and environmental benefits that can be recycled back into services to improve public service delivery.

This report builds on the 'Leaner and Greener: Delivering Effective Estate Management' report published by the Westminster Sustainable Business Forum in February 2011, which estimated that public sector organisations can deliver up to £7 billion in savings from decreasing the space they occupy and through aggregation in property related procurement.

To realise the full range of potential benefits and to improve service delivery, the public sector should change the way that it plans and uses its property portfolio. Partnerships between a wide range of public sector bodies and private sector partners are needed to bring about a positive change and generate benefits. Whilst the need for greater focus on public sector cooperation has previously been highlighted⁴, the aim of this report is to extend the discussion by examining various issues associated with property cooperation and to propose potential solutions.

1 By carbon we are referring to CO₂ and other CO₂ equivalent green house gases (CO₂e) such as methane.

2 The Carbon Budgets Order 2009, SI 2009 No. 1259

3 Carbon Trust, Richard Rugg, Head of Public Sector, Government Business, Moving through uncertainty to reap the rewards, 2011

4 Audit Commission, Hot Property: Getting the Best from Local Authority Assets, 2000

2 PUBLIC SECTOR PROPERTY AND SERVICE DELIVERY

2.1 The current property service delivery model

At present the majority of local government, health, police and fire authorities rely on their own in-house property and facilities management services to plan and operate their property portfolios⁵. Whilst increased financial constraints have driven the public sector to share certain services with their partners, there are a lack of examples of sharing staff and property resources.

Property and asset management within and across public organisations is often fragmented, with different service directorates in charge of their own property⁶. Whilst the centralisation of management of the whole property portfolio as a corporate resource is becoming common practice across many Local Authorities, it is still not sufficiently implemented. This has a number of efficiency implications for public sector property.

This fragmented model of property management results in the replication of estates, facilities and project management functions across the public sector in a locality. This reduces the opportunities to achieve economies of scale. It also means that services that could be delivered from the same building and in partnership with other service providers in the locality are often delivered in silos, from multiple under-utilised buildings. The lack of property management coordination and of coherent local leadership can also be attributed to property resources being low on the agenda of many executive-level decision makers. This can prevent the execution of strategic plans to rationalise public estates.

It is therefore vital that public sector organisations build sufficient strategic property planning skills in addition to commercial property management skills to effectively match the vast public property portfolio to service needs and generate efficiency savings along the way.

2.2 Alternative property and service delivery models

The intended transformation of public services is likely to alter the way that public service providers operate and gain their funding. According to the government public services reform plans outlined in the Open Public Services White Paper, the restructuring of public sector services will be carried out through the decentralisation and opening of public services to a wider range of providers competing to offer an improved service⁷. In addition to improving service delivery through increased competition, the aim is also to lower the cost of providing services, in order to deliver more with less. Public sector property has the potential to play an important role in facilitating this service rationalisation.

Moving away from traditional property management to cross-public sector property arrangements can generate savings whilst improving the quality of services. The Hampshire and Essex case studies in this report show that change in the asset

5 Many public sector bodies, particularly larger ones, use a mixed model of sourcing some of their estate management, capital project services and hard facilities management services from the private sector.

6 Audit Commission, Room for Improvement: Strategic Asset Management in Local Government, 2009

7 HM Government, Open Public Services White Paper, 2011

management model and the associated rationalisation of property arrangements can release up to a third of property floor space and reduce costs. Cooperation between public sector organisations in sharing operational property also has the potential to improve the suitability of property in facilitating service delivery needs. At the same time, property utilisation can be improved while costs and carbon can be reduced.

In addition to the opportunities for public sector partnerships, public sector organisations should also seek innovative solutions specific to their localities. Entering into partnerships with the private sector might be an effective solution in some localities, while other localities might find that the transfer of assets to community ownership or management provides a more suitable solution to generate savings and improve services.

2.3 Size of the prize

The research in this report suggests that financial benefits worth potentially £8 billion could be generated by improving the productivity of the workforce across the public sector. This can be achieved by improving property management to create opportunities for better working conditions.

In addition to work productivity gains from improved working conditions, the Department for Communities and Local Government (CLG) published findings from its Capital and Asset Pathfinder (CAP) programme in August 2011. The programme tested a cross-public sector place-based and customer-focused approach to asset management and capital investment. The evidence from the programme shows that by adopting a strategic pan-public sector approach to customer demand, assets, and capital investment at the local level, money can be saved and services improved. It is predicted that the seven projects already examined by the CAP programme alone can deliver £155 million over 25 years from floor space and revenue savings⁸. In addition to the revenue savings, there is also potential for considerable capital savings. CLG estimates the potential for £35 billion in capital receipts over the next 10 years⁹.

The 'Leaner and Greener: Delivering Effective Estate Management' report noted that, public sector organisations can also deliver up to £7 billion of savings from lowering the space it occupies and through cooperation in property related procurement.

There are thus extensive savings to be generated if public sector assets are managed as a collective resource in a particular locality. Firstly, the public sector should jointly improve the utilisation of its property portfolio by lowering the amount of occupied space and thereby reducing the number of units by disposing of surplus property. Secondly, there is the potential to lower the unit costs by improving property management and delivering operational efficiency.

The potential savings from sharing properties and processes and aggregating spending

8 DCLG, Capital and Asset Pathfinders Programme 2010-11: Position Statement, August 2011

9 DCLG, Capital and Asset Pathfinders Programme: Customer Demand Workstream, August 2011

can be realised through jointly changing the way that public sector property is planned, managed and operated. This should also enhance the transparency of the quality and value for money of public services in line with the current Government's localism agenda¹⁰.

2.4 Barriers to realising the size of the prize

The ability to realise the full potential of savings is predicated on the breaking-down of regulatory and financial barriers to pave the way towards partnerships between a diverse range of providers from the public, private and voluntary sectors¹¹.

Firstly, many public sector organisations lack the resources to enable strategic long-term property planning, as opposed to day-to-day property operation. This hampers their capacity to cooperate with their partners across a locality in joining-up facilities management, procurement or property-sharing initiatives. In this light there should be a greater focus on enhancing the strategic corporate property management skills of property staff to be able to proactively seek financial, carbon and service benefits.

Secondly, to facilitate a cross-public sector approach to asset management, the unification of the funding streams flowing to different public sector bodies in a locality must be addressed. There are a number of legislative barriers; for example, the Stamp Duty Land Tax (SDLT) associated with asset transfer or the legal transfer of staff across the public sector. ICT across various organisations must also be dealt with in a more flexible way to lower the up-front cost, enabling service co-location.

Thirdly, central government needs to go further in order to be able to engage in the development of property solutions. Local leadership needs a responsive central government focused on location above departmental barriers. The Government Property Unit and Capital Assets Pathfinder programme are important steps, but further action is needed.

This report outlines a number of specific steps and recommendations that will enable public sector organisations to identify potential economic, environmental and service benefits as well as provide a basis for developing alternative public sector property delivery models in their locality.

10 HM Government, Open Public Services White Paper, 2011

11 The development of points made in this section have been supported by the Westminster Sustainable Business Forum Leaner and Greener Round Table discussions convened in Birmingham, Manchester, Leeds and Bristol over the summer and autumn 2011 in follow up to the Leaner and Greener: Delivering Effective Estate Management report, which was published in February 2011.

3 BUILDING PUBLIC SECTOR PROPERTY PARTNERSHIPS

3.1 Improving local property and service delivery

Joint property and service restructuring has the potential to generate a larger local property pool that would enable a greater degree of strategic choices in matching service delivery needs to the available property and thereby improve service delivery.

In devising any solution, respect must be paid to the needs of local communities. A 'one size fits all' public sector property solution would fall short of being sensitive to local service delivery specificities and potentially be to the detriment of service quality. The diverse nature of local communities around the country therefore requires the development of local solutions to resolve local issues. 'Leaner and Greener: Delivering Effective Estate Management' highlighted the importance of analysing future service delivery needs in localities and to have the right property data available to inform successful property rationalisation projects while maintaining and improving front-line services¹².

Recommendation 1

Public sector organisations should jointly establish the scope of benefits achievable through the rationalisation of their property and determine what type of joint property and service delivery models would be appropriate for their locality.

3.2 Leadership and political buy-in

The successful cooperation in the use of property within a particular locality is often dependent on the level of engagement of senior management. To secure organisational buy-in at executive level, property use and management should be regarded as a strategic priority with the potential to improve service delivery and reduce cost. As the establishment of strategic property plans and partnerships is not typically among the responsibilities of property managers, additional project management resources might be required.

Andrew Smith, Chief Executive of Hampshire County Council, said:

'Our Council regards collaborative, place based asset management as a strategic element to lower the cost of property, improve access to property services and to act as a catalyst to transform how organisations can work together. I consider political and managerial buy-in at the highest level as crucial to successfully devise and implement property partnerships among public sector organisations in Hampshire.'

Recommendation 2

The executive management in the public sector, including Chief Executives, Chairmen, Council Members and Leaders, should provide proactive leadership and sponsorship in order to ensure successful property partnerships.

The Government's localism agenda provides a clear message in support of locality-based property rationalisation initiatives to reduce costs and carbon footprints

as well as improving the productivity of staff and local cooperation. However, full savings cannot be realised without central government's participation in initiatives where its own property is involved.

To facilitate partnerships with local public sector bodies, central government should ensure that it provides a single point of contact for property queries across all of its departments. To fulfil this role, the Government Property Unit (GPU) could act as a main point of contact for coordinating central government policies in specific localities. The GPU's powers and capacities should be strengthened and expanded to allow it to act as a fully participating decision-making body.

Recommendation 3

Central government should show clear support and provide full commitment to locality-based cross-public sector property partnerships when the central government estate is involved.

Recommendation 4

Central government should provide a single point of contact for property queries, such as the Government Property Unit, whose powers and capacity need to be enhanced.

3.3 Local Strategic Property Forum

Many public sector organisations serve the same customer group within their locality and yet they rarely fully coordinate the strategic direction of service delivery. Public sector organisations should generate integrated long-term service and property strategies. As a first step, there must be a collective understanding of community needs and the building of mutual trust to address local issues together. In order to generate common property and service strategies and to build the trust that underpins successful partnerships, a strategic property working group, such as a Local Strategic Property Forum, is required.

Firstly, it is important that the Forum is composed of as many public sector providers in the locality as possible. Secondly, a set of common principles should be identified and established within a Memorandum of Understanding to guide the partnership. Thirdly, the Forum should aim to generate unique customer and property intelligence on a local basis to build up locality-wide service asset strategies. The identification of priority property rationalisation opportunities should be among the early priorities of the Forum to clearly demonstrate the potential benefits of joint property initiatives.

3.3.1 Composition of the Local Strategic Property Forum

The Local Strategic Property Forum should be composed of senior property and service professionals from as many local public sector organisations as possible¹³. Figure 1 provides a list of required and potential members. Broadly it should be composed of relevant public delivery bodies, such as the County and District Council, police, fire, health services, and central government representation, such as through the GPU where central government property is involved, as well as relevant voluntary sector organisations.

13 It is important that the group contains relevant officers with an understanding of service needs related to property, ICT and Human Resources.

Figure 1: Composition of Local Strategic Property Forums

Required public sector participation to generate pan-public sector property and service understanding within the locality:

- Local Authorities (both tiers in a two-tier area)
- Police
- Fire
- Health bodies and ambulance services
- Schools
- Further education bodies
- Higher education institutions including free schools and academies
- Central government representative

Other public and private organisations to be included (depending on circumstances of the locality):

- Voluntary sector organisations
- Private providers of public services
- Transport providers (e.g. Network Rail, local bus service providers)
- Royal Mail
- Property-owning GPs
- Parish and town councils
- Neighbourhood board representative

The creation of a Local Strategic Property Forum (as described above) should reflect the geographical and demographic characteristics of a locality and provide a platform to facilitate strategic partnerships and the identification of common objectives and strategies. A public sector Local Strategic Property Forum should also be linked to the neighbourhood planning initiatives as set out in the Localism Bill and Open Public Services White Paper, in order to ensure that local residents are confident that the delegation of service delivery powers, as well as the management of public assets, within the locality represents good value for money¹⁴. In light of this, Local Strategic Property Forums should also liaise with the proposed neighbourhood councils¹⁵. Representatives from the council could be invited to relevant Forum meetings and be kept informed about service and property planning to establish a true and direct partnership with local residents.

Recommendation 5

Public sector bodies should establish a Local Strategic Property Forum to improve the service delivery and the efficiency of property, to promote trust and transparency between different organisations, and to be a vehicle for joint property strategies.

¹⁴ HM Government, Open Public Services White Paper, 2011

¹⁵ The creation of neighbourhood councils feature among proposals of the HM Government, Open Public Services White Paper, 2011

Recommendation 6

Local Strategic Property Forums should be composed of as many service providing bodies as possible to reflect the geographical and demographic characteristics of the locality, including the County and District Councils, police, fire, health services, GPU and relevant voluntary sector organisations.

