For further information, please contact
Peter Janoska, Project Researcher
Rachel White, Manager, Westminster Sustainable Business Forum
Vilhelm Oberg, Head of Sustainability, Policy Connect

Westminster Sustainable Business Forum
Policy Connect
CAN Mezzanine
32-36 Loman Street
London SE1 0EH

020 7202 8584
sustainability@policyconnect.org.uk

www.policyconnect.org.uk/wsbf

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A report by the Westminster Sustainable Business Forum

Westminster sustainablebusiness Forum

LEANER AND GREENER

DELIVERING EFFECTIVE ESTATE MANAGEMENT

CONTENTS

FOREWORD

In these stringent times, all parts of the public sector are under huge pressure to spend money wisely. The scale of the pressure on budgets means that doing things as before, but on tighter budgets will not work. The public sector needs to change the way it uses its property.

This report shows the sheer scale of savings available to local government from better use of their property. Of the £370 billion of property owned by government and costing £25 billion a year to run, £250 billion is owned by local government. The findings show that managing property effectively can reduce the space needed by 30%, with potential savings in running costs of up to £7 billion a year. For example, Birmingham City Council plans to reduce its core office portfolio from 55 to 8 buildings, cutting space used by 40% while delivering over £100 million in savings.

Perhaps surprisingly, improved property management leads to a trinity of benefits: lower costs, lower carbon emissions, and better services.

After six months of studying how some of the very best councils have changed the way they work, we have brought together some clear examples of how changes can be made. Where councils have brought together different local public services, managed space more flexibly and sustainably, and incentivised the people to use space well, they found not only cost reductions but that better services were provided. Of course there are barriers to this sort of success. So the report highlights fifteen concrete steps that can be taken to unlock these improvements.

One of the most challenging findings of the research is that the biggest benefits come when all public services are provided from the same location. Coordinating the myriad of service providers is not easy. But the severity of budget constraints means that the status quo is no longer an attractive option, which in turn, may promote change among disparate groups.

Likewise, the proposal that control of property should be centralised within organisations, and an internal charge levied for use of space is challenging. But the organisations we heard from who have made the change – including large scale private sector firms – testify that the impact is significant.

Sustainability is high on our political agenda, and needs to be addressed by local government. Using the measures shown to work in this report, not only reduces the environmental impact, but also protects the public purse.

Some authorities are already implementing a number of our proposals, but much more can be done. We have learnt a huge amount from those who are at the forefront, and I hope that through this report more can follow. The scale of the prize should not be underestimated.

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 for their time and hard work. I am grateful to Colliers International, Consensus Business Group and Interserve for their sponsorship, and to Peter Janoska for compiling this report.

Matthew Hancock MP
Inquiry Chair

EXECUTIVE SUMMARY

Local government can save money and improve services through managing their property assets efficiently, sustainably and in partnership with other public and voluntary sector organisations.

The report's findings show that local government can achieve efficiency savings through decreasing the space it occupies by 20%-30%, by implementing low cost, flexible working practices and by establishing central control over the management of its property assets.

Moreover, there is a strong business case for increasing the sustainability of local government estate with potential savings of £180-£200 per m² per year. Local authorities currently spend up to £200 for every tonne of carbon they produce. In addition, it is estimated that the Carbon Reduction Commitment (CRC) will cost participating organisations approximately £200,000 a year.

This report highlights the importance of partnership working between local councils and their service delivery partners in the co-location of back office and front line services within common premises. Cooperation on the establishment of Local Property Management Boards and Pooled Asset Vehicles will enable more efficient asset management.

Public sector challenges

The Comprehensive Spending Review (CSR) in 2010 announced cuts of 26% to local government funding over the next four years. Meanwhile, other legislative imperatives such as the CRC will cost participating organisations approximately £200,000 a year. This creates a huge pressure on local government to make efficiency savings. The public sector estate is worth £370 billion and costs £25 billion a year to operate. Two thirds of this property, approximately £250 billion, is owned by local government. This report explores the possible savings that can be made from reducing the property portfolio and associated operational costs of local government and its public sector service delivery partners.

Space Utilisation and Centralised Asset Management

Lowering occupied space will enable the public sector to lower its property running costs. The average space occupancy rate within the public sector is estimated at 14.5 m² per full time employee (FTE). This figure is on average 20%-30% higher than the 2008 Government Space Standard of 12 m² per FTE for existing properties. The report has found that public sector organisations can deliver up to £7 billion of savings from lowering the space it occupies and through cooperation in procurement.

To effectively rationalise its estate and generate considerable efficiency savings, local government should strive towards the establishment of a structure where all property decisions are being made centrally, rather than by individual service directorates. A Central Property Unit (CPU) will enable local government to target inefficiency in its property use and strategically address it. In addition to pooling skills within CPUs, local authorities should also develop measures that provide service directorates with incentives to critically assess their property use.

Recommendation 1

Local government should reduce the space it occupies by 20-30%, by following best practice examples of low cost, flexible working practices.

Recommendation 2

Local government should introduce a range of flexible property solutions to meet changing needs of various users and services.

Recommendation 3

Local government should ensure effective property management by establishing centralised control of its estate within one department. A Central Property Unit should be made responsible for centralised property decisions, including leases and the procurement of buildings.

Recommendation 4

Local government should incentivise efficient use of space at all levels. It should introduce techniques varying from an internal charge for the property use to allocating a share of benefits from the sale of vacated property for their own budgetary use, in order to further incentivise occupied space reduction.

Valuing Sustainability

Investment in environmental sustainability is an opportunity for achieving economic savings through carbon reduction and energy efficiency measures. The report has found that there is a strong business case for environmental efficiency. The energy cost of producing one tonne of carbon is within the range of £150 to £200. This is in addition to the added costs for carbon emissions generated from the CRC. The introduction of green measures for a standard administrative building, with staff on average public sector wages, can deliver financial savings in the range of £180-£200 per m² per year.

Recommendation 5
Government must emphasise the extent of savings available from decreasing energy consumption and the inclusion of the price for carbon emissions when settling future budgets to incentivise investment in a more sustainable estate.

Recommendation 6
Local government should use both quantified environmental and economic savings to strengthen the business case of paying a premium for increased environmental efficiency.

Cooperation with Partners
The report highlights that economic and environmental efficiency gains become considerably larger if local government cooperates with other parts of the public sector and voluntary sector. So called co-location of front and back office services not only improves the service access for the customer, but also lowers operational costs by achieving economies of scale on support services, while generating capital receipts from the sale of redundant property and delivering carbon savings.

In order to establish effective joint property solutions, local government and its partners must have the right data about its estate and service delivery. Local government needs to develop effective customer targeting methods to establish the service needs of a community. The appropriate service intelligence should be combined with an asset mapping tool, or a common public sector GIS map, to enable effective decision-making.

Recommendation 7
Local government should cooperate with public and voluntary sector partners to identify matching property requirements. This process should involve partners on all central and local government levels as well as service providers from health, police, fire, education and the voluntary sector.

Recommendation 8
Local government should develop a Service Asset Strategy to align service delivery and property requirements. The strategy should set out a forward looking vision of service requirements and be responsive to the changing needs of its customers by employing commercial targeting and profiling tools.

Recommendation 9
Local government should invest in asset management systems and adopt a pragmatic approach to data capture that limits the information collected to what is necessary to inform strategic decisions on the use of the estate.

Recommendation 10
Local government should introduce a common set of metrics to analyse the performance of its estates. Effective use and analysis of data should include overlaying essential property data to a GIS system to support effective cluster analysis and the identification of cross boundary rationalisation opportunities.

Implementing Solutions: Shared Asset Management Approaches
Cooperation between executives of all key public sector organisations in the area is crucial to the successful co-location of services. The report highlights the importance of a Central Property Unit in local government as the first step towards centralised property management. However, in order to establish a deeper level of cooperation, local authorities and their partners in the public and voluntary sector should then develop a common management solution, ranging from a local public sector property management board to a property vehicle for the estate of all local public service providers, to enable strategic asset management in a locality.

A local public sector property management board is a less sensitive option due to its limited managerial power over assets. As service providers are often not fully aware of the cost of the space they use, organisations should be incentivised to reconsider their property needs and rationalise the space they use. Centralised control over all local public sector estate delivers numerous benefits for public sector organisations in a locality because they will be able to focus on delivering services, while minimising their costs by only occupying the space that is really needed. Creating a Pooled Asset Vehicle in the locality and introducing a lease between the asset vehicle (as landlord) and the service provider (as tenant) will transfer the true cost of the premises each organisation occupies into its budget.

A public sector Pooled Asset Vehicle would benefit from greater financial resources. This would enable further investment into the properties, creating efficiency benefits from shared property, joint support services and improving service delivery. However, there are noteworthy governance, legal and accountability issues associated with property sharing and service co-location which should be addressed by central government to facilitate public sector property cooperation.

Recommendation 11

Local government and its public sector partners should establish a joint centralised property management structure to improve the efficiency of property management.

Recommendation 12

Local government and other public sector bodies should strive towards the creation of Pooled Asset Vehicles to facilitate a joined up approach to asset utilisation and to create a platform for levering private sector investment into the public sector asset base.

Recommendation 13

Central government should seek the removal of legislative, taxation and governance obstacles to the creation of Pooled Asset Vehicles to facilitate public property sharing at a local level.

Sustainable Asset Solutions

Improving environmental efficiency should be key for local government and its public sector partners. This report highlights that carbon emissions savings of 20%-40% are regularly possible within existing buildings through a combination of practical solutions. Cost-effective green solutions should be implemented as a priority, but longer term, Spend to Save options should also be considered for the delivery of longer term benefits.

Recommendation 14

Local government should, as a priority, implement simple low cost measures to reduce energy consumption, carbon emissions and operational costs.