3.3.2 Memorandum of Understanding

A Memorandum of Understanding should be agreed upon for the Local Strategic Property Forum to provide a framework for the partnership. Agreeing a common vision and a number of objectives will also enable organisations to develop a specific focus on generating tangible benefits. These benefits could include the aim to rationalise the property portfolio to create a maximum workspace of 8m² per person, the achievement of a 7:10 desk to person ratio and the introduction of flexible working for 30%-50% of employees.

Figure 2: Example of a Memorandum of Understanding

Vision

We will identify resources and work together to explore the benefits that can be gained by considering our respective assets in the locality as part of a single asset base; set up a governance structure that will underpin this partnership for the long term and implement the opportunities that arise.

Objectives

We will assume a joint strategic approach to:

- Reducing the overall operating costs of our assets over the long term
- Reducing the overall carbon footprint of our combined portfolio
- Investing capital across the asset base, to optimise its effectiveness
- Improving service delivery and customer experience through the coordination and co-location of our services where appropriate
- Safeguarding the investment value of the portfolio
- Simplifying the means by which assets can be shared between partners
- Aligning our opportunities to maximise their combined potential

Governance

We will jointly aim to explore alternative property delivery models to improve the service provided to local communities. We will work together to agree and set up a governance structure and finance model to drive the strategic management of the assets in pursuit of the above objectives.

Source: A Memorandum of Agreement for Collaborative, Place-Based Asset Management drafted in Hampshire

3.3.3 Protocols for data collection and analysis

Protocols for cooperation in property use in Local Strategic Property Forums should specify what data partners should be collecting, what format it should be in, and what channels will be used for information sharing. This will provide guidance for property and customer data collection as well as define the overall objective of the data gathering exercise. The intelligence gathering should satisfy both the overall strategic planning as well as practical project delivery objectives.

Strategic planning and engagement of partners to generate an understanding of the scale of potential savings could be most appropriate on a county or city-wide basis, while the delivery of benefits has the highest potential on a district or town basis. The type of joint initiative will determine the right participants as well as the geographical scale of delivery. For instance, cooperation in procurement could cover a county or city-wide area, while the co-location of front-line facilities will be most effective at a community level.

Recommendation 7

The Local Strategic Property Forums should create a common database of local property, services and contractual arrangements that can be accessed and updated by all partners for the storing, mapping and viewing of asset data for strategic decision making.

3.3.3.1. Sharing of customer service data

In order to establish a clear understanding of how customers use and access public services, public sector organisations should aim to jointly develop customer insight. This can be achieved by generating a snapshot of the way that the supply of services delivered from public sector assets is matched to the demand from the customer. However, it is vital that property planning informs the collection exercise. There are various intelligence-gathering tools that public sector organisations can utilise to map public service demand for certain services in an area. The CLG Capital and Asset Pathfinders Programme Customer Mapping report shows a range of information sources and techniques that can be employed depending on the purpose of data-gathering¹⁶. It must be emphasised that while the tools used are important to gather the correct data, it is important that such an exercise is carried out on a pan-area basis.

The development of a Service Asset Strategy¹⁷ on a locality-wide basis includes examining local service demand, determining property needs of services, and finally matching services to the available property resources. This approach requires public sector organisations to determine the future needs of their service and strategically develop their estate to support the service.

¹⁶ DCLG, Capital and Asset Pathfinders Programme: Customer Demand Workstream, 2011

¹⁷ Westminster Sustainable Business Forum, Leaner and Greener: Delivering Effective Estate Management, 2011, defined a Service Asset Strategy as a forward-looking approach, which involves going beyond the examination of current service needs and property availability and developing a vision of future service delivery whilst matching it to asset requirements.

3.3.3.2 Property data and metrics

An essential element in building a strategic understanding of locality-based asset management is a comprehensive understanding of what property is held, what its value is, the contractual terms under which it is occupied, and its fitness for purpose in terms of physical condition, operational suitability and utilisation. In order to ensure cost-effective data collection, public sector organisations should assume a pragmatic approach to how much data is required to inform their strategic decisions.

As argued in 'Leaner and Greener: Delivering Effective Estate Management' as well as other publications¹⁸, collecting seven to ten key data types is a manageable aspiration, which does not create too heavy a burden on resources. This data includes information about the property's location, its use, size and space utilisation, condition and maintenance backlog, ownership status and contractual information linked to the property and valuation, and basic sustainability data, such as its Display Energy Certificate (DEC). Additional data-gathering should be strategically selected according to need¹⁹.

3.3.3.3 Sharing of energy, facilities management and procurement contracts data

In addition to property and service data, public sector organisations should become accustomed to sharing information on current procurement, facilities management and energy contracts. This will enable them to understand the frameworks that their counterparts are involved in and potentially join forces to generate economies of scale by procuring on a locality-wide basis.

3.3.4 Identification of priority initiatives

Developing the intelligence-gathering protocols outlined above as a first step in strategic local property partnerships will enable the local public sector to determine property and service supply and demand. A work stream focused on the identification of quickly executable property rationalisation initiatives should be an initial focus of the Local Strategic Property Forum to gain the attention of senior executives needing to lower costs and will also facilitate further and deeper cooperation. An effective tool to facilitate this would be the creation of a timeline composed of all the benefits that can be delivered.

Effectively combining the intelligence with a sorting system for the quality and efficiency of assets in fulfilling the service asset strategy (such as RAG - Red, Amber and Green system) will enable Local Strategic Property Forums to monitor property needs and to determine which assets have the greatest rationalisation potential.

18 DCLG, Capital and Asset Pathfinders Programme 2010-11: Position Statement, August 2011; and Local Partnerships and Kier Asset Partnership Services for Sheffield City Council, Sheffield Public Sector Forum: Collaborating to Achieve Better Value from Assets, 2011

19 Westminster Sustainable Business Forum, Leaner and Greener: Delivering Effective Estate Management, 2011

HULL

CASE STUDY DEVELOPING A CUSTOMER AND PROPERTY CLASSIFICATION SYSTEM

Challenge

A deep understanding of residents' service needs is paramount for Hull to cope with its immediate challenges of enacting the Localism Bill, creating a 'bigger' society, and reducing costs as well as ensuring that core services continue to support the community. As the national statistical models failed to describe the city in an accurate manner, Hull had to come up with a cost-effective way to develop a customer profiling database.

Action

Hull decided to build a bespoke customer journey insight database, encompassing all public sector service providers in Hull. Built upon Hull's census data, the development of a customer insight data hub has been set out, collating vast amounts of data and threading them into a classification system.

Firstly, 45 census variables, including age, ethnicity, car ownership, housing tenure, health, employment and many more, were remodelled using 'cluster' analysis to find natural groupings within the 250,000 census dataset. The dataset was then used to differentiate ten clear customer groupings, describing the city using three hierarchies: owner occupiers, private renters and public sector renters.

Customer grouping profiles, within the city's census dataset, enabled many opportunities for further in depth analysis of these ten groups, but most importantly was matched with Hull post codes displayed in a Geographical Information System (GIS) form. Additionally, combining this with a million records from Hull's Customer Relationship Management system, linking every service request within the last two years to each customer group, enabled a unique service-needs understanding.

Working in partnership with other public sector partners in the locality enabled a pan-public sector view. For instance, analysis of the health sector data shows which groups were most likely to suffer from certain health problems.

Finally, linking Hull's property database to the customer data enabled a greater understanding to be achieved of where all the publicly owned assets in the city reside. This mapping highlighted where services were being over subscribed or alternatively underutilised.

Outcome

Initial data mapping outcomes are being used to devise long-term capital and asset strategy plans and management decisions, as well as area and neighbourhood plans and projects. Most importantly however this provides the basis for key business intelligence for the Corporate Strategy Team, helping to underpin high level strategic decisions.

The rapidly progressing mapping work is also being presented in a graphic form. Presenting complex data in a simple and understandable form is paramount to local audiences' ability to interpret the data that is being produced, including community development workers, planners, senior managers or members of the public.

For further information

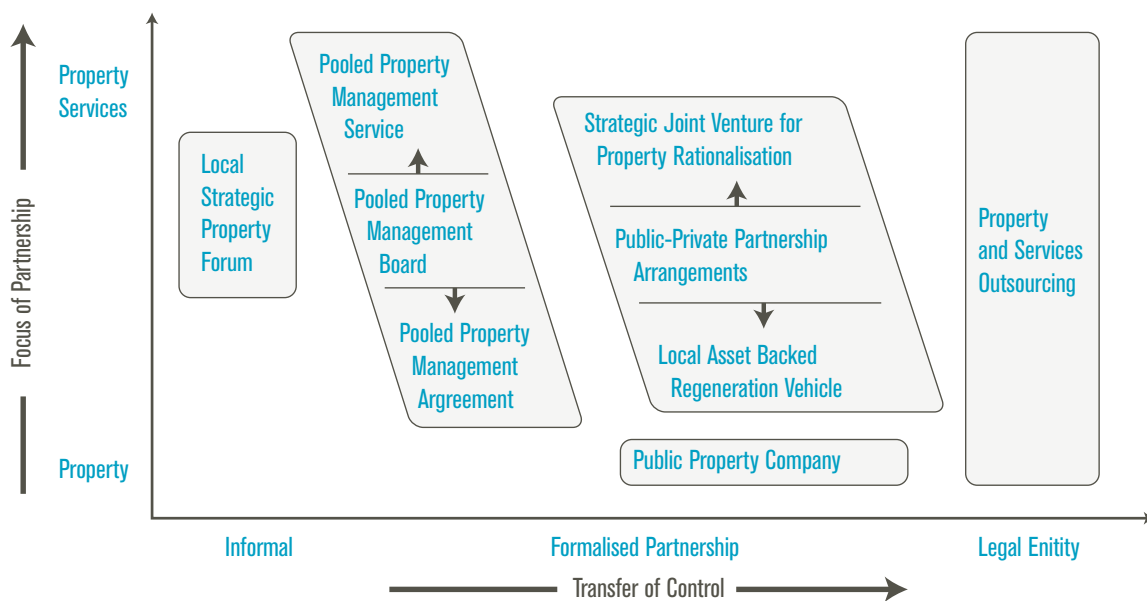
Contact: Andy Parkinson, Strategic Development (External Projects),
Kingston Upon Hull City Council, andrew.parkinson@hullcc.gov.uk

4 DELIVERING PROPERTY PARTNERSHIPS

Whilst the creation of a Local Strategic Property Forum should be the first step in property partnership working, changes in the level of collaboration beyond the remit of the Forum are required to deliver more extensive property efficiencies. In the absence of new arrangements that pool assets and equip public estates with strategic property planning and management, the full extent of benefits will not be delivered. There is a need to go beyond the remit of the Forum to further increase strategic property planning in a locality by exploring the establishment of alternative, more formalised property arrangements. There is however no ‘one size fits all’ solution and any arrangement should be respectful of local factors.

Ways in which public sector bodies can benefit from the Local Strategic Property Forum in realising benefits and go beyond the Forum in planning, managing and operating their property are discussed below and are shown in Figure 3. On the left side of the spectrum in Figure 3 is the delivery of early initiatives identified by the Forum on a project-by-project basis. Towards the right of the spectrum are more formalised property delivery models. These range from the establishment of a Pooled Property Management Board and a Public Property Company, which bind public sector organisations together, to Public-Private Partnership Arrangements that would introduce the private sector into the partnership. The main distinction between the different partnership models rests on the willingness to partly forgo control over the assets or their management in return for the benefits available from the aggregation in property.

Figure 3: Variety of public sector delivery models



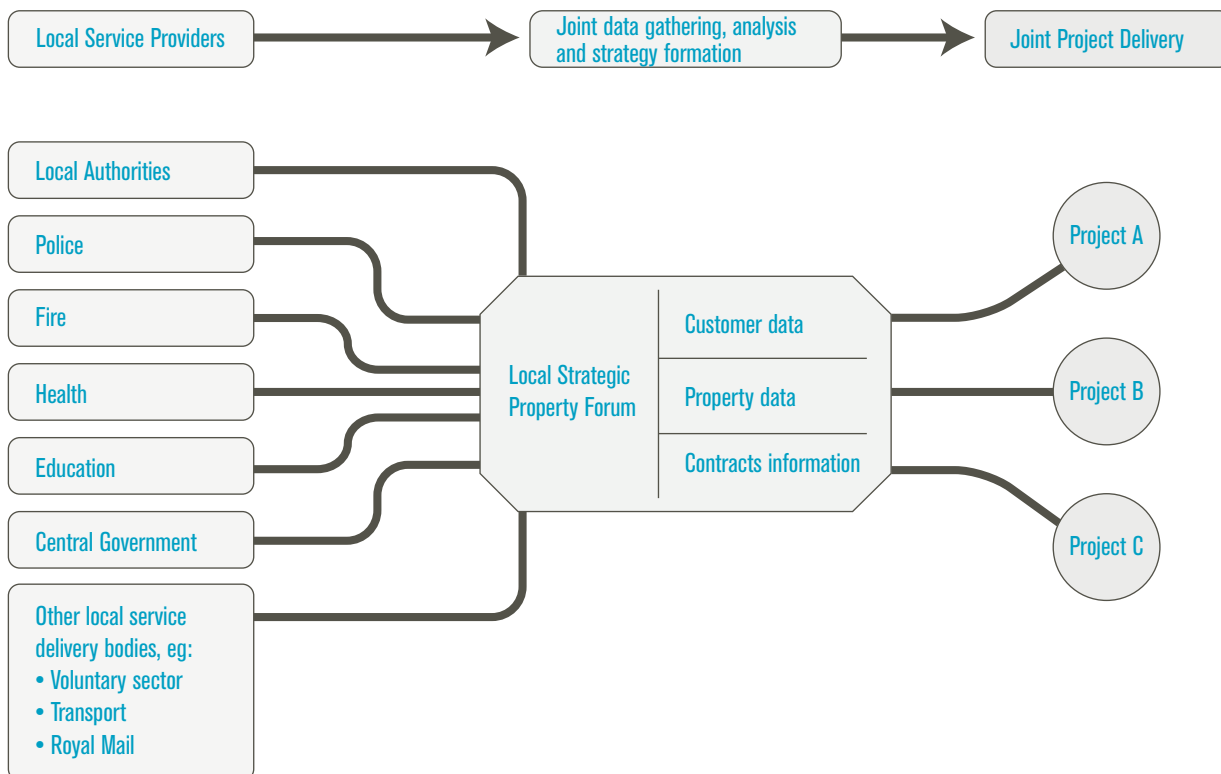
4.1 Delivering early benefits through the Local Strategic Property Forum

The overall objective of intelligence gathering within the framework of a Local Strategic Property Forum should be the identification of common property rationalisation projects and other collaborative saving opportunities to cost-effectively address local property and service rationalisation needs. In order to gain further backing behind the Forum, a quickly executable programme of opportunities on an appropriate scale should be implemented. The first batch of initiatives should be realistic and not too ambitious in order to build up a successful track-record of property partnerships. The Forum should take on a project management role with clear responsibilities outlined for each of the partners.