Recommendation 15

Local government and its public sector partners need to explore Spend to Save projects, prioritising the retrofitting of existing space over new build, to deliver more extensive carbon reduction on its estate. Local government should seek support from specialised funding sources, such as Salix or the London Green Fund.

METHODOLOGY AND STEERING GROUP

Methodology

The inquiry was initiated in May 2010 with scoping sessions being held in May and June. A range of steering group sessions were held between September and December 2010 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, but do not reflect the opinions of individual witnesses, participants or steering group members.

Steering group sessions

Findings of the research were scrutinised in a series of meetings led by the inquiry chair Matthew Hancock MP, member of the Parliamentary Public Accounts Committee.

Steering group members

Lee Dawson	Assistant Director of Environment, Corporate Property and Project Coordination, London Borough of Hounslow and Past President ACES
Ian Ellis	Executive Chairman, Telereal Trillium
Matt Fulford	Head of Sustainability, EC Harris
Peter Gilroy OBE	Chief Executive, Peter Gilroy & Associates Former Chief Executive, Kent County Council
Richard Grass	Head of Public Sector, Colliers International
Paul Hepburn	Projects Director, Interserve
Duncan Johnson	Assistant Director (Property), Corporate Property, Suffolk County Council
Phil Kirby OBE	Director, Policy Connect
Shaun Purdy	Director, Carbon and Technology Funds, Consensus Business Group

CONTRIBUTORS TO THE INQUIRY

Betty Albon	Corporate Property Officer, St Edmundsbury Borough Council
Robert Bailey	Corporate Property Advisers
Naomi Baker	Climate Change and Sustainability Manager, London Borough of Southwark
Peter Barter	Corporate Asset Manager, London Borough of Southwark
Mark Bieganski	Property Strategy Manager, Birmingham City Council
Bill Blackaby	Strategic Project Manager, Strategy and Estates, Cambridgeshire County Council
Nigel Brown	Head of Estates, Kent County Council
Graeme Cameron	Sustainable Services Director, Serco
Steve Clow	Assistant Director of Property Services, Hampshire County Council
John Connel	Project Manager, Capital and Asset Pathfinders Project, Department for Communities and Local Government
Nick Dawe	Director of Finance, Cambridgeshire County Council
Nicky de Beer	Head of Operations, Local Government Leadership
Craig Dennett	Researcher, Combined Heat and Power Association
Graham Dixon	Director of Resources, Suffolk County Council
Craig Egglestone	Project Coordinator for the RIEPs, Local Government Improvement and Development
Simon Grubb	Head of Strategic Development, Interserve
Deborah Heenan	Deputy Director for Local Improvement, Transformation and Efficiency, Department for Communities and Local Government
Luke Hildyard	Researcher, New Local Government Network
Stephen Hockaday	Director of Business Development, Laing O'Rouke
Martin Hunt	Head of Built Environment, Forum for the Future
Duncan Johnson	Assistant Director of Property, Suffolk County Council
Peter Jones	Director of Property, Birmingham City Council
William Jordan	Chief Sustainability and Operating Officer, Office of Government Commerce
Graham Kean	Group Head of Public, EC Harris
Nigel Keohane	Head of Research, New Local Government Network
Paul Kirby	Partner, Performance and Technology for Local Government, KPMG
Suart Ladds	Director, Government Property Unit Shareholder Executive
Peter Madden	Chief Executive, Forum for the Future
Neil Monaghan	Former Head of Property Services, Oxfordshire County Council

Andrew Morgan	Corporate Property Advisers
Lydia Morrison	Deputy Head of Corporate Property, Manchester City Council
David Nuttycombe	Head of Strategy and Estates, Cambridgeshire County Council
Tanya Oliver	Director of Strategic Development and Public Access, Kent County Council
Peter Parkes	Head of Property Services, Worcestershire County Council
Bob Parkin	Partner and Service Lead Asset and Facilities Management, EC Harris
Bob Perry	Head of Property at Cornwall County Council and current President of ACES, Cornwall County Council
Michael Plane	Operational Property Manager, Corporate Property, Manchester City Council
Alex Plant	Chief Executive, Cambridgeshire Horizons
Andy Prideaux	Chief Operating Officer, Corporate Property, Manchester City Council
Robin Rogers	Head of Corporate Programme Unit, London Borough of Southwark
Allan Ross	Sustainable Operations, Department for Communities and Local Government
Richard Rugg	Head of Public Sector, Carbon Trust
Diane Spencer	Asset Manager, Woking Borough Council
Tobin Stephenson	Project Manager, Strategy and Estates, Cambridgeshire County Council
Alan Stokes	Property Services Strategy and Policy Unit Manager, Worcestershire County Council
Emma Strain	Head of Project Delivery: Energy Efficiency, London Development Agency
Mark Tailby	Head of Property, Oxfordshire County Council
Paul Vockins	Director, Colliers International
Sue Westcott	Programme Team, Capital and Asset Pathfinders Project, Department for Communities and Local Government
Malcolm Williams	Former Head of Property Services, Worcestershire County Council

1 DRIVERS OF SUSTAINABLE ASSET MANAGEMENT

1.1 The Economic Imperative

The October 2010 Comprehensive Spending Review introduced cuts of 26% in funding from central to local government over the next four years, with councils' budgets cut by up to 8.9% in 2011. The £6.7 billion reduction in funding for local government will place local authorities under significant pressure to deliver more for less. The scope of the cuts is likely to have a profound impact on the way services are delivered and force local government to seek efficiency measures in additional areas like asset management and procurement.

Improving management of local government's vast property portfolios offers a crucial opportunity. The value of public sector property assets is estimated at around £370 billion[1] and costs around £25 billion to run every year[2]. Two thirds of this property, valued at approximately £250 billion, is owned by local government[3]. Running its property portfolio typically represents one fifth of local government's revenue expenditure[4].

This suggests that property must be a significant area of focus for local authorities looking for savings to meet their reduced budgets. For example, Cornwall County Council is seeing its demand for savings double each year. In 2009 it made £2-£2.5 million in savings from selling off and managing the estate. This year they are aiming for £5 million in savings. It is projected that this figure will be doubled to £10 million in 2011[5].

Beyond reducing the size of the estate, local authorities should also seize opportunities for long-term savings in running costs in the retained estate through reducing energy consumption. Lowering electricity and gas usage can deliver financial savings, as well as environmental benefits through reducing greenhouse gas emissions and contributing to improving the productivity and health of employees.

1.2 The Environmental Imperative

The UK has subscribed to a legally binding EU-target to decrease carbon emissions (CO_2) by 20% by 2020 which puts pressure on the UK to improve its environmental efficiency. For local government, this imperative is reflected in a range of legislative imperatives and targets designed to drive local government to improve their environmental performance. With the introduction of the Carbon Reduction Commitment (CRC) in April 2010, qualifying organisations will need to buy carbon allowances from 2012 and it is estimated that an average participant organisation will be obliged to pay £200,000 per year[6].

1 Office of National Statistics, United Kingdom National Accounts: The Blue Book, 2010
2 HMT Treasury, Lord Carter of Coles, Operational Efficiency Programme, 2009
3 Audit Commission, Room for Improvement: Strategic Asset Management in Local Government, 2009
4 Statistic from EC Harris Built Asset Consultancy
5 Interview with Cornwall County Council, September 2010
6 The expectation of the Treasury is to collect £715 million from the scheme in 2011-12, with this figure rising to £1.02 billion by 2014-2015. Given 3000-5000 participant organisations within the scheme, the average organisation will have to pay an additional £200,000 per year to the Treasury.

However, when considering the potential for cost savings from carbon reduction, it is worth noting that whilst the CRC levy is £12 per tonne, the energy cost of producing that tonne of carbon lies in the range of £150 to £200[7], so the CRC builds on an already powerful business case for reducing carbon emissions.

Equally, the 2010 update of Building Regulations requires a 25% decrease in carbon emissions from the previous 2006 version. A forthcoming update in 2013 will require a further 20% improvement, which will make the use of renewable technology necessary. Finally, by 2018 all new public sector buildings will have to be zero carbon.

1.3 The Service Imperative

In order to achieve savings of the scale required by the Comprehensive Spending Review, local government will need to be increasingly innovative to guarantee the delivery of services with fewer resources. This report shows that an approach which improves the efficiency of service delivery through property transformation and the co-location of services has the potential to deliver a significant proportion of the required savings. However, in order to devise an effective solution to property management, it is important first to determine the service needs of the community.

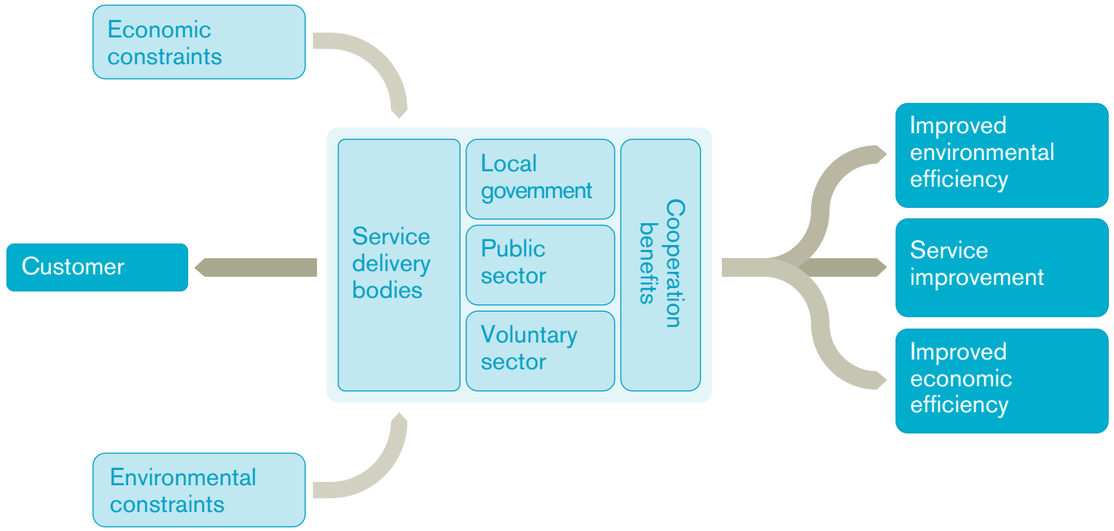
Cooperation between different public sector partners, not just local government, has the potential to generate both cost reductions and service improvement[8]. This has started with Multi Area Agreements (MAAs), Local Area Agreements (LAAs) and the Total Place agenda under the previous government. Under the new government, this programme has continued as Place Based Budgets and the Localism agenda. Cooperating on the design of services around places, instead of top-down service boundaries, will reduce duplication and maximise collective effort.