Recommendation 8

Local Strategic Property Forums should aim to implement quickly executable common property rationalisation projects and other collaborative saving opportunities to demonstrate the viability of the partnership and to provide intermediate steps prior to achieving further benefits.

Figure 4: Joint early benefit delivery by Local Strategic Property Forum



SURREY

CASE STUDY

SURREY FIRST CO-LOCATIONS:

A LOCAL STRATEGIC PROPERTY FORUM IN PRACTICE

Challenge

Surrey's Councils and Surrey Police recognised that to continue to deliver services whilst facing increasingly tight budgets, a new way of working together had to be found. This culminated in the creation of Surrey First in January 2010.

Action

Surrey First is a partnership of Surrey County Council (SCC), 11 District and Borough Councils and Surrey Police Authority. Together they are committed to working in partnership to save money and improve services for people in Surrey.

This partnership is accountable to a separately constituted Surrey First Joint Committee, comprising leaders or their representatives from all the Surrey authorities. This committee meets on a quarterly basis across the county.

The Surrey First programme is currently focusing on five core workstreams: assets, ICT (Information and Communication Technology), HR (Human Resources), procurement and waste. Under the assets work stream co-location has been strongly encouraged.

Outcome

Initial data mapping outcomes are being used to devise long-term capital and asset strategy plans and management decisions, as well as area and neighbourhood plans and projects. Most importantly however this provides the basis for key business intelligence for the Corporate Strategy Team, helping to underpin high level strategic decisions.

The rapidly progressing mapping work is also being presented in a graphic form. Presenting complex data in a simple and understandable form is paramount to local audiences' ability to interpret the data that is being produced, including community development workers, planners, senior managers or members of the public.

Surrey First's principles and objectives

The key principles that have been established to underpin the Surrey First operations are:

- all partners will retain their separate identities and decision-making integrity
- initiatives should be pursued through a 'coalition of the willing'
- service improvements and efficiencies will be sought by working together
- involvement in Surrey First will not prevent or delay any alternative or additional partnership arrangements being pursued by any partner.

Six strategic objectives have also been identified to focus the work of Surrey First as follows:

- significant savings
- increased resilience
- efficiency and improved customer service
- foster innovation
- create opportunities for income generation
- increase influence in South East Region and on the Capital and Assets agenda.



Outcome

Through working together Surrey Authorities have, or are in the process of setting up, partnership arrangements, ensuring optimum use of assets and the disposal of outdated premises. Moreover, integrated services create benefits for the public through higher quality and more cost effective services, which is ultimately what Surrey First was created to do.

A major achievement of Surrey First has been the increased sharing of space, reducing the amount of space used by the public sector overall. It has also enabled greater inter-agency cooperation, leading to more integration in delivering services. All the Surrey First partners are adopting new ways of working, thus creating space for co-location and the renting out or releasing of surplus property for disposal.

The freeing-up of space has enabled Surrey County Council and the police to implement plans to co-locate in every Borough and District Council office. Surrey Police's estates plan has so far resulted in space being shared with seven Borough and District Councils (some 15,000 square feet in total). Along with major internal estate restructuring and the establishment of a number of small local-leased police posts for neighbourhood officers, the estates plan has resulted in 12 police stations and offices being freed up for disposal. The complete roll-out of the estates plan will see co-location at a further three Borough and District Council offices, freeing up a further 15 police buildings. SCC's local Adult Social Care teams are additionally co-locating in each of the 11 town halls, enabling SCC access to approximately 440 desks. These will be held under short-term partnership arrangements between the Borough and District Councils and the County Council, with SCC contributing to the Borough and Districts' hosting costs.

An example of this successful arrangement can be found at Runnymede Council's offices. Runnymede District Council's new Civic Centre in Addlestone is a landmark of partnership working in Surrey and was the first purpose-built home for Runnymede Council, Surrey County Council services and Surrey Police. It represents a major opportunity for integrated service delivery in a state of the art building which provides first class customer care as well as being cost effective for all three organisations. Additionally, as Runnymede has started to roll out more remote working of some of its staff, Surrey County Council's local Adult Social Care Team will be able to move in during November 2011 and occupy 50 desks. Surrey County Council's library service on the ground floor encourages a good footfall through the building whilst providing a quiet area for study or browsing. It is envisaged that in time, further synergies can be created.

For further information

Contact: Pelham Walker, Asset Strategy Manager, Surrey County Council, pelham.walker@surreycc.gov.uk

4.2 Pooled Property Partnership Board

A more formal approach than a Local Strategic Property Forum that moves towards the more strategic end of the governance spectrum is the establishment of a Board involving all of the public sector organisations in a locality. This Board would be empowered to exercise strategic asset management over a selected pool of cross-public sector assets, focused on the interests of the collective.

While the legal ownership of assets would remain with partnering organisations, the Board would be able to strategically manage all of the public sector property as a quasi-single estate. The role of the Board could be twofold: to enable the sharing of property services through a Pooled Property Management Service and to facilitate the sharing of property through a Pooled Property Management Agreement.

Alex Plant, Executive Director of Environment Services at Cambridgeshire County Council, which aims to implement a partnership for strategic management and use of property, said:

“Through the Making Assets Count Partnership Approach we aim to deliver financial returns over the medium-long term for each partner and the group as a whole. The expectation is that the joint management and use of the portfolio will lead to rationalisation of the estate and lower running costs, targeted to deliver a 20% increase in disposals over five years and a 20% revenue saving. At the same time, the residual estate will be greener and services improved through co-delivery, producing tangible community benefit.”

Recommendation 9

Public sector organisations should create a Pooled Property Partnership Board within their locality to enable strategic control, planning and management of public sector properties in the locality as a quasi-single estate.

4.2.1 Pooled Property Management Agreement

A Pooled Property Management Agreement would give delegated control over the selected pool of properties to the Board. While some control would remain with partners the entity would be able to strategically control and plan a pool of public sector properties in the locality as a quasi-single estate. The ownership of properties as well as the liability for capital injection required to rationalise properties could however remain with individual organisations²⁰. In order to ensure that the plans of pooled management maximise the benefits for all partners, an independent party could be contracted to verify the expected benefits as well as their redistribution.

The example from Hampshire shows that the pooling of 10%-20% of assets with the highest transformation and rationalisation potential within the locality could deliver operational cost reductions for assets in the scope of between 40% and 50% as well as lowering carbon emissions by 50%.

²⁰ For further information regarding capital investment options please see: Local partnerships, capital investment, regeneration and joint ventures: Guidance for Local Authorities, 2011

4.2.2 Pooled Property Management Service

As a means of streamlining the delivery of property services and the strategic direction given by the Board, public sector organisations could consider creating a Pooled Property Management Service covering the locality. This goes beyond the strategic planning for the estate to cover the day-to-day running of the estate.

The reduction in duplication of certain roles and tasks within individual property teams in each organisation would generate efficiency gains and improve service delivery by allowing service needs to be matched to available property. The establishment of the organisation could be carried out by the pooling of property staff from all local public sector organisations within a single management structure and involve the integration of property, IT and HR. This structure could either be hosted by one of the participating local public sector organisations, most likely a Local Authority, or operate as a separate entity, which is contracted by all local public sector organisations to manage their property.

The contractual transfer of powers to the entity could be for a defined time period to allow sufficient flexibility for individual organisations, but also allow the structure to prove its capability to improve the service. In order to enhance the commercial capabilities and to address strategic skills shortages of the pooled property services organisation, staff recruitment from the private sector or through a contract with a private sector organisation with the relevant expertise could be beneficial.

Furthermore, the Pooled Property Management Service would facilitate property sharing as well as cooperation in accessing common property contracts. Increased property sharing would, in turn, enable local public sector organisations to reconsider their current accommodation arrangements and potentially exit from a number of properties or renegotiate the terms of their property contracts.

Figure 5: Governance and contractual challenges to be overcome

While there are clear cost reductions and service improvement benefits associated with the establishment of a Pooled Property Management Service within a locality, there are numerous difficulties that need to be resolved prior to the establishment of a service.

Firstly, it is important to determine how the entity is going to be staffed and by whom. In order to be able to take over the management of properties, it is vital that staff with an in-depth knowledge of local property and service requirements are involved in the entity. There are several methods to transfer skills or employees to the entity, depending upon the particular circumstances to be settled. Among other options, staff can be automatically transferred, seconded to the entity or old contracts can be terminated and new contracts established by the entity (HM Treasury, Joint Ventures: a guidance note for public sector bodies forming joint ventures with the private sector, 2010).

Secondly, some public sector property teams might, due to the modest size of the property they manage, lack the internal skills in specialised areas such as energy management or legal work. The recruitment of additional resources would also contribute towards the enhancement of the skills base for public sector property management. However, it has to be noted that a number of public sector organisations already contract certain services from the private sector. The potential for expanding this cooperation should be explored as it would simplify the procurement process.

Thirdly, the entity is likely to be carrying out a wide range of services for the partnering organisations, including advisory (e.g. feasibility studies), professional technical (e.g. landlord and tenant management) or operational (e.g. cleaning and maintenance services), which requires the establishment of a contractual relationship with partnering organisations for all the roles that the entity will play. In regard to the contractual arrangements, the length of the initial contract and potential break-up and exit mechanisms must also be agreed.

HAMPSHIRE

CASE STUDY HAMPSHIRE CAPITAL AND ASSETS PATHFINDER

Challenge

Hampshire aimed to test the viability of creating a vision for a collaborative public sector asset management approach in the wider Hampshire area as a part of the Department for Communities and Local Government's Capital and Asset Pathfinders Project. It aims to consider public sector assets holistically, with the traditional financial, legal, political and tax barriers removed and the public receiving a seamless experience as they use the services provided from within the assets.

Action

Hampshire prepared business cases for two geographic areas in the county to determine the benefits of a cross-public sector approach to asset rationalisation. Both cases demonstrated that property rationalisation could deliver around a 36% reduction in floor space alongside improvements in service delivery for assets in scope, with one case showing a saving of £63 million (net present value over 25 years) and the other showing a saving of £26 million. Business cases assumed that between 10% and 19% of total public sector assets in the place would most readily lend themselves to rationalisation, providing savings of between £640/m² and £740/m².

Outcome

The process of preparation of these business cases alone has moved partners to a new level of collaboration and provided introductions between partners where dialogue had not existed previously. Further analysis shows that expanding the Pathfinder across the whole of Hampshire could deliver savings of between £270 million and £324 million, reducing the operational costs for assets in scope by between 40% and 50% by eliminating private sector leases and delivering more efficient and sustainable buildings through up-front investment. Under this scenario, it is assumed that about 10% of total public sector assets will be included in the cross public sector rationalisation exercise, providing £640/m² savings. Similarly, it is estimated that reductions of nearly 50% in the CO₂ footprint (operating emissions) can be achieved for the assets involved.

A key success factor to deliver savings on the Hampshire-wide scale will be the effectiveness of the partnership between public bodies, including the strength and depth of collaboration. It will be necessary to establish a framework and protocols within which public sector assets can be considered as simply 'one body' as opposed to individual ownership. Hampshire understands that there is no one solution to this, rather a range of options that will depend on relationships and ambition. It is understood that the maximum benefit will be through a formal arrangement that will promote the collective consideration of assets and capital, with an overarching collaborative governance arrangement that will drive strategic asset decisions across the authorities.