Public sector service providers will also be able to achieve considerable financial savings by reconfiguring services and administration so they occupy less space. The creation of public sector hubs and shared property has the potential to improve service access and delivery, while generating crucial economic and environmental benefits. There are various public sector organisations that can effectively co-locate their services within the same assets. For instance, Primary Care Trusts, Police and Fire Services can work together to rationalise their common assets[9].

The possible benefits of cooperation are not unknown to the public sector[10], but the traditional association of property to each individual public sector body whose name appears on the deeds or lease has so far blocked effective cooperation in service delivery. The current period of austerity should encourage organisations to look beyond their own boundaries to deliver efficiency savings.

7 For the calculation of these figures please see chapter 2.2 Valuing Sustainability.
8 Total Place Pilots final reports, 2010; and Local Government Association, Place-based budgets, 2010
9 Audit Commission, Room for Improvement: Strategic Asset Management in Local Government, 2009
10 A recent study from seven West Midlands local authorities demonstrates the potential to deliver benefits of £640m in the West Midlands alone from cooperation in the use of property. This includes cashable revenue savings of £173m, gross capital returns of £467m, as well as avoidance of spend on backlog maintenance and a reduction in the carbon footprint of 50,000 tonnes per annum. 4ps and PricewaterhouseCoopers LLP (PwC), The Way Forward - Transforming Local Government Property Asset Management, Improvement and Efficiency West Midlands (IEWM), 2009

Figure 1: The Efficiency Imperative



This diagram illustrates the environmental, economic and service drivers of sustainable asset management that the public sector faces.

2 PREPARING FOR STRATEGIC ASSET MANAGEMENT

This report has found that there are a number of key steps which local government should take to improve its performance. Firstly, local government should adopt internal measures to rationalise its own property. These should be focused on financial savings, made through the improved use of space and improved environmental efficiency of the estate. Secondly, local government should facilitate cooperation with partners to strive towards common property solutions and related delivery of economies of scale.

2.1 Flexibility and Control

2.1.1 Space Utilisation and Flexibility

While staff to provide services represent more than half of the local government budget, property expenditure (in all its elements) represents about 20% of revenue expenditure. According to the HMT Operational Efficiency Programme report, the current running cost of the public sector estate is more than £25 billion[11], with the average space occupancy rate estimated at 14.5 m² per full time employee (FTE)[12]. This figure is generally 20%-30% higher than the 2008 Government Space Standard of 12 m² per FTE for existing properties[13]. Reducing the space that services occupy will generate considerable efficiency savings and should be among the key aims of property teams. The data is mostly based on the central government estate. Reliable information for local government is still lacking, but evidence shows a poorer performance than the central government estate.

Birmingham City Council plans to consolidate its core office portfolio from 55 to 8 buildings, decreasing occupied space by almost 42% and delivering over £100 million in savings. This implies that there is the possibility to reduce occupied floor space by at least 20%-30% in order to reduce costs. The HMT Operational Efficiency Programme report notes that while central government can achieve around a 30% reduction in space and thereby reduce running costs by £1 billion per year, local government property assets (excluding council housing) can be reduced by around 20%, lowering running costs by up to £4 billion. In addition to these savings, a further £0.5 billion a year could be saved from cooperation in procurement of facilities management by public sector partners[14, 15]. The report's findings however suggest the possibility of space reduction by 30% or more, indicating the potential for savings of up to £6 billion a year excluding central government. Public sector organisations can therefore deliver up to £7 billion of savings from lowering the space it occupies and cooperation in procurement.

Recommendation 1

Local government should reduce the space it occupies by 20%-30%, by following best practice examples of low cost, flexible working practices.

11 HM Treasury – Lord Carter of Coles, Operational Efficiency Programme, 2009
12 This figure is the average of freehold properties, PFI properties and leasehold properties.
13 HM Treasury – Lord Carter of Coles, Operational Efficiency Programme, 2009
14 HM Treasury – Lord Carter of Coles, Operational Efficiency Programme, 2009
15 Please see the see the section 2.3 Cooperation with Partners for more details

BIRMINGHAM

CASE STUDY

BIRMINGHAM CITY COUNCIL

CENTRAL ADMINISTRATIVE BUILDINGS

Challenge

Birmingham City Council's office portfolio was scattered across the city. The council additionally acknowledged that certain parts of its estate were outdated and did not provide sufficient support for council operations or fulfil requirements for the delivery of services.

Action

As part of Birmingham City Council's ambitious Business Transformation programme the council has developed an innovative efficiency programme called 'Working for the Future' (WFTF), to transform and rationalise the core office estate and in the process generate significant financial and environmental savings. Two essential elements of the WFTF programme are the Single Property Management Function (SPMF) and the Central Administration Buildings (CAB) Sub Programmes. The SMPF Sub Programme has placed asset management responsibility for the CAB estate under the control of the Council's Property Management Team, leaving the Directorates to focus on providing their core services. The Property Management Team can consider how to obtain the most effective and beneficial operational use of the accommodation. The CAB programme aims to resolve problems with location and quality of office accommodation through the refurbishment of the council's offices and transformation of the workplace for 9000 council staff.

Outcome

The outcome of the CAB Sub Programme is the consolidation of the Council's core office portfolio, reducing it from 55 buildings (111,500 m²) into the transformed estate of 8 buildings (65,000 m²). Space is better utilised through open plan layouts, lower property operating costs, greater fulfilment of the council's sustainability commitments and an improved working environment. Savings are being generated by a combination of disposals (generating capital receipts), vacating expensive leased buildings and by a significant reduction in ongoing property operating costs, achieved by reducing the amount of office space occupied. It is predicted that the project will deliver over £100 million in savings over the next 25 years.

The project also delivered considerable carbon savings as the scheme introduced numerous measures to cut down energy consumption, such as a CHP connection, high standard insulation, passive ventilation, power perfectors and an efficient lightning system.

For example the Lancaster Circus Council Building has the following features:

- Refurbishment facilitated the relocation of staff from 13 council offices and enabled a number of existing leased properties to be disposed.
- Reduction of circa 10,000 m² of floor area needed to support the same number of staff has been achieved.
- The project generated savings of £3.5 million per year in running costs and achieved a carbon reduction of 40%.
- The phased refurbishment has created a space efficient office building with each workstation at less than 8 m² of net internal floor area (NIA), whilst achieving a predicted BREEAM Very Good Rating and an Energy Performance Asset Rating of C (an improvement from its previous rating of F).
- Additional benefits are increased productivity through new ways of working, making staff less dependent upon a fixed desk to do their job.

Addressing the flexibility of both working practices and property can unlock significant efficiency savings. A flexible work force allows for greater estate rationalisation as less desk space is needed in the office. Utilising technology to develop remote working with the support of 'drop in offices' where staff from any agency can call in to use desks, phones and internet or network connections are all solutions that will reduce current space needs.

Many customers require services that can be delivered before or after main working hours. Matching the requirements of service users and flexible working outside office hours will enable the public sector to improve its service delivery and efficiency by better rationalisation of work space in peak working hours. Allowing people to work from home and outside normal office hours has also been shown to produce a more productive work force and reduce staff turn-over[16].

In the current financial climate, long-term considerations regarding services and built assets are extremely difficult. In this light, property should be designed to be flexible enough to meet the needs of a wide range of potential users. Modern open-plan working space buildings are favourable for service transformation because they allow for efficient service reconfiguration as well as maximising the utility of used space. Investing in enabling IT, 'follow me' telephony and opening up cellular space to create more flexible workspace will also reduce the cost of making changes to the use of internal space.

Lowering the space demand by issuing flexible working contracts and operating a 7:10 or lower desk to person ratio will enable local government to improve space efficiency. Decreased space requirements will lower the cost of the property and improve the environmental footprint of the estate. More local authorities should aim for lower desk ratios and increased facilities to allow people to work from home and hubs, reducing the number of buildings needed for office space.

Recommendation 2

Local government should introduce a range of flexible property solutions to meet changing needs of various users and services.

16 Through programmes such as Investors in People (IiP). Investors in People framework offers business improvement tools designed to help organisations to improve their performance through their people.

2.1.2 Centralisation of Control

Skilled and experienced staff are needed to manage property in an efficient manner and this often comes at a considerable expense. Asset management is often decentralised, with different service directorates in charge of their own assets, rather than the whole estate being centrally managed by corporate services. This not only makes the coordination of asset management challenging but results in a replication of estates, facilities management and project management functions across departments.

In order to overcome this inefficient management approach by directorates and provide a more consistent management of buildings, Oxfordshire County Council has created a corporate asset management service and facilities management function. Mark Tailby, Head of Property Strategy at Oxfordshire County Council said:

> "Putting in place a corporate facilities management function has produced initial savings of £340,000, but will also enable the County to procure external provision of hard and soft facilities management services bringing a further estimated saving of £300,000. Several other organisations have expressed interest in participating in the contract".

To establish efficient property management across all of its estate, local government should remove control of its property from individual departments, and instead centralise it within a single place in a Central Property Unit (CPU). The establishment of a structure where all property decisions are being made centrally will enable local government to target inefficiency in its property use and strategically address it. This CPU should act as a corporate landlord for service directorates by arranging their accommodation requests, managing building improvements and the procurement process. If the property is not council owned, the CPU should also be responsible for the negotiation of any contract changes with the owner.