For further information

Contact: Patrick Blogg, Senior Programme Manager, Programmes and Performance, patrick.blogg@hants.gov.uk

4.3 Public Property Company

To obtain maximum efficiencies from public sector partnerships in property, public sector organisations could consider extending their commitment beyond the Pooled Property Partnership Board by pooling a number of public property assets with the greatest common rationalisation potential within a single Company.

Transferring control or the ownership of certain assets into a single Company would enable a greater level of rationalisation and deliver greater financial and environmental benefits for local taxpayers.

While the pooling of certain property assets within a single entity will enhance rationalisation possibilities, local public sector organisations should determine what form the single entity will take. The main difference between a variety of forms of property entity lies within the degree of sovereignty over the property that is being ceded into an entity.

The establishment of a Public Property Company, a legal entity²¹ with property ownership of pooled property, is an alternative to a more flexible Pooled Asset Management Agreement discussed above. Whilst containing a number of similar features, once a Public Property Company has been established, it has the potential to simplify and speed up the estate rationalisation process as well as open the possibility of asset backed financing for the entity.

Recommendation 10

Public sector organisations should explore the viability of establishing a Public Property Company as a separate entity, with responsibility for common public operational assets to maximise the potential benefits from shared property use and management.

Direct tax implications should be considered when determining the legal status of the Property Company. The legal transfer of property to an independent entity would incur the Stamp Duty Land Tax charges, which would substantially increase the establishment costs and impede rationalisation potential. Solutions to the taxation issue should therefore be sought in a similar manner as tax breaks for a specified timeline in other programmes aiming to deliver economic benefits for localities²².

Recommendation 11

Central government should consider lifting tax barriers associated with property transfer entirely within the public sector, such as the Stamp Duty Land Tax, to enable local structures to be put in place.

21 There is a variety of legal entities that the structure can undertake, including Limited Liability Partnership, Limited Partnership, Company Limited by Guarantee or Company Limited by Shares. For further information regarding possible legal structures please see: HM Treasury, Joint Ventures: a guidance note for public sector bodies forming joint ventures with the private sector, 2010; or Local Partnerships, Capital investment, regeneration and joint ventures: Guidance for Local Authorities, 2011

22 For instance the 2011 Budget has announced the plan to create 21 Enterprise Zones across England. Among other benefits, Enterprise Zones are granted tax breaks for businesses, including a business rate discount worth up to 275,000 per eligible business year over a five year period.

Figure 6: Challenges to be overcome

The creation of a body to strategically manage part of the public sector property portfolio across an area raises a number of legal and financial issues to be addressed.

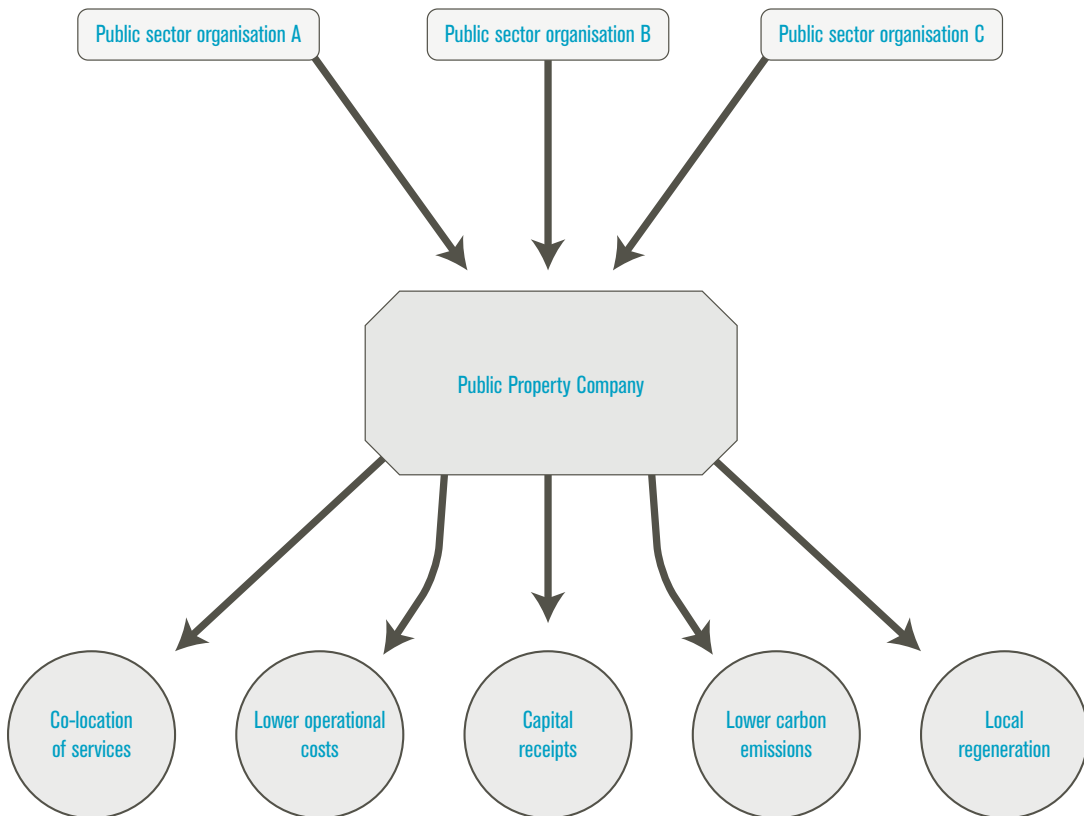
Firstly, a valuation mechanism should be established. This will determine the overall value of the portfolio, as well as the value of the stake of individual partnering organisations. The initial valuation mechanism will be vital for the allocation of operational cost, assigning of investment obligations and distribution of capital receipts across the partners. In the case of a Public Property Company, the valuation will also be crucial for the establishment of risk liabilities by partnering organisations.

Secondly, there should be a mechanism to introduce new properties or capital to the pool, with the potential to remove existing ones. The percentage of occupied floor space in a property might not necessarily reflect the share in the property pool. As such, a mechanism to calculate occupational costs should also be developed. This will allow partners flexible occupation of the most suitable property.

Thirdly, sensitivities associated with a variety of public sector funding streams and the difficulties in aligning them should be considered when establishing an Agreement, Service or a Company and determining funding mechanism for the entity.

Finally, the governance arrangements of the Property Company should be built upon the arrangements discussed for the Pooled Asset Management Service described above.

Figure 7: The structure of a Public Property Company



4.4 Public-private partnership arrangements

The majority of public sector estates teams are highly skilled for the day-to-day running of an operational portfolio. Yet the maximisation of the financial, environmental and social benefits associated with the development and implementation of complex property rationalisation schemes in a particular area (as outlined in the sections above) requires a different skill set. Public sector partners will need to devise the relocation of their staff and services across the portfolio of buildings and carry out the subsequent transformation of the property to improve the space utilisation. This could be hampered by a lack of resources in strategic property planning, service transformation or capital leveraging to implement the desired changes.

Another option available to public sector organisations is to form a joint venture between public and private sector partners to help mobilise the required resources to implement property rationalisation projects. In addition, such partnerships could increase the speed at which property-related savings can be generated. There are

important issues that need to be considered prior to forming a public-private joint venture that include the sharing of risk and the generation of appropriate incentives for benefits delivery²³.

A public-private property rationalisation joint venture offers an alternative structure for the management and mitigation of risks. It should not however be seen as a property rationalisation delivery model under which the public sector seeks to transfer risk to the private sector. A public-private joint venture should be based on risk sharing rather than risk transfer. If public sector organisations seek to transfer the risk to the private sector then they should consider a more straightforward contractual relationship²⁴. Equally, the risk appetite of private sector partners is likely to be influenced by current financial conditions, which makes risk sharing a vital feature of a joint venture.

Furthermore, joint ventures should be structured to incentivise the swift realisation of benefits from asset rationalisation and property service restructuring. For instance, rewarding private sector partners on the basis of delivered benefits (rather than up front) would generate appropriate incentives. Equally, contractually binding public sector partners to embark upon the delivery of property rationalisation programmes would guarantee the timeline under which benefits are to be delivered.

Finally, when considering public-private joint ventures, public sector organisations need to carry out an appropriate investment appraisal and feasibility study to consider all potential delivery models²⁵ as well as a variety of joint venture models. The selection of a model should be informed by the principal rationale behind entering into the joint venture agreement. The models of joint ventures considered in this report include long-term value capture and asset or non-asset backed property service delivery arrangements.

Recommendation 12

Public sector organisations should consider utilising private sector expertise and capital resources to enhance their capacity and increase the speed of execution in delivering public sector property partnerships and estate rationalisation.

4.4.1 Strategic joint venture partnership for property rationalisation

As discussed above, by developing an incentivised strategic joint venture (JV) property partnership, public sector organisations could achieve better results from a wider skill set whilst deferring the costs incurred until the point at which real savings are being delivered.

A joint venture with a private sector partner could also deliver greater benefits from the surplus properties through rationalisation. Surplus sites could either be allocated for the development of regeneration schemes or sold. In both cases the private sector

23 For further information please see: National Improvement and Efficiency Partnership, Capital and Asset Pathfinders: Procurement Guide – How to Procure the Chosen Vehicle, 2011

24 For further information regarding various contractual options please see: HM Treasury, Joint Ventures: a guidance note for public sector bodies forming joint ventures with the private sector, 2010.

25 This can include Private Finance Arrangements or contractual supply and service arrangements.

partner could assist the local service delivery body by managing and financing the process of planning consents for regeneration schemes or assist in achieving the best possible sale prices through pre-sale upgrades.

In order to determine the most suitable public-private arrangement, public sector organisations should explore the options of a less demanding strategic contractual partnership or forming a corporate structure with a potential degree of asset backing. The establishment of a corporate structure with a private sector partner and the resulting ceding of sovereignty to a separate entity does have a number of governance, legal and financial issues that have to be resolved in a similar manner as in the case of establishing a partnership with a public sector partner outlined above²⁶.

Recommendation 13

Public sector organisations should explore forming long-term strategic joint venture partnerships with the private sector to generate financial, environmental and social benefits from property rationalisation including, where appropriate, an initial asset transfer and financing through a pay-as-you-save scheme.

Whilst a number of examples of strategic public-private sector partnerships exist, there is no 'one size fits all' solution as the needs of localities tend to vary greatly. For instance, the ACCESS public-private partnership, a joint venture between Scotland's largest Local Authority, Glasgow City Council, and Serco, provides ICT and property support services to the public sector in Glasgow. Since its establishment in 2008, 265 staff have been transferred to ACCESS on a secondment model, which among other achievements created a strategic asset management plan for the property estate and integrated five ICT service desks and two property service desks into one single point of contact. ACCESS has also achieved £1.7 million of cost savings on a £12.5 million supply chain in 18 months. Overall, the £265 million contract to transform the Council's ICT and property services for the benefit of the Council's staff and the citizens of Glasgow will bring over £73 million of savings over 10 years²⁷.

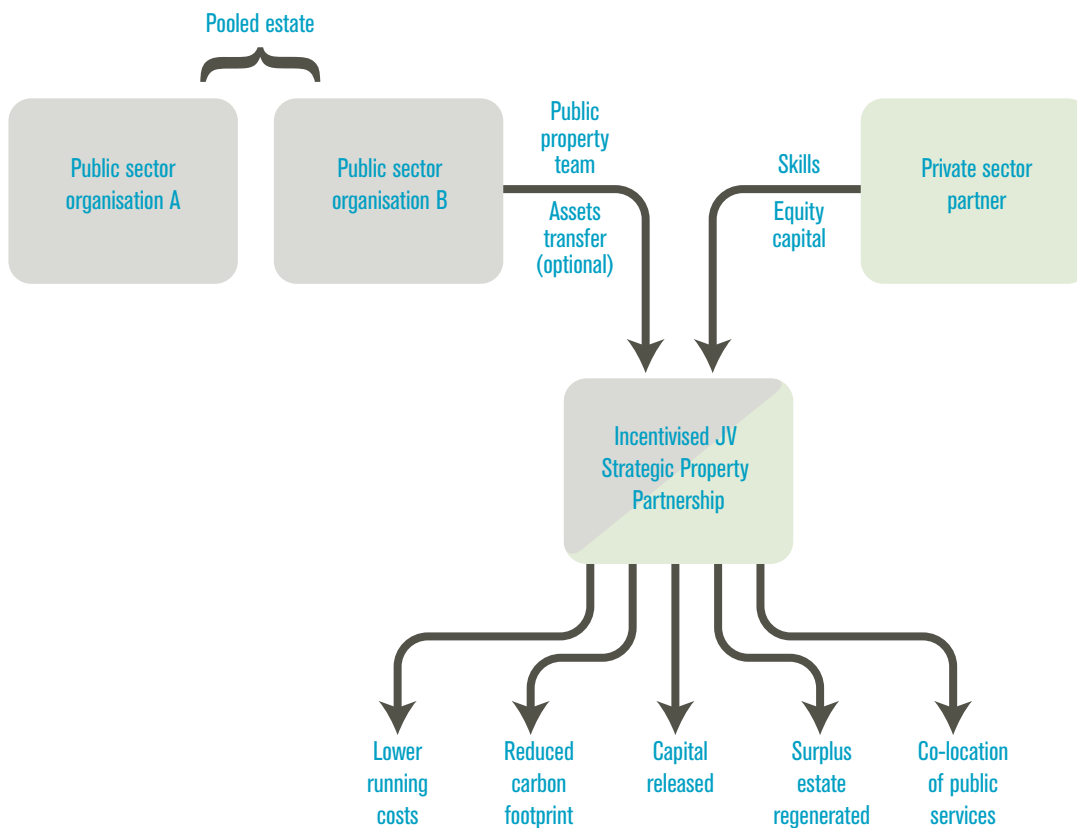
Equally, the Department for Work and Pensions (DWP) established a property partnership with Telereal Trillium to manage and service its estate to maximise benefits from its property portfolio. The partnership has been established for 20 years and originally involved over 1,750 properties (2.5 million m²). Since 1998, the property partnership has succeeded in reducing the estate by over 28% in floor space and has reduced running costs by 25%, saving DWP over £124 million annually. The Department has also benefited from £350 million of upfront capital invested in its portfolio, fixed running costs, the flexibility to vacate accommodation at no cost, innovative sharing mechanisms around utility and maintenance costs as well as the shared upsides from development gains.