Recommendation 3

Local government should ensure effective property management by establishing centralised control of its estate within one department. A Central Property Unit should be made responsible for centralised property decisions, including leases and the procurement of buildings.

In addition to pooling skills within one place, local authorities' CPUs should also develop measures that provide service directorates with incentives to critically assess their property use. In many cases, service directorates lack incentives to release surplus property as the capital receipt from the sale of surplus property is being transferred into the common property budget and not into their budgets. Service directorates must be rewarded for more efficient property use. If a service directorate decreases the space that it uses and is able to relocate to a smaller size property, it could be granted a part of the capital that has been received from the sale of the vacated property. The transfer of financial benefits into the budget of a service directorate will enable it to generate funds for service improvement while still delivering overall efficiency savings.

Equally, space that service directorates use is generally granted to them as a 'free good' and property cost is not reflected in their budget but covered by the overall property budget. As a consequence, service directorates do not fully recognise the cost of the space they occupy and are not motivated to use it more efficiently. Service directorates must be made aware of the property cost and their space occupancy. The introduction of an internal charge for the use of space is one approach to reflect the cost of property into a service directorate's budget.

The introduction of centralised control over all of its estate enabled Manchester City Council to release up to a third of the Council's estate and achieve significant financial savings. This experience shows that an important part of this process is to introduce an internal charge for the space service directorates use to make them aware of the cost of the space they occupy.

Recommendation 4

Local government should incentivise efficient use of space at all levels. It should introduce techniques varying from an internal charge for the property use to allocating a share of benefits from the sale of vacated property for their own budgetary use, in order to further incentivise occupied space reduction.

MANCHESTER

CASE STUDY

MANCHESTER CITY COUNCIL

CORPORATE LANDLORD MODEL

Challenge

The management of Manchester City Council's estate has been traditionally within the scope of its directorates. Service directorates were effectively in charge of the management of their own office portfolio, negotiating their own procurement and facilities management contracts. This approach was identified as largely inefficient due to the extensive duplication of property management services across service directorates.

Action

In order to overcome the piecemeal management of property, the City Council decided to introduce centralised control over its estate and implement a corporate landlord programme. Allocation of estate management to the Corporate Property team was done not only to improve the efficiency of property management, provide consistency of approach for statutory compliance, repairs and maintenance and capital investment, but also to allow service directorates to focus on their main role in providing services to their customers.

Outcome

As an outcome of the asset management restructuring, Manchester City Council's Corporate Property team acts as a corporate landlord for the Council's operational property portfolio. Additionally, Jacobs Engineering UK handles non-operational property management services for the City Council. Central control over all of the Council's assets has enabled the Council to more strategically manage its estate. The Corporate Property team works on rationalisation of the estate by co-locating services in shared premises, wherever possible. The Council has already been able to reduce the number of its back-office operation properties from 34 to 13 and it still expects to lower this number.

The Corporate Property team cooperates with the council's Service Directorates to determine their specific space requirements. A designated Property Advisor within the Corporate Property team works with specific service directorates, arranging their accommodation requests, building improvements, and funding a preventive maintenance regime. The Council however intends to gradually shift to mix of service and area focused working thorough the cooperation with Council's public and voluntary sector partners and to better satisfy the need of its customers. The Council has put in place a property embargo, where all lease arrangements, disposals, facilities management contracts and IT requests are being approved centrally by the Corporate Property team to achieve efficient renegotiation of contracts and break-up of leases.

Case Study continued overleaf

In order to motivate service directorates to maximise their space utility, the Corporate Property team aims to introduce a notional space use charge. The first step in the process currently in place, is to charge only for the use of property that is not Council owned but leased to reflect the varying cost of the property in the Directorates' budget and to recover expenditure incurred. The second step in the process will be to introduce the notional charge for the space service directorates use to make them aware of the cost of the space they occupy, which will then become a real internal charge. Service directorates will additionally face carbon charges for emissions from their operations.

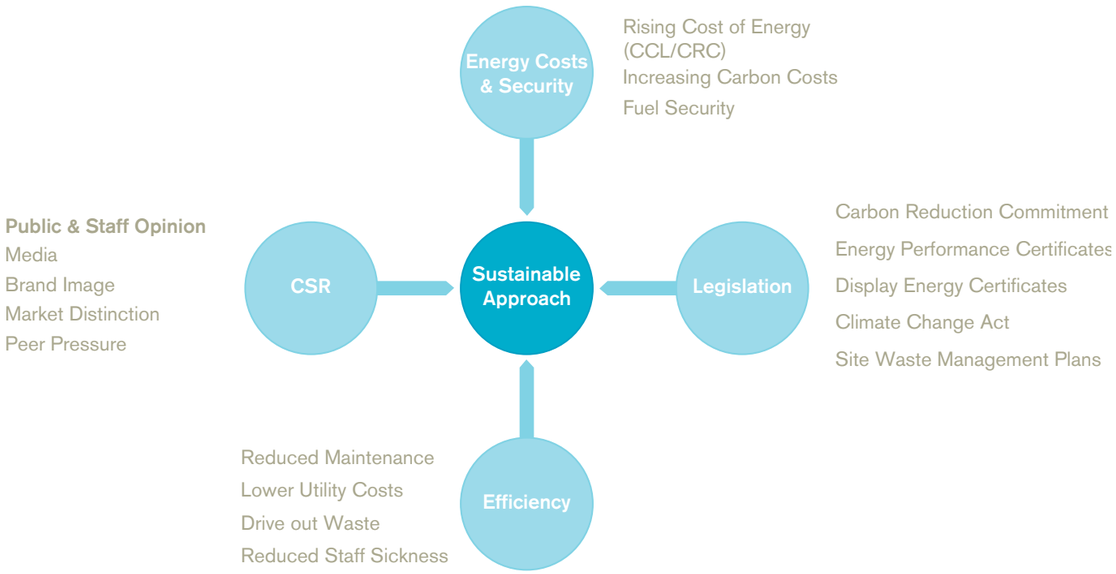
Introduction of the corporate landlord model has enabled the Council to deliver considerable financial benefits by improved utilisation of its property and the consequential release of surplus property or termination of leases. The council is also achieving economies of scale by centrally controlling facilities management. It is estimated that the rationalisation programme of the City Council's operational property portfolio will lead into the release of up to one third of the Council's estate and achieve significant financial savings.

2.2 Valuing Sustainability

Sustainable estate management implies the delivery of both economic and environmental efficiency. Taking into account the value of sustainability in its broader sense will enable local government to identify financial savings alongside environmental improvement. Richard Rugg, Head of Public Sector at Carbon Trust, estimates that the public sector could save £1 billion a year and reduce carbon emissions by 46 million tonnes a year through improving energy efficiency. By incorporating analysis of sustainability benefits in their business plans, local authorities can help identify potential efficiency savings and areas of value that will create more sustainable built assets on their estate.

The chart below shows the range of push and pull factors which will impact on organisations and drive them towards a more sustainable approach to asset management. There is a complex range of issues that ultimately result in incentivising local government to increase the sustainability of their estate both in built form and their operations. New legislative drivers such as the Carbon Reduction Commitment (CRC), highlighted on the chart below, have increased pressure for a more sustainable approach.

Figure 2: Push and Pull Factors for Sustainable Asset Management



Source: EC Harris, Built Asset Consultancy

The introduction of the CRC in April 2010 puts pressure on local government to lower the carbon emissions of its estate. In its initial form, the scheme was designed as a revenue neutral mechanism intended to act as an incentive for organisations to lower their carbon emissions. Organisations were to pay for their emissions, but depending on their carbon reduction, they would receive a proportion of money back. Following changes to the scheme announced in the Comprehensive Spending Review 2010, the CRC is no longer a cash-back incentive, as revenue made from allowance sales through the CRC will be used to support wider public finances rather than recycled back to participants. Under the new arrangement, starting from April 2012, local government is obliged to pay £12 for every tonne of carbon it produces.

The Treasury expects to collect £715 million from the scheme in 2011-2012, with this figure rising to £1.02 billion by 2014-2015. Given the estimated 3,000-5,000 participants within the scheme, an average organisation will have to pay an additional £200,000 per year to the Treasury. The annual cost for one London Borough is estimated to run to £224,000, while for a Unitary Council the total cost is approximately £162,000[17].

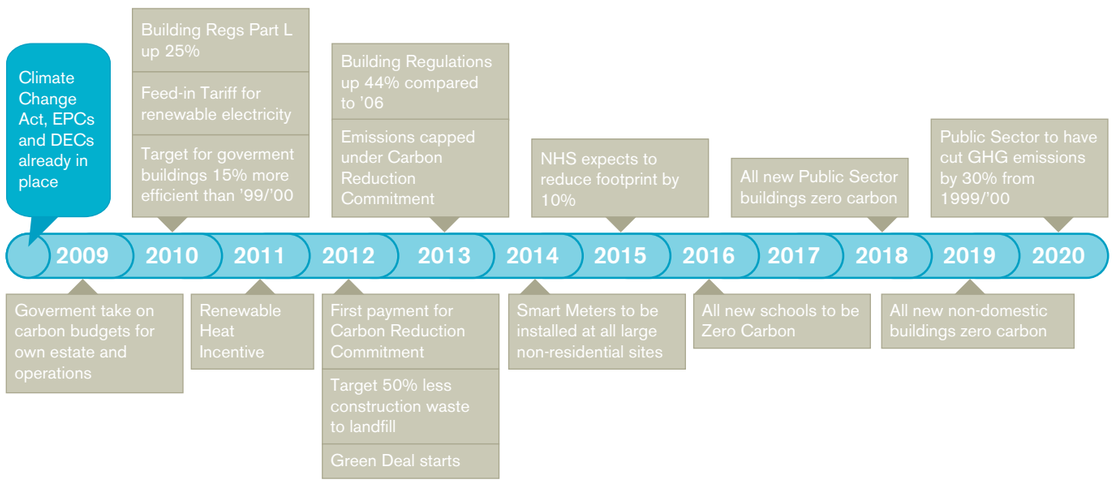
In addition to the CRC, the impact of current and forthcoming regulation and targets should be considered when developing built asset solutions. For instance the 2010 Building Regulations Part L increased the importance of lowering carbon emissions by requiring a 25% improvement on the carbon emissions of the previous 2006 version. A forthcoming update in 2013 will require a further 20% improvement which would in most cases require the use of renewable energy technology. By 2018 the requirement of zero carbon will be in place for all new public sector buildings.

Forthcoming Building Regulations will therefore increasingly incentivise the use of Low to Zero Carbon (LZC) technologies, such as biomass boilers, photovoltaic cells, and ground source heating, to meet carbon reduction targets on new build and for major refurbishment. Opportunities relating to the Feed in Tariff (FiT) scheme, from April 2010, and Renewable Heat Incentive (RHI), from June 2011, mean that the public sector is being provided with further fiscal incentives to invest in renewable energy generation. The outcome is that the public sector faces a complex delivery landscape of regulation and incentives targeting both energy demand and energy supply.

Every building with a total useful floor area over 1,000 m² that is occupied in whole or part by public authorities and by institutions providing public services is required to have a Display Energy Certificate (DEC), which gives a rating from A to G. The rating obtained for a property is closely related to the associated energy cost for use of every m². It is estimated that the improvement from D to B (or F to C) will deliver annual energy bill savings of £16 per m² per year[18]. The improvement of energy efficiency of the property will thus generate both environmental and financial benefits.

17 According to EC Harris Built Asset Consultants.
18 £8/m² per band improvement is an estimate established by EC Harris Built Asset Consultants. Calculations are based on a benchmark average kWh/m² from the Carbon Trust and a D100 as a 'typical average' to work benefits up and down from there using the mid point of the carbon index figures for each band.

Figure 3: Current and Forthcoming Regulation and Targets



Source: EC Harris, Built Asset Consultancy

It is therefore important that local authorities do not see the obligation to become more environmentally sustainable as a burden, but as an opportunity to achieve economic savings through carbon reduction measures. Incentives to cut down carbon emissions such as the introduction of a carbon price are only a fraction of the possible savings that can be associated with cutting carbon. While the price of 1 tonne of carbon within the CRC is £12, the energy cost of producing that tonne of carbon to local government is within the range of £150 to £200[19]. While the CRC will mean a noteworthy 8%-9% increase in electricity and gas bills from April 2012, organisations should consider that reducing carbon emissions will also lead to savings from decreasing energy consumption and waste.

19 Please see 'Cost of energy to emit 1 tonne of carbon box' on p28 for calculations.

Cost of energy to emit 1 tonne of carbon[20]

Cost of energy to emit 1 tonne of carbon from electricity	
Purchase of electricity for 1 tonne of carbon (1,842kWh at 8p/kWh)	£147.36
Cost of Climate Change Levy (1,842kWh at 0.470p/kWh)	£8.66
Cost of CRC carbon credit	£12.00
Total	**£168.02**
Cost of energy to emit 1 tonne of carbon from gas	
Purchase of electricity for 1 tonne of carbon (5,399kWh at 2.5p/kWh)	£134.98
Cost of Climate Change Levy (5,399kWh at 0.164p/kWh)	£8.85
Cost of CRC carbon credit	£12.00
Total	**£155.83**

In addition to energy savings and the cost of carbon, local government should also take into account the possibility of 'soft benefits' associated with improving environmental efficiency. The so called 'soft benefits' of sustainable estates include improved productivity, reduced sickness rates and work place satisfaction of employees. Oxfordshire County Council has carried out rationalisation of its office space, co-locating scattered office building and creating three major office hubs around the county. Mark Tailby, Head of Property Strategy at Oxfordshire County Council said:

> "In addition to efficiency savings, the real gratification came from the positive feedback of the staff and improved work performance. Employees who were moved into new open plan shared facilities highly welcomed the change, claiming it was the best place they had ever worked. They were able to work differently and better, cooperate with colleagues from other departments on similar issues and enjoy the social benefits of the rest areas and cafeteria."

When converted into financial terms, soft benefits attach a considerable financial gain to achieving enhanced sustainability criteria. Evidence is beginning to emerge that non-energy savings represent an even higher benefit of a green building than energy savings. Quantification of improved productivity and reduced sickness, which are typically displayed in percentages, reveals the true financial benefit of improved sustainability. The introduction of green measures[21] for a standard administrative building, with staff on average public sector wages, can deliver financial savings in the range of £180-£200 per m² per year. This represents the possibility of delivering significant financial savings[22]. Central government and its associated agencies should therefore help local government to realise the business case associated with carbon reduction.

20 Emission factors to produce 1 tonne of carbon from electricity and gas (Data conversion: Data x Emission Factor = Greenhouse gas emissions) are based on Department for Energy and Climate Change and Department for Environment, Food and Rural Affairs greenhouse gas conversion factors. Prices of electricity and gas to produce 1 tonne of carbon are based on Department for Energy and Climate Change, Digest of United Kingdom energy statistics (DUKES), 2010.

21 It must be noted, that this scenario involves an introduction of extensive 'sustainable measures', which will incur a considerable cost. These would include measures that result in high levels of natural daylight, high indoor air quality, access to outside space and high levels of user control within their environment.

22 Depending on the type of property and its sustainability profile, cost reduction can represent a significant percentage of overall cost per m² per year.

Value of Sustainability[23]

Energy Saving – improving 3 DEC bands	£24/m²/year
Water Saving	£1/m²/year
CRC – Estimated using carbon trust benchmarks and carbon conversion factors to get real cost	£1.50-£2 /m²/year
Sickness Reduction	£36.33/m²/year
Productivity Improvement	£126.72/m²/year
Total	**£190.05/m²/year**

Recommendation 5

Government must emphasise the extent of savings available from decreasing energy consumption and the inclusion of the price for carbon emissions when settling future budgets to incentivise investment in a more sustainable estate.

Recommendation 6

Local government should use both quantified environmental and economic savings to strengthen the business case of paying a premium for increased environmental efficiency.

23 Calculations were carried out with a significant help from Matt Fulford, Head of Sustainability at EC Harris Built Asset Consultants and based on the following assumptions:
- Evidence of productivity valuation within the UK still lacks, but international evidence (see Council House 2, Melbourne and 500 Collins Street Melbourne and others from the US) suggest a 40% reduction in sickness and a 5-10% improvement in productivity.
- 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 = £110.20 (given the mean gross annual pay of all employees in the public sector in 2009 was £25,344 pa - Figure from Office for National Statistics - Statistical Bulletin: 2009 Annual Survey of Hours and Earnings).
- Sickness Reduction is based on a 40% reduction in 8.3 days sick. (8.3 days per year is the average amount of sick days in the public sector by CBI's Absence and workplace health survey 2010).
- Productivity Improvement is based on an assumption that staff are 80% productive currently and that a 5% improvement to 85% productivity is achieved through occupation of a sustainable asset. This is achieved by providing staff with a more comfortable and efficient environment which has less 'distractions' to delivering output.
- In order to express values on a £/m² basis an assumption of one member of staff to 10m² has been made.

2.3 Cooperation with Partners

There is great potential for local partnerships to bring urgently needed financial savings, generate capital receipts and advance the sustainability of the retained estate. Overcoming barriers to cross-organisational cooperation, imposed by differing accountability structures, will become easier if such partnerships help organisations deliver additional savings in a time of financial austerity.

There are certain elements that facilitate cooperation and help achieve successful co-location of public services and improved service delivery. The willingness to cooperate by executives of all key public sector organisations in the area is key to the successful co-location of services. Cross Border (County and District Council) and Cross Sector round tables can help provide a platform for the development of common solutions. In order to effectively use its estate and cooperate with public sector partners, local government must be in possession of the right data about its estate and service delivery. Technical needs for effective decision-making largely constitute an asset mapping tool, or a common public sector GIS map and a Service Asset Strategy.

The joint monitoring of property usage by public sector organisations within the same area not only achieves more efficient property use, but is also an efficient method for determining possible cooperation and improvement of the quality of services. Malcolm Williams, former Head of Property Services, Worcestershire County Council, which has implemented this method has suggested that Public Sector Forums should establish a joint protocol that all the partners will follow to underpin the common action. He said:

> "The significance of this protocol is that it provides an authority and impetus for operational staff who are key to making this ambition a reality. Without such an explicit endorsement staff may be reluctant to enter such a novel and innovative area. All the public sector agencies in the county and through OGC, the national civil departments are signing up to this protocol and the wider programme."

Recommendation 7

Local government should cooperate with public and voluntary sector partners to identify matching property requirements. This process should involve partners on all central and local government levels as well as service providers from health, police, fire, education and the voluntary sector.

2.3.1 Service Data and Improvement

The case studies this report analysed show that integrating public sector services improves the customer experience and enables service providers to achieve economies of scale. The transformation of public services should also include new ways of service provision, applying modern technology to serve customers over the telephone and online. Using new technologies can contribute towards the lowering of costs, but also provide customers with additional channels to access services.

A single location for specific types of services simplifies the access route for the customer, enabling them to access the set of public services they need during a single visit. Additionally, co-location of services enables the creation of public sector service hubs and lower operational costs by achieving economies of scale on support services, generating capital receipts from the sale of redundant property. Case studies in this report show further benefits flow from co-location through people working in different services closely cooperating with each other. Strategic utilisation of this intelligence about local services' property and customers also helps generate efficiency savings and improvement in service provision.