26 For further information please see: HM Treasury, Joint Ventures: a guidance note for public sector bodies forming joint ventures with the private sector, 2010

27 ACCESS, Creating a Successful Joint Venture to Deliver for the People of Glasgow, 2011

Equally, Southwest One is a ten-year joint venture shared-services initiative set up between Somerset County Council, Taunton Deane Borough Council, Avon and Somerset Police, and IBM dedicated to improving service delivery, increasing efficiencies and lowering costs across a broad range of shared services. Being one of the three largest cost centres in all participating authorities, property and facilities management is a key operational area for improvement. This led to the creation of the Southwest One Property & Facilities Management (P&FM) function, staffed by secondees from the three public-sector organisations and supplemented by external recruits. It provides services ranging from the design and project management of new buildings, property maintenance and estates valuations to soft facilities services. The arrangement enabled the organisations to benefit from guaranteed savings and enhanced strategic planning, as joined-up consideration can increasingly be given to issues affecting all three parties.

Figure 8: Strategic joint venture for property rationalisation



4.4.2 Local Asset Backed Regeneration Vehicle

This report examines the role of operational property in generating financial, environmental and social savings and does not specifically focus on the analysis of potential solutions to drive development in a locality. However, it is recognised that the rationalisation of an operational property portfolio will create assets for disposal that can play an important role in generating local economic development.

Local Authorities are under constant pressure to facilitate regeneration and growth in their area. The delivery of regeneration projects will however have to be viewed in the context of the paradigm of decreasing funding for Local Authorities. The possibility of facilitating the delivery of major regeneration projects by utilising existing property assets and seeking a strategic private sector partner to match the value of their assets with capital and commercial expertise might be a viable solution. The creation of a local asset backed regeneration vehicle essentially involves a long-term joint venture between the public sector and private sector partner(s). Exploring this option is especially attractive if the organisation is in the possession of surplus property or would like to review the use of its investment property portfolio.

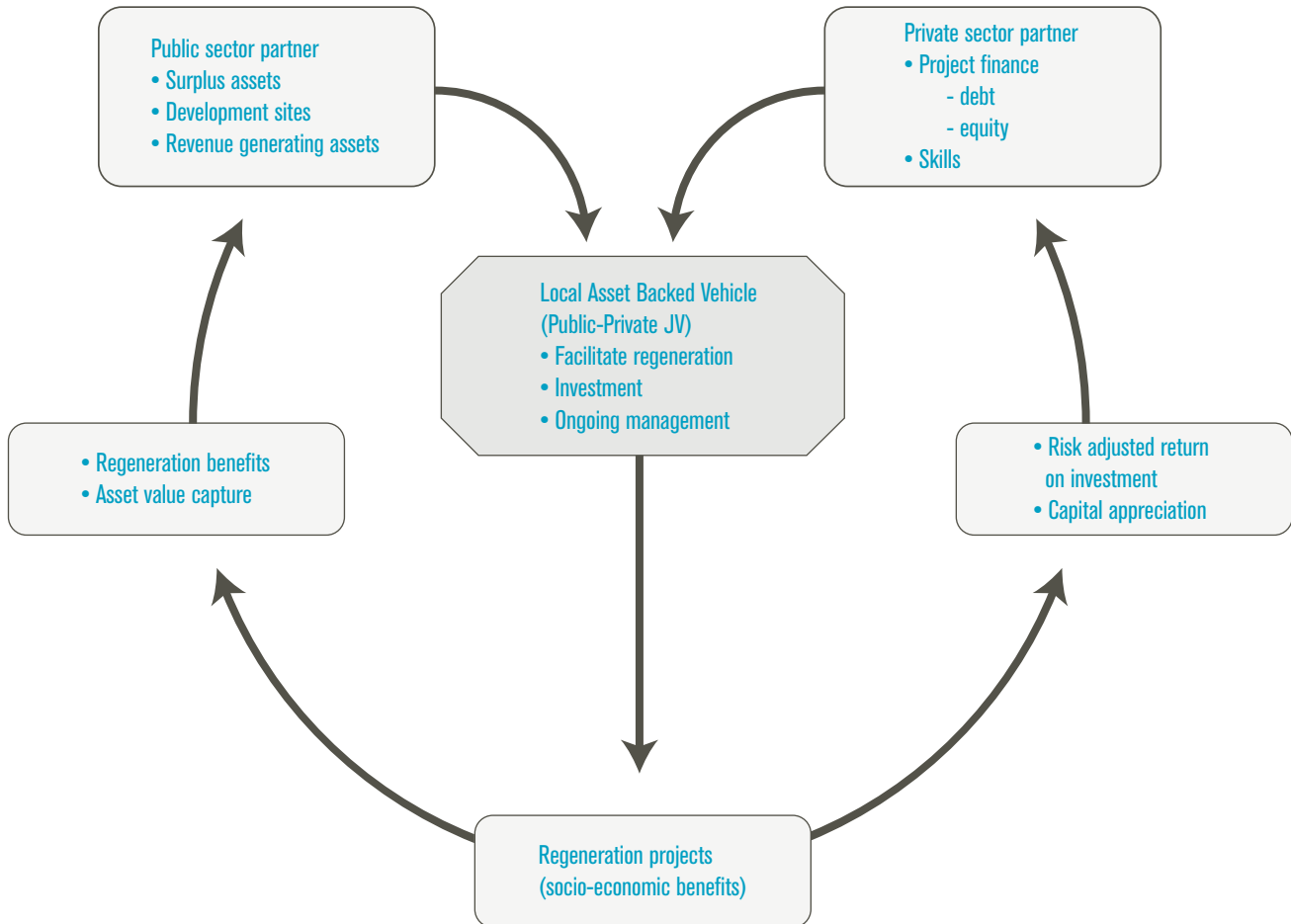
The model of establishing regeneration-driven public-private joint ventures has proven successful in a number of localities. While the model has been proven in the market place in the past, the uncertain state of the economy, the restricted availability of finance for development and the weak property market across most of the country pose serious drawbacks for the viability of the model at present.

As there is not a single solution suitable for all localities, local authorities should explore a number of potential solutions, ranging from more traditional regeneration in the form of developer procurement, land transfer and leaseback; to a more complex option of Local Asset Backed Vehicles (LABV), and select an appropriate model. The benefits of a Regeneration Vehicle could also be increased by linking it to the work of the Local Strategic Property Forum, which in itself engages the community through collaborative work with key public, private and voluntary sector partners and can generate a sustainable strategy that will provide more than just an efficient property for the community.

Recommendation 14

Public sector organisations should facilitate regeneration of the local community and drive economic development by utilising existing surplus property assets and forming strategic local asset backed partnerships.

Figure 9: Local Asset Backed Regeneration Vehicle



BOURNEMOUTH

CASE STUDY

BOURNEMOUTH DEVELOPMENT COMPANY

Challenge

Bournemouth Council's vision is to ensure that Bournemouth continues to be the destination of choice and to attract inward investment which is vital to its future prosperity. To deliver the Council's aims as well as the town's Sustainable Community Strategy, Bournemouth Borough Council decided to use its substantial land holding in the town centre. A key component of achieving the vision was to create a delivery mechanism by forming a strategic public-private partnership.

Action

A Local Asset Backed Vehicle (LABV), a public-private partnership, known as The Bournemouth Development Company (BDC), has been established between Bournemouth Borough Council and Morgan Sindall Investments Ltd. The aim of BDC is to regenerate Bournemouth Town Centre, bringing new homes, offices, retail opportunities, attractions and improvements to public spaces and infrastructure.

The operation of the 20 year, 50-50 partnership, is overseen by a board composed of three representatives from both organisations. The public-private partnership aims to use the Council's land assets in the town centre to promote inward investment and regenerative and sustainable developments which will improve their future value and create a platform for continued growth and prosperity of the wider Bournemouth area. To deliver the physical development of the individual sites, the Council will transfer its land interest to BDC, which is matched in value by capital from Morgan Sindall. The land asset and the capital is essentially the partner's equity stake in BDC which is used to leverage in third party finance to enable development to be undertaken. Under the Development Management Agreement, Morgan Sindall Investments is providing development management services to BDC, ranging from long-term master planning to managing individual sites development.

Outcome

The benefits of this public-private partnership are significant as it: provides a single efficient procurement and delivery solution for a portfolio of development sites; ensures public sector assets are developed in accordance with Council's aspirations and long-term policies for the development of the local community; ensures benefits from development activity are shared equally by partners; and provides a conduit for the reinvestment of returns in other community improvements.

The BDC aims to deliver a regeneration scheme worth up to £350 million over its lifetime. Developments with a regeneration focus are aimed at increasing the number of people living, working in and visiting Bournemouth. Schemes are designed to generate a profit share for the Council, to reinvest in public space improvements and visitor attractions, which are key to the town's future prosperity. The Leyton Mount car park is the first in a series of sites for development earmarked for regeneration by the BDC over the next two decades. The scheme, including 62 apartments and a commercial unit suitable for a café or restaurant, will create greater trade in a currently underused part of town. A share of profits from the scheme will be used for public space improvement and revitalisation of other parts of the town centre.

For further information

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The Bournemouth Development Company llp, duncan.johnston@morgansindall.co.uk

5 AGGREGATION IN PUBLIC SECTOR PROPERTY

5.1 Financial benefits

Public sector property plays a key role in delivering public services and can be used as a catalyst for service rationalisation. There is significant potential for public sector organisations to jointly improve the planning and operation of their property and aid service delivery in their localities in order to generate more benefits using less resources. Partnership working can deliver financial benefits through the sharing of both front and back office services, joint procurement strategies, lowering operational costs of public estates and realising capital receipts from freed-up property²⁸.

5.1.1 Benefits from shared services and property

Public sector organisations should explore opportunities for sharing back-office accommodation, customer access points, depots and other operational property assets. The co-location of different service providing organisations and the creation of public sector hubs can improve public sector property utilisation and deliver cost savings.

Shared service arrangements that enhance the efficiency of both front and back-office services by reducing the duplication of roles and increasing specialisation in certain areas can improve services and reduce costs. The Government Shared Services initiative across central government focuses on the consolidation of back office transactional services – HR, finance, payroll and procurement – between and across central government organisations and aims to standardise back-office operations and achieve savings. The model of Shared Service Centres, with per annum operational cost savings of £13 million in the Home Office, £20 million in the Ministry of Justice and £35 million within the Department for Work and Pensions, can be replicated across other public services²⁹.

Collaborative facilities management (FM) can enable public sector organisations across a particular area to access contractual arrangements with a preferred supplier. Work in Essex has found that collaborative FM initiatives could potentially achieve annual savings of £3-4 million. A joint approach to planning and the use of office accommodation in Essex has the capability to deliver £6 million in annual revenue savings before desk sharing is considered³⁰. However, the potential to achieve these savings is constrained by the current model for providing local public services.

5.1.2 Benefits from property rationalisation

Improving space utilisation by investing in property refurbishment is a cost-effective solution for substantially reducing the occupied space. While enabling capital is required to be invested upfront, property running-cost savings can be achieved and capital can be realised from the disposal of surplus assets³¹.

A study shows that a property rationalisation programme across the local public sector portfolio in Sheffield could lead to releasing 20%-30% of the estate, resulting in between 235 (300,000 m²) and 350 (440,000 m²) fewer premises, creating savings of

28 The Westminster Sustainable Business Forum, Leaner and Greener: Delivering Effective Estate Management, 2011 report identified savings in the operational cost of the property of up to £7billion a year by improving the space utilisation of the public sector estate.


29 Cabinet Office, Government Shared Services: A Strategic Vision, July 2011

30 Improvement East, East 17 – Sizing the Prize Final Report, 2011

31 For further information please see: Local Partnerships, Capital investment, regeneration and joint ventures: Guidance for Local Authorities, 2011

between £62 million and £93 million in running costs. Realising identified financial savings from property does however require the adoption of a new property holding and management structures that relieve individual local public bodies of some aspects of control over planning and the day-to-day operation of buildings³².