Many public sector organisations have already introduced call centres and online portals to deal with inquiries that do not necessarily require physical face-to-face contact. Local government should further explore possibilities of smart technology to include all of the services that do not require personal contact. This will enable it to better serve its customers and generate efficiency savings from reduced space requirements.

2.3.1.1 Customer Targeting

In order to efficiently provide services, local government needs to develop effective customer targeting methods to establish the service needs of a community. Service provider intelligence on its customers is a key factor in cost-effective service delivery improvement. The appropriate intelligence will enable local government to provide services exactly where they are needed.

The common collection and analysis of customer data has the potential to highlight what services and service providers a specific customer uses to create customer profiles. Analysis of the data will show which public sector organisations tend to serve customer groups with similar usage patterns. It will then help determine ways in which customer experience can be improved and economies of scale achieved if a service is provided in partnership. This approach will enable partners to develop a useful vision on service delivery for a particular place. There are already many examples of customer insight being used by public sector service. For example, public and voluntary sector organisations in Kent have successfully managed to collect customer data under its Kent Gateway programme, which has led to the development of single service access points for customers[24].

24 For detailed outline of the Kent Gateway programme, please see case study in section 3.2.2

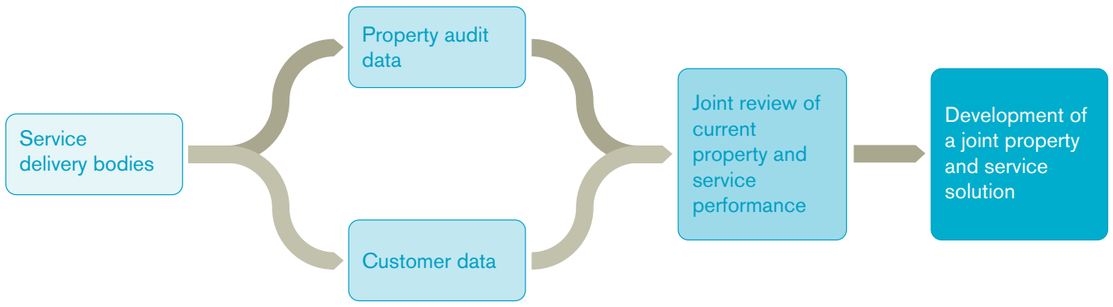
2.3.1.2 Service Asset Strategy

Development of a Service Asset Strategy is a useful approach for efficient and cost effective service delivery. This inquiry defines a Service Asset Strategy as a forward looking approach, which involves going beyond the examination of current service needs and property availability. It helps to determine where the organisation would like to be with its service provision in the medium to long-term and strategically drive its estate in that direction. It requires developing the vision of future service delivery and matching it to asset requirements. As Figure 4 (below) shows, development of a Service Asset Strategy requires close cooperation between property and Service Directorates. Changes in property requirements should be informed by long term service requirements and ideally not the other way around.

Recommendation 8

Local government should develop a Service Asset Strategy to align service delivery and property requirements. The strategy should set out a forward looking vision of service requirements and be responsive to the changing needs of its customers by employing commercial targeting and profiling tools.

Figure 4: Public Sector Partnership Working



This figure illustrates the importance of combining customer and property audit data in order to enable successful cooperation between public sector partners in developing joint property and service solutions.

2.3.2 Asset Audit and Mapping

The essential foundation of a strategic approach to asset management is a comprehensive understanding of what property is held, what it is worth, the contractual terms under which it is occupied, and its fitness for purpose in terms of physical condition, operational suitability and utilisation.

A survey of local government in the recent Audit Commission report notes that currently only 20% of councils have all the data they need to make informed decisions about the management of their property, including some of the larger local authorities. The Audit Commission concludes that even some of the stronger councils lack comprehensive data on the size of their holdings, the numbers of staff occupying buildings, what they are worth, and the physical condition they are in[25]. Many local authorities therefore do not know enough about their built assets to support a strategic approach.

The Department for Communities and Local Government (DCLG) is collecting data and mapping the whole of the public sector estate through their Pathfinder Project, which is expected to be completed in April 2011. However, this data will not contain the complete picture as there is still a lack of data available for all public sector bodies; DCLG hopes to have a record of about 90% of public sector assets.

One of the particular challenges is that even the most basic property data is collected, held and categorised by organisations in different ways making effective pooling of data and benchmarking of property performance between public sector bodies difficult. The report has found that even local councils that are perceived to be at the leading edge in terms of a strategic approach to managing their assets will not have mapped the full extent of their estate. 70%-90% mapped estate was considered to be a sufficiently good level to enable them to make informed decisions about their future asset strategy[26].

Data collection does however come at a significant cost so councils need to take a pragmatic approach to how much data it requires to inform strategic decisions. Findings of the report suggest that collecting seven to ten key data types is a manageable aspiration which does not impose 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 need.

There are numerous ways that will enable the public sector to effectively monitor its estate and determine which assets have the greatest rationalisation potential. A sorting system for the quality and efficiency of assets (such as RAG - Red, Amber and Green) is an effective measure to determine which properties offer the greatest potential and should assume the main focus.

25 Audit Commission, Room for Improvement: Strategic Asset Management in Local Government, 2009
26 Worcestershire County Council has successfully mapped approximately 70% of its estate whilst Birmingham City Council has mapped 80% and Cambridgeshire approximately 80-90%.

Recommendation 9

Local government should invest in asset management systems and adopt a pragmatic approach to data capture that limits the information collected to what is necessary to inform strategic decisions on the use of the estate.

Public Sector GIS Map Headings and Sorting System[27]

- Name and Location
- Land Registry Detail
- Tenure
- Use and Classification
- Lease Expiry Data
- Book Value

- RAG rating to identify potential disposals and shared use:

Red	No change
Amber	Service delivery change, lease expiry and adjoining development opportunity
Green	Already declared surplus: available for disposal reuse/development

Those councils exhibiting best practice have gone as far as gathering polygon data for entry on a Geographical Information System (GIS). This approach allows multiple data sets to be over-laid onto a map for analysis of the geographical clustering of assets and tenure information. An initial cluster analysis can be the first step in developing clear opportunities for consolidation, co-location or relocation that can then be tested further through a detailed options appraisal.

In the course of our inquiry, a number of authorities have been progressing well with this type of analysis. The London Boroughs of Hounslow, Ealing and Hillingdon are looking closely at their property holdings around the borough boundaries where they believe the opportunities for the rationalisation of services are likely to be greatest. Westminster, Kensington & Chelsea, and Hammersmith & Fulham who have already announced plans for large scale shared services, are also mapping their assets and engaging closely with each other on potential rationalisation opportunities across borough boundaries.

27 Malcolm Williams, *Worcestershire Total Place: The Public Estate*, 2010

The logical next step in development for public sector bodies within a locality is to work towards a web enabled database with common datasets that is centrally hosted and accessible to all partners.

Recommendation 10

Local government should introduce a common set of metrics to analyse the performance of its estates. Effective use and analysis of data should include overlaying essential property data to a GIS system to support effective cluster analysis and the identification of cross boundary rationalisation opportunities.

WORCESTERSHIRE

CASE STUDY

WORCESTER -SHIRE COUNTY COUNCIL

PUBLIC SECTOR BODIES ASSET MAPPING

Challenge

Worcester County Council is a forerunner in collaborative working and believes that efficiency gains and service delivery improvement can be secured through increased collaboration with partners. Early on in this process it was established that, as a first step, a common GIS map identifying all of the properties used to deliver public services would serve as a useful tool to identify possible opportunities for collaborating across organisations.

Action

Developing a common GIS map began with a series of informal meetings with District Councils to determine what information should be held in the common data base. This had to be a compromise between that which was desirable from an estate management viewpoint and that which was commonly available across different organisations. This determined the key data to be sent to the County Council which had volunteered to host the database.

Following a useful demonstration of a trial map, additional public sector partners joined the project. However, a number of issues had to be resolved prior to the creation of a comprehensive public sector map. Confidentiality was a major concern, and a protocol was developed regarding the access and use of common data. Also, some partners did not hold digitised asset data, (this increased the workload), not all IT systems were compatible, (this required the transformation of files into a common format), and web enabling of the database posed additional challenges.

Public sector partners within Worcestershire established a set of principles to guide the development of the common GIS map and database. These are, in essence:

- The partners believe that the efficiency and effectiveness of public service delivery can be significantly enhanced by approaching the public estate as a common resource.
- The partners recognise that public services can deliver from premises not owned or managed by the public sector where these are more convenient for customers and provide best value for money.
- The partners recognise that there are some services which require specialist or sensitive properties, some of which do not lend themselves to alternative or joint use. However, this assumption should be regularly tested.
- The partners believe that service needs should dictate property strategy and management and not vice versa but that a fundamental review of property may act as a catalyst for service redesign and improvement.
- The partners will explore models of property ownership, financing, utilisation and management which facilitate these principles.

Outcome

A joint property database has now been developed and is being used by a number of public sector partners to improve their management of accommodation. Partners are able to:

- Search for an address through postal address, postcode or by panning throughout the County.
- View desired layers only – layers that are not required can be turned off.
- Edit datasets graphically and also enter limited textual data.
- View and print maps, including aerial photography.

In addition, this has provided public sector organisations with an opportunity to collectively develop a much more efficient approach to the provision and management of accommodation. This is evidenced in the Bromsgrove Town Centre project, which is not only developing a project to co-locate of District and County offices, public library and a Job Centre in a new Civic Centre, a new leisure centre, a new health centre and a new combined Police & Fire station, but is also delivering commercial regeneration opportunities. Elsewhere in the county, similar co-location proposals potentially involving common facilities management are also being developed, with the expectation that significant capital and revenue benefits will follow.

3 IMPLEMENTING SOLUTIONS

The current period of austerity will encourage organisations to look beyond their own borders to deliver efficiency savings. In the past, cooperation in service delivery and property sharing was frequently considered too difficult, due to constraining financial and contractual arrangements. However, such cooperation will now become crucial to local authorities operating with reduced budgets.