Guy Brett, Director, Real Estate at Ernst and Young, said:



“Collaborative benefits can flow from a range of sources. While the big prize comes from the property assets, there are potential savings from property contracts and management teams. An increasing number of local public bodies are working on joint property solutions to save money. For example, clusters of authorities in South East Scotland, the East of England, the North West and West Midlands are generating quick benefits by merging internal teams under a single management structure, aggregating and procuring new contracts and cooperating on energy purchasing and management.”

The big prize from reducing floor space and delivering improved joined up services for the customer however takes longer to deliver. To succeed, long-term decisions based on the collective benefit generation, for example by shared depots, training centres, town halls and libraries, need to be adopted. In addition, taking a joint approach to marketing surplus sites, exploiting aggregation in property and reducing transaction costs can generate further benefits.

32 Local Partnerships and Kier Asset Partnership Services for Sheffield City Council, Sheffield Public Sector Forum: Collaborating to Achieve Better Value from Assets, 2011

ESSEX

CASE STUDY

EAST 17:

ESSEX PUBLIC SECTOR PROPERTY PARTNERSHIP

Challenge

The Essex public sector authorities decided to collectively examine the potential enhancement of their property management and to explore whether they could jointly improve their use of property resources, generate savings and provide multi-service facilities that can improve citizens' access to joined-up and tailored public services.

Action

The study used a Diagnostic Tool to undertake a gap analysis comparing the current self-assessed performance within each Essex authority with leading practice and aspirations. Furthermore, the gap analysis process, allied with the outputs from the data gathering exercise, has been used to make an initial assessment of the financial efficiencies that could potentially be delivered by improving the use of the asset base.

Basildon and Brentwood town centres were selected as examples of where different public sector agencies could plan their asset strategies collectively in order to find real opportunities to share office space and other accommodation. The initiative piloted a method of working together to identify and unlock opportunities. It brought together all the senior asset managers from the Local Authorities, police, fire and health organisations and used ePIMS to map assets and demonstrate a successful model that will be developed for use going forward.

Outcome

In summary, an Essex-wide asset management programme has the potential to deliver gross benefits of approximately £120 million over five years. This includes total cashable cost savings of £30 million (i.e. building up to £12 million per annum) and gross capital returns of over £90 million by year five. In addition, Essex authorities could avoid costs on backlog maintenance and have the potential to reduce their carbon footprint by an estimated 26,000 tonnes per annum.

As part of the total property savings, it is assumed that approximately 15% of the non-office operational estate is released. The impact on front-line services is mitigated by reinvesting some of the capital to relocate core services to a smaller and greener retained estate that replaces underutilised and outdated buildings and accommodates multiple services.

The savings are also based on a reduction in office floor space of 25% across Essex authorities, a 14% reduction in the cost of employing the internal property management functions, a 5% saving from smarter procurement of FM services and a 30% reduction in energy consumption. The 26,000 tonne reduction per annum of carbon (based on Carbon Trust Carbon Footprint Indicator ratios) represents a 16% reduction in total carbon emissions generated by property occupation against the current baseline.

It has also been concluded that in order to realise the full financial savings potential from property whilst protecting service provision, it would be necessary to implement alternative property holding and management structures that would relieve individual bodies of some aspects of control or ownership and over the acquisition, planning and day-to-day operation of buildings.

To take the initiative forward into implementation, a new Essex Property Partnership has been formed to oversee the delivery. The Partnership is composed of the County, District and Unitary Councils, health services and other public bodies. Governance arrangements for the new programme have already been agreed. This includes the establishment of a Professional Advisory Group (PAG) to bring together the heads of property and asset management across the County and enable them to advise on the programme and be directly informed about developments.

In the first instance these projects in Essex will be centred around: establishing new civic service hubs; helping authorities access the new MITIE facilities management contract recently procured by Essex County Council; developing a mapping and common database system across the county (possibly using ePIMS lite); and sponsoring new energy management initiatives.

A summary of quantifiable financial benefits from partnership working over 10 years

	Annual revenue saving (£m)	Capital receipts (£m)	Total saving over 10 years (£m)
Colaborative FM	0.48	N/A	4.8
Asset rationalisation	6.18	112.5	174.3
Energy management	1.37	N/A	13.7
Skills sharing	0.60	N/A	5.1
Totals	8.63	112.5	197.9

Benefits from local improvement initiatives grouped by theme



For further information

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5.2 Carbon savings

The built environment accounts for 44% of the UK's carbon emissions. Public sector property itself represents 8% of total non-domestic carbon emissions³³. It is therefore clear that public sector property must play a prominent role in reducing the environmental impact of the UK's buildings. There is great potential to reduce the carbon emissions produced by public property by improving space utilisation, reducing occupied space and improving the efficiency of the remaining property portfolio.

Due to pressure on reducing costs, it is important that any effort to reduce public sector carbon emissions also results in considerable financial savings. Suffolk, for example, shows that developing joint sustainable property solutions across the public sector, and the associated aggregation of property assets for investment purposes, can increase the financial viability of investment. In addition, forming strategic pay-as-you-save partnerships or energy performance contracts with private sector organisations provides an opportunity to deliver cost-effective carbon reductions.

5.2.1 Energy efficiency measures and renewable energy generation

Public sector organisations should consider all cost-effective options for carbon reduction available to them. It is however important to note that investment options should be considered as part of a continuous and systematic improvement approach to cost-effectively reduce energy costs as well as carbon emissions. In the long term, investing in renewables might offer insulation against rising energy costs and a potential long-term revenue stream as well as carbon reduction. In the short term however, improving the energy efficiency of buildings offers public sector organisations the opportunity to significantly lower their energy cost and thereby both cut carbon emissions and receive a quicker return on their investment.

Public sector organisations have, from August 2010, been allowed to sell electricity that they produce back to the national grid, providing an additional source of revenue, ensuring energy security and reducing vulnerability to inevitable increases in energy prices. The Feed-in Tariff (FIT) renewable energy scheme aims to incentivise small-scale low-carbon electricity generation by organisations, businesses, communities and individuals that are not traditionally engaged in the electricity market by offering a 'clean energy cash back'³⁴. This allows the public sector to invest in electricity generation in return for a guaranteed payment for both the electricity they generate and use, and any surplus they might export. Small-scale solar photovoltaics (PV) or wind generating capacity installed by public sector organisations could therefore guarantee them a revenue stream. This enables a reliable and transparent return on investment from the scheme as well as a publicly visible commitment to the reduction of carbon emissions. The diversification of energy supply by investment in renewable energy generation, which is vital to meeting the EU targets for Renewable Energy Technologies, represents highly viable investment due to the availability of various subsidy schemes.

33 Carbon Trust, Richard Rugg, Head of Public Sector, Government Business, Moving through uncertainty to reap the rewards, 2011

34 Department of Energy and Climate Change, Feed in Tariffs, 2011

Public sector organisations should equally focus their efforts on energy management and addressing the issue of energy efficiency³⁵. Analysis shows that energy is the most poorly managed resource consumed by private and public organisations, with many having a very limited understanding of where and how their energy is used³⁶.

Stephen Barker, Head of Energy Efficiency and Environmental Care at Siemens, said:

“From our experience, a well run energy efficiency programme can deliver energy cost savings averaging 15%, in return for an investment typically paid back in two years as well as significant carbon emission reductions.”

There are however, a number of caveats associated with the delivery of energy efficiency projects that should be considered. It can be difficult to establish the precise costs and benefits associated with the development of energy efficiency investment strategies. Devising energy management measures requires detailed information about energy usage. While there has been a strong uptake of technological tools that enable more exact measurements associated with the increased requirements for energy consumption reporting³⁷, there is still a considerable knowledge gap in many organisations.

Aside from the cost uncertainties, there is also considerable ambiguity associated with the assessment of potential benefits of energy efficiency projects. In comparison to investment in renewable energy generation, the investment case for energy efficiency is more difficult to demonstrate as the cost savings are realised through savings in utility bills and taxes associated with carbon emissions³⁸. Current estimates show the Carbon Reduction Commitment levy of £12 per tonne has increased utility bills by 7%-8% while energy costs have increased by approximately 15%-20% over the last year³⁹, which adds up to an overall increase in energy costs of approximately 25%. Due to a general trend of rising energy associated costs⁴⁰, there is a very strong business case for investing in energy efficiency.

Recommendation 15

Public sector organisations should invest in both energy efficiency measures and renewable energy generation to deliver cost-effective carbon reduction within the built environment.

35 Carbon Connect, Energy Efficiency: The Untapped Business Opportunity, 2011 examines the application of an Energy Management Hierarchy for the private sector to devise a continuous and systematic improvement approach to cost effectively reduce energy costs as well as carbon emissions. This approach could be replicated in the public sector

36 Green Monday, KPMG and Siemens, Energy Efficiency White Paper, 2011

37 Under the Carbon Reduction Commitment, the UK's mandatory scheme to improve energy efficiency, organisations must report half-hourly metered electricity consumption settled on the half-hourly market. Organisations that consumed more than 6,000 megawatt-hours (MWh) per year during 2008 fully qualify for the scheme. (Department of Energy and Climate Change, Carbon Reduction Commitment Energy Efficiency Scheme, 2011)

38 The two options could however be seen to have a similar risk profile as there is also a considerable risk associated with the energy generation from renewables in adverse weather conditions

39 Average electricity prices excluding the Climate Change Levy (CCL) have fallen between Q2 2010 and Q2 2011 by between 1%-5% for very small and small consumers, but have risen by between 1%-11% for all other consumers. Average gas prices excluding CCL have fallen between Q2 2010 and Q2 2011 by between 2%-4% for very small and small consumers, but have risen by between 20%-54% for larger consumers (Department of Energy and Climate Change, Prices of fuels purchased by non-domestic consumers in the United Kingdom excluding/including (CCL), 2011)

40 This includes both the trend of rising energy prices and a potential rise in the charge associated with the Carbon Reduction Commitment Efficiency Scheme in the future. In addition, the 2011 Budget announced that the Government will introduce a carbon price floor for electricity generation from April 2013, to drive investment in the low-carbon power sector (HM Treasury, Budget, 2011).

5.2.2 Economies of Scale - procurement and investment benefits

All public sector organisations currently face pressure on their budgets, impacting on all investment decisions, not least on energy management solutions. This inquiry found that most public sector organisations will only consider energy management investment proposals with a return on investment of less than five years due to the constraints imposed on approving investment decisions at a local level⁴¹.

Matt Fulford, Head of Buildings at Sustain, said:

“The current financing arrangements for energy efficiency schemes are generally more favourable for programmes that are over £1 million in value, which implies bigger programmes are needed to secure project finance at a reasonable interest rate.”

The cooperation of public sector organisations in the development of common investment solutions could increase the scale and therefore the viability of energy efficiency projects. Joining forces with other organisations through one of the property partnerships described above, and the resulting increase in scale, might enable cost-effective implementation of carbon reduction schemes. The experience of Suffolk’s public sector shows how working in partnership with other public sector organisations can generate economies of scale, increase cost effectiveness and unlock other long-term opportunities.

To benefit from scale as well as to facilitate the uptake of new technology and innovative solutions, public sector organisations should aim to generate a detailed understanding of all viable energy efficiency measures across their estates⁴². They could then jointly procure specific programmes to implement these measures. Exploring various procurement options might also enable public sector organisations to utilise pre-existing procurement channels and thereby develop investment schemes at a significantly lower cost and over a shorter time period.

Following the development of a clear understanding of all the viable energy efficiency measures across this aggregated estate, public sector organisations should assess their funding options. Direct investment will generally create a better return, because there is no profit sharing, but alternatively establishing an energy performance contract might effectively balance funding availability and risk management. Establishing an energy performance contract with private sector partners could provide an alternative opportunity to deliver cost-effective energy and carbon reduction measures.

Energy Service Companies (ESCOs) could help to address barriers to energy efficiency and microgeneration by providing information, finance, installation and maintenance under long-term performance-based contracts⁴³. Due to the payback period on many required investments under such contracts, the model is not viable for a timeframe

41 There has been an overwhelming consensus among the public sector participants of the Westminster Sustainable Business Forum Leaner and Greener Round Table discussions convened in Birmingham, Manchester, Leeds and Bristol over the summer and autumn 2011 in follow up to the Leaner and Greener: Delivering Effective Estate Management Report which was published in February 2011, that energy management investment decisions are informed by the 5 year return on investment rule.

42 In addition to cost effective spend to save energy efficiency measures, public sector organisations should also explore associated funding sources such as the SALIX Finance or potentially funding through the Green Deal, which is the Government’s flagship energy efficiency scheme intended to enable energy efficiency improvements to residential properties with no up-front cost to the occupier. Local Authorities should proactively engage with the Department of Energy and Climate Change to seek cost effective measures to improve the energy efficiency of their extensive social housing portfolio.

43 Bertoldi, Hinnels and Rezessy, Liberating the Power of Energy Services and ESCOs in a Liberalised Energy Market, 2007

shorter than five years, but more realistically seven years. It is therefore necessary for organisations to take a long-term view when considering an ESCO model. In addition, the case study from Woking shows that participation in an ESCO arrangement enabled the Council to create a ring-fenced capital fund for energy and environmental projects that enables systematic investment in new projects and allows it to demonstrate savings from energy efficiency initiatives.

The restrictions that the long time frame places on public bodies entering energy performance contracts must be weighed against the substantial benefits that these contracts have to offer, including the potential to reduce carbon emissions by around 25% on existing assets. Carbon reductions of this magnitude cannot be delivered by measures with a shorter return on investment than five years. It must be noted that energy service contractors do not only offer guaranteed-savings contracts, under which the cost reduction in energy for a pre-determined time period is guaranteed, but also shared savings contracts, under which payments to the contractor are deferred until savings are realised.

Recommendation 16

Public sector organisations should cooperate with public and private sector partners to develop cost-effective and systemic programmes of energy investment and maximise the cost efficiency of energy management and carbon reduction strategies by aggregation in property.

Public sector organisations need specialised skills to devise improvements in energy efficiency. The required skill sets include the business planning skills to prepare the energy efficiency strategy as well as technical knowledge of available energy efficiency solutions and their application.

Relying on external energy management advisors is a viable solution for smaller organisations. Yet, external consultants might not always be capable of grasping the complexity of an organisation within the limited time span available to provide advice. This creates a danger of only the obvious solutions being implemented while more thorough solutions are missed. Internal skills are also extremely valuable to ensure that the benefits envisaged by the strategy are delivered. Developing a team of energy management specialists that is shared by a range of public organisations might be a cost-effective solution to the issue. The evidence from the Barts and The London NHS Trust shows that enhancement of a skills base can provide an impetus to revisit energy efficiency and introduce strategic measures to lower energy cost as well as reduce carbon.

Recommendation 17

Public sector organisations should enhance internal skills to devise and implement comprehensive energy management strategies covering both energy generation and efficiency measures.

LONDON

CASE STUDY

BARTS AND THE LONDON NHS TRUST: ENERGY EFFICIENCY AS A HIGH RETURN COST CUTTING STRATEGY

Challenge

The NHS' ambitious environmental efficiency target aims for an 80% carbon reduction by 2050 based on 1990 levels, the equivalent of a 3% annual reduction. The increasing cost of energy adds additional pressure. In the baseline year, 2007, Barts and The London NHS Trust (BLT) had an annual energy spend of £7.2 million. The annual carbon footprint of its property portfolio was approximately 93,000 tonnes, which translates to an annual cost of £444,000 under the Carbon Reduction Commitment scheme.

BLT thus faced dual pressures; to contribute towards the carbon reduction target as well as reduce the increasing cost of energy and recent application of a carbon levy. Under the NHS target, BLT is obliged to reduce its annual carbon emissions by 80% by 2050, the equivalent of taking 74,000 tonnes of emissions out of its operations to bring the organisation's footprint to 18,600 tonnes.

Action

As BLT possessed no energy and environmental management skills within its organisation, BLT commissioned the Carbon Trust to review potential energy efficiency opportunities. To deliver opportunities outlined by the review, BLT decided to enhance its internal skills and create a new role for an 'Environmental Manager'. In addition, there are a number of fundamental principles that the Trust established to build its strategy and outcomes.

Firstly, to obtain reliable data in order to build an effective carbon reduction strategy, the Trust installed Automatic Meter Reading (AMR) equipment to allow energy use to be measured on a half-hourly basis. A reliable data base was used to build solid investment cases with simple paybacks, even without factoring increasing energy prices.

Secondly, the delivery of immediate 'quick wins' was core to building confidence in the invest-to-save model. Potential quick and tangible savings were established on the basis of energy cost. In addition, bigger CAPEX projects have been introduced and approved as the early investments started to deliver results that were better than, or in line with, expectations.

Thirdly, making the change visible to all the staff and the executive team strengthened the case for further energy saving measures. For instance, the installation of PC power management software, which automatically turns machines off over night and if they are left idle, was installed onto every machine and has visibly raised awareness of the energy usage from IT within the organisation. These visible changes are important to persuade people to change their behavior. Getting people to change how they use the technology, involving significant staff engagement, is essential to deliver all potential benefits.

Outcome

Following an investment of £1.2 million in 11 initiatives, Barts and The London NHS Trust had as of April 2011 generated annual financial savings of £800,000, leading to a combined payback of 18 months. As an outcome of the programme, the annual energy spend of the Trust has been lowered to £5.8 million and total annual carbon emissions have been reduced by 5,977 tonnes to 36,860 tonnes, which also contributed towards a CRC cost reduction of £71,000.

Due to the success of the quick payback measures, the Trust is considering using Energy Performance Contracts (EPC) for investments with paybacks for a longer timeframe. The potential investments of £15 million in a Combined Heat and Power plant, and lighting and chillers, both funded through an EPC, are being evaluated.

Project description	Investment	Annual savings	Annual CO ₂ savings (tonnes)	Payback period (months)
Burner controls, steam traps & insulation	£165,490	£191,871	1,842	10
Steam trap repair/ refurbishment	£7,500	£32,000	235	3
Lighting	£92,293	£37,957	28	29
VSDs/economisers	£35,000	£9,500	76	44
AMR	£80,000	£0	0	N/A
Power optimisation	£320,000	£86,502	619	44
Air conditioning repairs & leaks	£144,000	£209,600	1,354	8
Chillers	£208,000	£72,893	522	34
Boiler controls and plate heat exchanger	£34,000	£27,000	327	15
Cycle plant pots	£2,990	-	0	N/A
Cycle showers	£83,000	-	0	N/A
PC power management software	£36,000	£125,000	895	3
Flange and valve insulation at SBH and LCH	£9,250	£9,986	79.02	9
Totals	£1,217,923	£802,309	5,977	18

For further information

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WOKING

CASE STUDY

WOKING BOROUGH COUNCIL'S THAMESWEY JOINT VENTURE PROJECT

Challenge

Woking Borough Council has the long-term aim to be the most energy efficient council in the UK. In order to implement an energy efficiency strategy with the goal of reducing environmental damage and maintaining a sustainable fuel policy, the Council decided to explore whether it was legally possible for Local Authorities to participate in energy service companies (ESCO). The ESCO would enable the supply of electricity to customers within the Borough through private wire and combined heat and power (CHP) networks.

Action

The Council formed its wholly-owned Energy and Environmental Service Company, (EESCO), Thameswey Ltd (TW), to capitalise on its intellectual property in small-scale community CHP and to enable large-scale district energy CHP to be implemented, partly with private finance. The purpose of TW was to enter into public-private joint ventures to deliver its energy and environmental strategies and targets (primarily energy, fuel poverty, waste, water and transport). The Council uses a recycling fund, administered by a cross-party Climate Change Working Group, to finance sustainability measures in the Borough, such as the improvement of existing or construction of new CHP schemes and the installation of other sustainability measures.

TW has also set up a public-private joint venture ESCO called Thameswey Energy Ltd (TEL) that brings together TW with the Danish Company Xergi A/S. TEL provides energy services to private and public entities, including Local Authorities and private developers outside Woking. Its projects are financed with shareholding capital and private finance.

The joint venture allows TW to implement large-scale projects, partly with private finance, with the Council's shareholding capital coming from loans from the UK Government's Public Works Loan Board.

Outcome

The setting up of the Energy Efficiency Recycling Fund has been a great success for the Council. A ring-fenced capital fund for energy and environmental projects, where funds from sustainable activities are transferred to, is used to fund investment in new projects and demonstrate savings from energy efficiency initiatives.

Woking has been able to bring together CHP and a mix of appropriate renewable technologies to deliver heating, cooling and electricity for public and private customers. The Council cut its own carbon emissions by creating a network of local generators and photovoltaic installations in order to power, heat and cool municipal buildings, social housing, and town centre businesses.

For further information

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SUFFOLK

CASE STUDY

SUFFOLK COUNTY COUNCIL

MAXIMISING THE VALUE OF PHOTOVOLTAICS

Challenge

Suffolk County Council (SCC) sought to deal with the dual imperative of providing its estate with renewable energy and improving its energy efficiency. The SCC estate comprises over 350 schools which collectively account for in excess of 80% of SCC's property-related carbon footprint. This presents both a challenge, since every school is largely an independent decision-making body, but also an opportunity given that schools have many similar features which invite economies of scale.

The benefits of scale give rise to highly cost-effective solutions, which offer a compelling prospect for schools and also more widely across the public-sector estate. Examples include lighting-replacement schemes which deliver substantial improvements in energy efficiency and also photovoltaic panels as a means of generating on-site low-carbon electricity.

The financial benefit of these projects can be used in a range of different ways. Firstly, they deliver savings on energy costs and reduced carbon emissions. Secondly, rather than simply banking savings, the financial benefits can be utilised to finance other energy efficiency projects which do not fit the normal five year payback criteria and would not therefore normally be progressed.

Action

SCC has developed a photo-voltaic (PV) scheme to benefit from the economies of scale associated with its large estate, of which a significant proportion is school buildings. Under the scheme schools are offered a share of their electricity at zero-cost, whilst the PV equipment will be installed and maintained using the associated Feed-in Tariff (FiT). In addition to free electricity, the school will also benefit from a surplus from the FiT after all whole-life costs have been met.

In addition, a number of schools have a wish list of other energy improvement measures that they would like to implement if a financial solution was available, for example the replacement of low-standard, energy-inefficient windows. For these schools PV panels represent an effective repayment vehicle for energy-related project capital as they use the financial benefit to fund fabric and heating improvement projects rather than realise a reduction in electricity costs.

Outcome

SCC is currently installing PV panels across a large part of the Suffolk Schools estate, and is expected to extend this to other public sector partners. The programme has proved highly cost effective due to economies of scale, which have allowed benefits from the FiT scheme to fund other energy efficiency projects. In this instance the FiT scheme and the application of economies of scale has not only encouraged the instillation of renewable energy generation, but has enabled the implementation of additional energy efficiency measures.

For further information

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5.3 Improved productivity and service delivery

The rationalisation of the public sector's property portfolio offers an opportunity not only to improve workplace design to maximise the productivity of the public sector workforce, but also to revolutionise the way services are delivered by enhancing opportunities for flexible working. Reducing public sector employees' dependency on property and shifting service delivery to other channels can improve the effectiveness of public services while reducing costs and carbon emissions. With regard to the office environment, improvement in the physical characteristics of the workplace can enhance the productivity of public sector employees.

5.3.1 Workplace productivity

While there is a general understanding of the importance of workplace productivity and flexible working programmes, improvement of productivity is rarely a part of the business case for property rationalisation programmes. Yet, there is a vast body of evidence (see Figure 10) showing the link between the workplace and the productivity of occupiers found in academic research and case studies emanating from both the UK and overseas.

Figure 10: Drivers of improved productivity⁴⁴

Productivity Issue	Source	Impact on Productivity
Increased illuminance for paper-based work	Barnaby, 1980	+2.8%
Introduction of uplighting for VDU work	Hedge et al, 1995	+3.0%
Lighting upgrade in drawing office	Romm & Browning, 1994	+13.0%
Sound absorbing material in typing pool	Wilson, 1952	+29.0%
Uncomfortable conditions in typing pool	Wyon, 1952	+40.0%
Increased fresh air intake to dilute pollutants	Kemp & Dingle, 1994	+3.0%
Move from natural ventilation to air conditioning	Sterling & Sterling, 1983	-6.0%
Comparison of natural ventilation to a/c offices	Oseland, 1995	+3.0%
Control over environmental conditions	Drake et al, 1991	+9.0%
Control over environmental conditions	Kroner et al, 1994	+2.8%
Refurbishment of office	Kroner et al, 1997	+12.9%
Bank refurbishment	Romm & Browning, 1994	+15.0%
New furniture	Sullivan, 1990	+15.0%
Properly designed workstation	Springer, 1982	+10.0%
General improvement in office environment	Wyon, 1993	+15.0%
General improvement in office environment	Brill et al, 1984	+15.0%

Source: Brian Thompson, Workplace design and productivity: are they inextricably linked?, 2008

⁴⁴ It is beyond the scope of this report to show how productivity was defined and measured in all of the studies. For explanatory purposes it however has to be noted that a variety of research methodologies were adopted, including the use of laboratory simulations and 'real life' testing of hypotheses in an office environment.

Much of the existing work on productivity in the office environment has been focused on the capacity of individuals to complete tasks quickly and accurately, which explains why focusing on the human comfort factors of temperature, ventilation, light and other environmental attributes is important. However, if the office is a vehicle for interaction, because solitary work is performed elsewhere, there are other attributes, such as the nature and accessibility of breakout areas, informal meeting spaces and spaces for interaction that also need to be taken into account⁴⁵. Research has shown that the workplace environment can have a significant impact on both issues.

Research shows that improvements to the workplace can enhance productivity of employees from between 5%-15%⁴⁶. There is a range of physical factors in the workplace that can impact on productivity, including the air quality, noise and temperature, but it is difficult to assess the impact of individual measures. Figure 10 shows the estimated impact of different physical factors, many of which should be addressed as a part of a property rationalisation exercise.