To achieve economic and environmental efficiency, local authorities will need to rationalise their estate. Moreover, to deliver sufficient efficiency savings, managerial and ownership issues need to be addressed within the rationalisation process.

The second part of the report will outline a number of ways in which back and front office operations can be transformed to achieve environmentally and economically efficient property solutions while addressing broader ownership issues.

3.1 Shared Asset Management Approaches

For the successful co-location of services, executives of all key public sector organisations in the area need to be willing to cooperate. As discussed, Cross Border (County and District Council) and Cross Sector round tables can help provide a platform for the development of common solutions.

Malcolm Williams, former Head of Property Services, Worcestershire County Council, said that:

> "From a financial efficiency perspective, property cooperation can unlock dead capital and revenue which can be turned into service improvement opportunities as well as helping to meet financial targets. Because the public sector generally treats property management as a specialist responsibility, operational managers are often unaware of how much financial resource is locked up in the buildings they use."

Pooling capital resources will allow greater investment into joint property. Moreover, joint property management will deliver operational cost savings through economies of scale and more efficient use of its property. These savings can then contribute towards the protection of frontline services. Centralisation of the control over the management of property within a central property unit (CPU) by every public sector organisation, as mentioned above, is a critical first step towards strategic property management. CPUs can then work together towards improved facilities management, lower maintenance and energy costs and a higher sustainability profile.

Managerial buy-in is essential for successful public sector property cooperation and must be established early on in the process. Representatives from each CPU can sit on a public sector body focused on property management in the area. Local authorities and their partners can choose from a variety of solutions ranging from a local public sector property management board to a Pooled Asset Vehicle for the estate of all local public service providers. The former will generally be considered a less sensitive option due to its limited managerial power over assets. However, the latter may be difficult because of varying funding processes for different parts of the public sector and political sensitivity about transfer of control over assets to an independent body. Local government and its public sector partners should seek out solutions that will work in their area and take these sensitivities into account.

Recommendation 11

Local government and its public sector partners should establish a joint centralised property management structure to improve the efficiency of property management.

3.1.1 Local Property Management Board

To facilitate discussion of opportunities in service co-location and property cooperation, the public sector and the third sector in a defined geographical area should establish a board focused on common service delivery and property projects. The board will provide a regular forum rooted firmly in the locality, where key public sector property professionals and service managers meet to discuss common objectives in property efficiency and service improvement. This will increase transparency and cooperation, by generating mutual trust among those involved and bringing together those with a real understanding of local circumstances and the communities' needs. Such an approach has proven successful in Suffolk, where a focus on solutions within a locality helped to identify a number of projects to be carried out and immediate efficiency savings of £1.6 million to be realised.

As highlighted above, ownership and day-to-day management functions can be effectively performed by a board comprising officers from all organisations involved. These organisations must first resolve the ownership rights of a co-located property between different service delivery bodies. Public sector organisations that decide to co-locate within common premises should ideally all own a share in the common property.

The creation of joint ventures between organisations that occupy the same building may be a complicated process. Transferring property ownership to create joint ventures with a partner is likely to involve an additional Stamp Duty Land Tax burden associated with the sale of the property. In order to avoid the incurrence of additional tax charges, the organisation that moves into the common premises can be granted part-ownership of the joint property in return for financing the upgrading of the premises that the two organisations intend to share. This upgrade can be paid for through use of the capital receipt from the vacated property. Both organisations will then be able to own and occupy premises that are fit for purpose and are economically and environmentally efficient.

SUFFOLK

CASE STUDY

SUFFOLK COUNTY COUNCIL

SINGLE PUBLIC SECTOR ESTATE

Challenge

Suffolk has become a pathfinder in collaborative working with public sector partners across its property estate. Recognising how property can help to improve efficiency and effectiveness, Suffolk County Council decided to sponsor a project with the chief executives and leaders of 12 public sector partners - including borough and district councils, police and health, along with central government - to establish "the size of the joint property prize". The Government's 2010 CSR has increased the pace and urgency of the project.

Action

The first step of the project was to agree a vision for a Single Public Sector Estate (SPSE). This was summarised as being a single front door approach to customer service and greater efficiency by collaboration. The immediate challenges were: to build on the vision; to improve transparency of the public estate and its dynamics; to achieve quick wins; to identify short and medium term wins; and to develop a governance framework to accelerate collaborative projects in the future. Leaders realised that property transformation programmes have occurred many times in the corporate sector and mindful of the need for rapid results, selected Corporate Property Advisers as project managers to propel the process forwards.

A route map was quickly agreed with four main phases:

- Phase 1 – data gathering, identifying common themes and quick wins, agreeing governance
- Phase 2 – forward planning, performing location studies, capacity modelling, capability building
- Phase 3 – implementation in line with changing service delivery models
- Phase 4 – long term re-alignment of the estate to the new vision

Phase 1 and the first stages of Phase 2 were completed by the end of 2010 and also concentrated on creating the trust and collaborative pathways necessary to take the project forwards at pace.

As usual the collation of consistent data was difficult, but techniques used in the corporate sector showed that time-consuming precision was not required at such an early stage. 2,500 properties (excluding council housing), with a book value of £500 million, were identified and the complexity of the estate was highlighted by the 40 different categories of property used in the analysis, ranging from large office blocks to children's centres and parks.

Project management disciplines were adopted throughout the exercise, including defined project goals and milestones, as well as regular reporting to a steering group drawn from asset managers and resource directors from across the county.

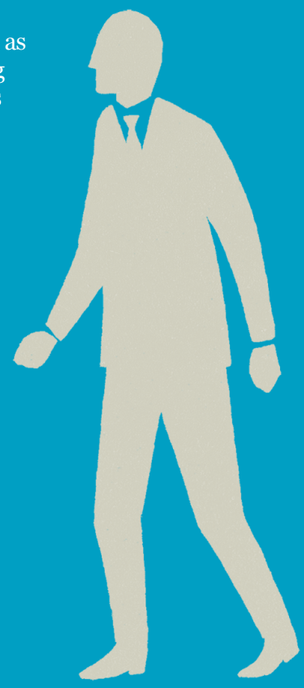
Key to success was creating pathways which would enable public sector partners to work together better in the future. This was achieved through a combination of workshops and one-to-one consultation meetings with stakeholders (including central government) and the clear presentation of property metrics for cost, value, suitability and use.

Outcome

Locality based solutions were mapped for selected locations indicating the extent of savings. Quick wins have been identified to exit £1.6 million per year of property costs by the end of 2011. Some 80 projects were captured at workshops which otherwise would have been overlooked. An initial list of ten priority projects was selected, which are now being actioned.

Results to date mean that the leaders and chief executives have embraced the SPSE approach and approved a new property governance structure. The 'Suffolk Property Partnership' (SPP) has been set up at minimal cost, with representatives from all partners, as well as an external corporate property change management expert. The SPP is responsible for initiating and driving forward collaborative projects.

Individual projects, each with a chief executive level sponsor, will be managed and approved locally, with the Partnership providing complimentary resources, as well as consistent tools and techniques as required. The SPP is responsible for overcoming any blockages around business cases which produce short term winners and losers by taking a long term collaborative perspective. Overall, the project has succeeded in creating a route map and focus for property transformation, at the same time as collaborative pathways to deliver county-wide results.



Co-location will enable both organisations to maximise the utility of the space they occupy and thereby minimise the operational cost of the property. Facilities management by a single provider will also be more cost effective as an enlarged property will generate economies of scale in comparison to previous occupation across various properties. In order to establish the share of operational costs that partners will be paying, costs should be divided on the basis of the individual organisation's space occupancy.

3.1.2 Pooled Asset Vehicles

Going beyond case-by-case property cooperation, which can be managerially resolved through local property management boards, public sector organisations should, in the long term, consider pooling all local public sector assets within a single trust. Public sector organisations would in return receive a stake in the Pooled Asset Vehicle and then lease or rent the property they need from the vehicle. Transferring the property ownership into one entity will allow public sector organisations to improve their efficiency and deliver the best value for the taxpayer. Equally, introducing a lease between the local Pooled Asset Vehicle (as landlord) and the service provider (as tenant) will transfer the responsibility over the cost of occupied property directly into the service provider's budget.

This approach would allow service providers to focus on serving its customers. A Pooled Asset Vehicle will guarantee more efficient and cost-effective property management than under the local property board. Property cooperation among service delivery partners in Cambridgeshire has the potential to deliver 15%-20% savings from combining and sharing property, while rationalising the combined estate and maximising the investment potential across the whole County. In addition to setting efficiency incentives, a pooled public sector property vehicle would also benefit from the available joint financial resources needed for investment in the properties. Increasing available funds would enable public sector organisations to embark on larger property projects and drive up efficiency benefits from shared property and support services, improving service delivery. To increase financial options further, the vehicle could look beyond solely public sector ownership and form a partnership with a private sector property investment company.

Recommendation 12

Local government and other public sector bodies should strive towards the creation of Pooled Asset Vehicles to facilitate a joined up approach to asset utilisation and to create a platform for levering private sector investment into the public sector asset base.

There are however noteworthy governance, legal and accountability issues associated with property sharing and service co-location. For instance the transfer of property ownership from one public sector organisation to another requires the establishment of a market price and payment of Stamp Duty Land Tax on the property transfer. Additionally, creating a public sector tenant-landlord relationship will make public sector trusts liable for income tax, which may affect its viability. Central government should consider solutions to these issues to facilitate cooperation in public sector property. At the time of writing, these issues are being extensively considered by various local authorities as well as Whitehall departments. This issue was not resolved at the time of this report's publication.

Recommendation 13

Central government should seek the removal of legislative, taxation and governance obstacles to the creation of Pooled Asset Vehicles to facilitate public property sharing at a local level.