45 Brian Thompson, *Workplace design and productivity: are they inextricably linked?*, 2008 as a part of RICS, *Property in the Economy: A digest and review of key data and statistics*, 2008

46 Chartered Institution of Building Services Engineers (CIBSE), *Environmental Factors Affecting Office Worker Performance: A Review of the Evidence*, 1999

Improved workforce productivity has the potential to deliver significant benefits, but these are often not accounted for. Self-assessment surveys as well as research show that productivity improvement is generally in the range of 5%-15%. Taking the lower 5% estimate of improved productivity by improving workplace standards and the flexibility of the workforce, it is estimated that financial benefits of up to £8 billion annually could be generated. This is based on the calculation in Figure 11.

Figure 11: Financial benefits of improving workplace standards and the flexibility of the workforce⁴⁷

Total number of public sector employees (Central and Local Government)	6,037,000
Average public sector employee cost per day (in wages)	£113.00
Total cost of all public sector employees per day	£685,000,000
Total cost of all public sector employees' productive time, assuming overall 80% productivity	£548,000,000
Potential financial gain per day from increasing public sector employees' productivity from 80%-85% by improving workplace and workforce flexibility	£34,000,000
Potential financial gain per year from increasing public sector employees' productivity from 80%-85% by improving workplace and workforce flexibility	£7,877,000,000

Work places that facilitate the successful interaction between occupants or those that improve the opportunities for chance interactions also have a positive impact on creativity, performance and innovation⁴⁸. In order to fully utilise property, rationalisation programmes should aim to provide suitable physical characteristics of workplaces to maximise individual productivity, but also to facilitate improved team working and business processes across the organisation. Extrapolating these findings across a locality suggests that cross-public sector organisations serving the same customer will improve their efficiency and improve service delivery.

Recommendation 18

Public sector organisations should assess the financial and social benefits of increased workforce productivity resulting from improved workplaces and more efficient service delivery.

⁴⁷ Calculations carried out are based on the following assumptions:

- It is estimated that value delivered in the public sector from staff is a 1:1 ratio of cost of staff.
- There are 230 working days in the year (this allows for 22 days holiday and 8 bank holiday [5 working days x 52 working weeks less 30 days annual leave + bank holidays]) this means that average cost per day = £113.47 (given the mean gross annual pay of all employees in the public sector in 2009 was £26,097 pa - Figure from Office for National Statistics, Statistical Bulletin: 2010 Annual Survey of Hours and Earnings).
- There are 6,037,000 public sector employees, based on statistic from the Office for National Statistics, Statistical Bulletin, Public Sector Employment, Q2 2011
- Productivity Improvement is based on an assumption that staff are 80% productive currently and that a 5% improvement to 85% productivity is achieved through improving workplace standards and enhancing flexible working.
- 5% productivity improvement is based on the lower estimate from the findings of Chartered Institution of Building Services Engineers (CIBSE), Environmental Factors Affecting Office Worker Performance: A Review of the Evidence, 1999

⁴⁸ Haynes, An Evaluation of Office Productivity Measurement, Journal of Corporate Real Estate, 2007; and Oseland, Environments for successful interaction. Facilities, 2011

5.3.2 Flexible working and service delivery

Increasing staff flexibility and space utilisation can also provide financial benefits and unlock public service improvement. While this report is primarily focused on efficiency savings achievable through property, it is important to emphasise that the relative weightings of property and staff costs shown in Figure 12 display that the cost of human resources far outstrips property cost. In addition, evidence shows that flexible working opportunities are an important element in retaining a highly skilled workforce and lowering turnover, as employees seek employers able to provide them with work-life balance⁴⁹. Flexible working therefore has significant potential to not only deliver property savings, but can importantly also reduce staff costs.

Figure 12: Weightings of property and people costs for office building⁵⁰

Cost	Percentage of total
Salaries	85
Construction costs	6.5
M&E services - operation and maintenance	4
Furnishings - capital cost	1.25
Building maintenance	1
Cleaning and security	1
M&E services - depreciation	0.75
Furnishings - maintenance and depreciation	0.5

Source: British Council for Offices, Guide to Post Occupancy Evaluation, 2007

Public sector organisations carry out a wide range of operations and different kinds of work that require different approaches to flexibility. Overcoming these complexities can have a number of positive benefits for both employees and their employers.

Flexible working enables employees to achieve a balance between their personal and work life that also fulfils the needs of the business. Employees are also able to avoid everyday travel and save on transport costs as well as lower travel emissions. Evidence from Stockport suggests that flexible working enables employees to make 37% fewer trips during peak hours and undertake 8% fewer journeys a week as well as reduce ‘travel stress’ for those days not travelled⁵¹.

49 Evidence from Stockport Metropolitan Borough Council shows that flexible working led to a lower turnover rate as well as enhanced the quality of applicants.

50 Presented figures reflect the 25-year expenditure profile of an office built for owner occupation

51 Findings are based on an employee who generally adopts the traditional ‘9-5’ approach in the office.

Organisations that introduce flexible working can also benefit from lower space requirements and thereby reduce their property costs and carbon emissions. Flexible working is also associated with the reduction in sickness absence and reduced employee turnover. Finally, employees who adopt a wider range of working hours are able to offer more contact time to customers and therefore an improved service.

Recommendation 19

Public sector organisations should introduce programmes aimed at improving workplace productivity and workforce flexibility to increase the efficiency of their workforce, improve service delivery and generate financial savings.

STOCKPORT

CASE STUDY

STOCKPORT METROPOLITAN BOROUGH

WORK LIFE BALANCE IMPROVEMENT PROGRAMME

Challenge

Stockport Metropolitan Borough wanted to develop a range of flexible working options to deliver four strategic objectives: increase participation in flexible working to become an employer of choice; reduce 33% of floor space through the use of new ways of working with innovative IT technology and office design; allow employees to take more control of their work life balance as it has a positive effect on service delivery; and reduce the environmental footprint in line with the Council's priorities.

Action

In order to deliver the desired outcomes, the Work Life Balance Board was allocated a three-year capital budget of £800,000 and an annual revenue budget of £59,000 to establish a mechanism which would support and enable four key strategic drivers, based on asset management and employee engagement. The Board established strict criteria to enable direct linkage of benefits to the capital expenditure (such as the ICT equipment to enable flexible working). It was not essential to match pound-for-pound capital expenditure to desk space saved, as a primary purpose of the up front capital expenditure was to gain wider usage of flexible working. In summary £375,000 has been spent enabling the removal of approximately 250 desks, at an average cost of £1,500 per desk. A further £170,000 has been spent on technology and software in support of flexible working.

The uptake of flexible working has occurred across all Directorates, in a wide variety of teams where the patterns of flexible working demonstrates the theme of 'not one size fits all'. Teams have gone through a substantial planning process to ensure that the adoption of flexible working runs smoothly. The most common options adopted were: working from home one to two days a week; working from home all contracted hours; extended flexi-time scheme (which sees the reduction or removal of core hours) and compressed hours. Other flexible working patterns at a team level have also been adopted.

Outcome

The accommodation reduction of 5,097 m² ⁵² has been achieved by the closure of certain Council buildings including Greenhale, Oak House, St Peters and Burley; and the implementation of flexible working patterns across all five Directorates. This has seen 600 employees working from home either full time or one to two days a week), across a civic employee population of approximately 1,600. In year four the project provided a net benefit of £744,000 to the organisation.

Two of the biggest benefits have been the reduction in sickness absence (in particular short term) and reduced employee turnover in hard to recruit for posts⁵². Productivity is difficult to assess as many directorates are not producing a quantifiable product. However, since the advent of home working each home worker logs their daily activities in a file accessible to their line manager thus enabling management by

⁵² Sickness absence and labour turnover statistics however have to be considered in regard to the economic climate. Flexible working policies have a generally larger impact in more positive economic times.

outcomes rather than presence. As an indication of improved performance the Integrated Transport Capital Programme has been increased over the same period by about 30% with an increase in staff resources of only 10%.

While service delivery improvements have been harder to measure as some service areas are more process driven than others, a number of key benefits have been identified. In particular, through the introduction of wider start and finish times teams are able to offer more contact time to customers. Within Environmental Health and Trading Standards, a small pilot of four employees has demonstrated employees are able to spend more time with their clients.

Flexible working also benefited the environmental policies within the organisation. The Travel Survey based on an employee who adopts the traditional '9 to 5' approach in the office, saw 37% fewer journeys in peak travel time (reducing congestion) and home workers on average reduce their mileage by approximately 30% a week. Overall there is clear evidence that flexible working has had a significant impact in reducing peak hour car journeys, congestion as well as reducing travel stress for those days not travelled.

Summary financial WLB programme 2005/6 - 2007/8

	Year 1 2005-06 (£000)	Year 2 2006-07 (£000)	Year 3 2007-08 (£000)
Capital investment for each year	60	91	394 ⁽¹⁾
Recurring costs	42	140	176
Accommodation savings notional	n/a	-150	-375
Absence & labour turnover reduction	n/a	n/a	-545
Annual net benefit / cost	102	-81	-350

(1) £255k was carried over into 2008 – 2009 to support two mobile working pilots



For further information

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GLOSSARY OF TERMS

This glossary of terms defines what we mean by some of the phrases used in the report:

A sustainable estate

A sustainable public sector estate is one which effectively supports future models of public service delivery and flexible working practices. It is also economically affordable and performs to the environmental standards set out in UK, EU and wider legislation.

Economies of scale

This report refers to economies of scale in light of delivering efficiency savings achieved by lowering the operational cost of the property through enlarging the size of the managed estate, and by lowering the overall cost of operating buildings through increasing the scope of property and facilities management contracts.

Estate rationalisation

The consolidation of an asset base, disposing of surplus space and thereby reducing the estate's size and cost.

Geographic Information System (GIS) Map

A GIS map is a system that captures, stores, analyses, manages, and presents polygon rather than point data. Geographically referenced information allows different elements of information (polygon data) to be overlaid onto a map around co-ordinates and contains more visual information than basic point data.

Locality

Locality describes a settlement in which people live and work. A locality can range in size from a small number of dwellings grouped together to large cities with surrounding urbanised areas.

Local government

Administrative authorities including all Unitary Authorities, County Councils, District Councils, City Councils, Metropolitan Boroughs, Town and Parish Councils.

Local Strategic Property Forum

The Forum is a strategic property working group aiming to generate integrated long-term service and property strategies that reflect the demographic and geographic characteristics of a locality. The Forum should be composed of all public sector providers in a locality and agree a set of common principles.

Memorandum of Understanding

A Memorandum of Understanding is a framework setting out the governance, common vision and objectives between public sector organisations participating in the Local Strategic Property Forum, to provide a degree of formalisation for the partnership.

Pooled Property Management Agreement

An Agreement between public sector providers in a locality to delegate strategic control over a selected pool of properties as a quasi-single estate to the Pooled Property Partnership Board.

Pooled Property Management Service

The Service is responsible for the day to day running of the local public service providers' estates to achieve a reduction in duplication of certain roles and tasks within individual property teams in each organisation.

Pooled Property Management Board

The Board is a locality-based entity empowered to exercise strategic asset management over a selected pool of cross-public sector assets. The Board is a more formal approach than a Local Strategic Property Forum that moves towards the more strategic end of the property governance spectrum.

Public-Private (Joint Venture) Partnership

A Public-Private (Joint Venture) Partnership describes a range of different commercial arrangements between two or more separate entities, which contribute resources to the venture and share the risks and benefits associated with the venture.

Public Property Company

A Public Property Company is a legal entity with ownership over a number of pooled public property assets within a locality to enable a greater level of property rationalisation and deliver greater financial and environmental benefits for local residents. The Company is an alternative to a more flexible Pooled Property Management Agreement.

Public-Public Partnership

A Public-Public Partnership describes an arrangement between two or more public sector organisations, which contribute resources to the partnership for the purpose of the joint delivery of property services as well as the common use of property.

Public sector

The public sector are service delivery bodies that are not owned by the private sector and provide government services, including local government, health, fire, police, education and transport. In this report, the public sector service delivery bodies are also referred to as public sector organisations, agencies and providers.

Service Asset Strategy

A Service Asset Strategy is a strategy developed together by Central Property Units and Service Directorates, linking together service vision and property requirements. It identifies accommodation needs over the medium to long term to enable it to deliver the best value services.

Service delivery bodies

Public, private and voluntary sector organisations whose main aim is to provide a specific service to citizens. This term includes organisations within numerous sectors, such as health, police, fire, education and transport.

Spend to Save (Invest to Save)

Projects requiring a level of up front capital investment in order to generate medium to long term revenue savings.

Sustainable estate management

The series of policies and processes deployed by the public sector to improve the environmental and economic efficiency of their estates and the social well-being of those who use them in the long-term.

WESTMINSTER SUSTAINABLE BUSINESS FORUM

The Westminster Sustainable Business Forum (WSBF) is a high level coalition of leading businesses, parliamentarians and organisations, which seeks to promote effective sustainability policy in the UK.

The WSBF brings together leading businesses who share a belief in the need to operate in an environmentally, socially and economically sustainable way, and who understand that these concerns need to be incorporated into core business practices in order for companies to prosper in the long term.

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