CAMBRIDGESHIRE

CASE STUDY

CAMBRIDGE -SHIRE COUNTY COUNCIL

GEOGRAPHICAL AND THEMATIC COOPERATION

Challenge

Extensive population growth in Cambridgeshire has made it difficult for the public sector to enable sufficient future economic growth to improve the quality of life for new and existing residents. In the current climate there is a greater requirement to get more from public sector built assets. Collectively Cambridgeshire's public sector asset base has a book value of £1.53 billion. This comprises £1.19 billion of operational property and the balance from non-operational property[28] and includes a very diverse portfolio ranging from the largest local authority farms estate to schools, and includes properties such as leisure centres, garages, factory units, libraries, offices and operational depots. The involvement of all the public sector partners within these initiatives such as the county council, the district councils, fire, health and police will enable the delivery of a much higher level of overall efficiency.

Action

Cambridgeshire County Council (Cambridgshire CC) and its partners aim to develop a forward looking approach to deliver a combination of service and asset efficiency through a combination of projects, namely 'Mapping the Public Realm', a systematic suitability survey of the combined property portfolio, and development of a common asset management strategy.

The 'Mapping the Public Realm' initiative was launched to develop a tool to aid the investigation and consideration of the joint use of land and property owned or occupied by a number of different public sector organisations, with the objective of improving service delivery and achieving cost savings for all concerned. The aim is to map all public sector property assets on to one single Geographic Information System (GIS) system that would be widely accessible.

These projects are under the direction of the Making Assets Count (MAC) project board and are an asset focused stream of work within Making Cambridgeshire Count, Cambridgeshire County Council's version of Total Place in Cambridgeshire. MAC involves cooperation with numerous partners, including the County Council, District and City Councils, Homes and Communities Agency, Government Office, PCT, Fire and Police.

Within Cambridgeshire CC the 'Better Utilisation of Property Assets' (BUPA) programme, additionally aims to ensure that all of the non-schools estate is fit for purpose and meets all envisaged service needs for at least the next 20 years.

28 Data sourced form 2009-2010 Statement of Accounts for each organisation

By mapping and analysing the usage of all the assets owned by each partner organisation, Cambridgeshire aims to deliver significant savings by combining, sharing or selling assets surplus to service delivery where possible. Improvements to services will be achieved through selective co-location of partners and reconfiguration of property assets.

Outcome

Cambridgeshire CC and its partners are delivering a joint asset management strategy for Cambridgeshire with the focus on two main strands: a) rationalisation of the existing operational estate; b) maximising the investment potential from pooling public sector-owned land and buildings. Involvement of partners in the Mapping the Public Realm project on a single GIS platform, accessible by all public bodies, is an effective stepping stone in the process of strategic area-wide planning of public sector assets. Analysis of the gained data will serve as the basis for determining which assets should be redeveloped or disposed and what services could be delivered in a more efficient manner.

Cooperation with service delivery partners will enable significant savings by combining and sharing property, thereby rationalising the combined estate and maximising the investment potential across the whole County. An initial high level analysis has indicated that significant savings (working estimate of 15%-20%) could be made under the MAC project, as well as enabling income to be generated through better use of investment assets.

The rationalisation of the estate will also deliver improved sustainability of the estate and will establish the use of every asset owned by the public sector in Cambridgeshire in terms of its fitness for purpose and efficient use. As a part of the project, partners are also scoping possibilities for establishing a public sector property company within Cambridgeshire.

3.2 Shared Property and Service Solutions

The efficiency savings that can be gained through different service providers in the public sector sharing properties has been highlighted. Co-location of front and back office services allows public sector organisations to generate economies of scale and thereby deliver significant financial and carbon savings. Back office co-location, due to its lower sensitivity, is considered an 'easy hit' for efficiency savings while also offering a considerable return on investment. Cooperation in front line services is more challenging owing to its immediate requirement to meet the needs of the community, but if embarked upon in a strategic manner, it too can provide significant efficiency savings and improve service delivery.

Putting joint service and property solutions into practice does bring with it some challenges. Aligning the estate strategy with service delivery needs within a single organisation is difficult; attempting to pool a number of organisations within a single building magnifies this difficulty. However, centralised property management, as outlined above, enables organisations to resolve challenges posed by the co-location of services.

3.2.1 Co-location of back office operations

Back office savings within every organisation are an important efficiency solution. Therefore restructuring local government support services offers potentially significant economic savings and environmental benefits[29]. The standardisation of back office and support facilities will deliver efficiency savings through achieving economies of scale and downsizing the estate. The example from Cambridgeshire and Northamptonshire indicates that sharing a range of support services between the two councils will achieve cumulative total savings of £27.5m by 2015-16. Bringing together back office operations not only maximises the efficiency of space management, but also enhances cooperation and networking between different departments, improving social facilities for the employees.

29 Evidence from the private sector shows that the implementation of a corporate shared services programmes can generate savings in the region of 25% to 40% and significant carbon emissions reduction on the estate.

CAMBRIDGESHIRE & NORTHAMPTONSHIRE

CASE STUDY

CAMBRIDGE -SHIRE AND NORTHAMPTON -SHIRE COUNTY COUNCILS

LOCAL GOVERNMENT SHARED SERVICES

Challenge

Cambridgeshire and Northamptonshire County Councils are looking for more innovative ways to reduce their costs and find a sustainable budgetary position in the austere financial climate.

Action

In response to improving their services using less resources, Cambridgeshire County Council (CCC) and Northamptonshire County Council (NCC) have been examining how, through effective collaboration and shared services, they can reduce the cost of support services over and above the savings they can achieve individually. The suggested Local Government Shared Services (LGSS) solution involves the creation of a quasi-independent venture (although not an independent legal entity) providing a range of support services (e.g. Finance, OD & HR, Internal Audit) to the two authorities, using the common Oracle eBusiness Suite system, having a single management team, and standardising and simplifying common business processes for both authorities.

Outcome

The provision of the above outlined services currently costs over £35m per annum across the two authorities. Implementation of the LGSS will enable both councils to achieve savings through the establishment of a single management function, achieving process and technology efficiency and delivering economies of scale.

£1.6 million savings have been identified as certain in 2010-2011. 35% of these savings are planned to come from the procurement of the Enterprise Resource Planning (ERP) system hosting contract; 18% will be due to increased income generation in Legal, Audit and Risk Management Services; 9% results from top-tier management savings, and the remainder of these savings come from systems development leading to greater efficiency. Further savings opportunities of £1.5 million in year two have been identified but not yet set in stone.

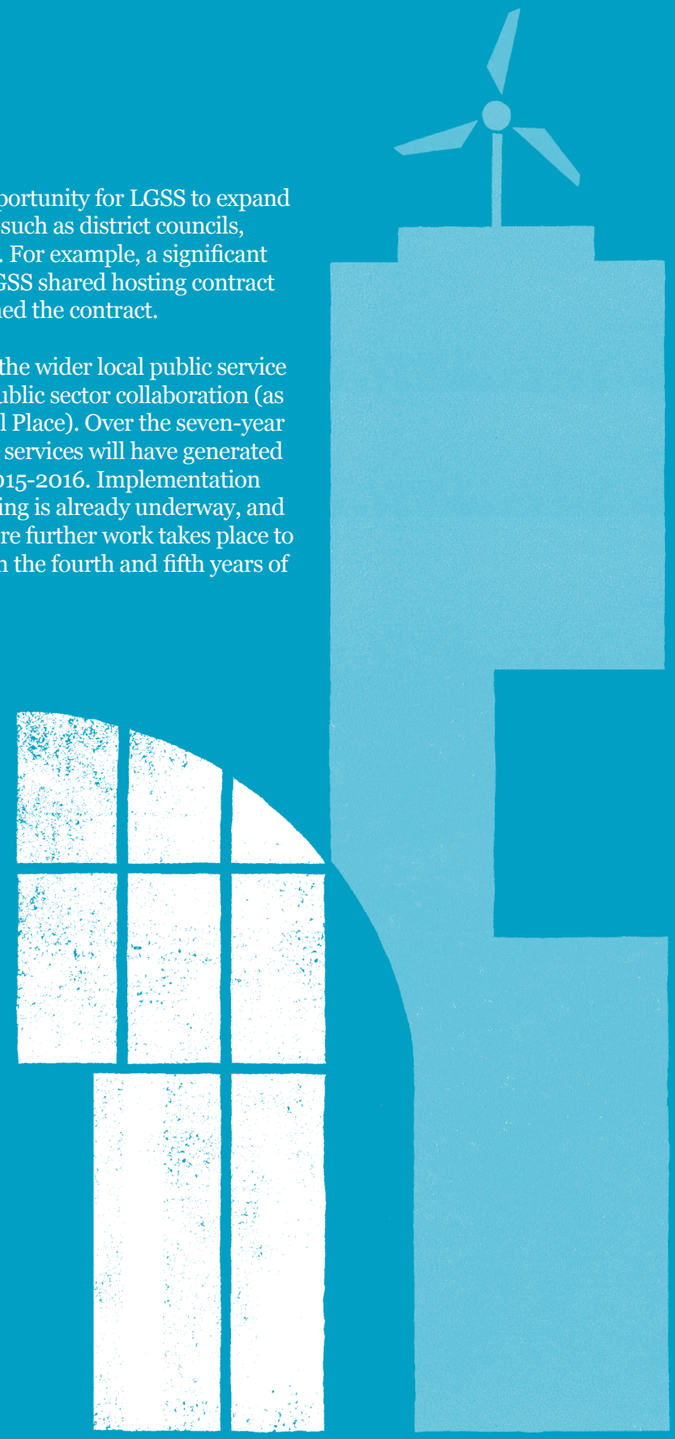
By the sixth year, the annual saving will have reached £3.6 million; if all identified savings are included in this figure, the total rises to £6.5 million, and further savings targets are envisaged. Initial plans were for 18% of the total savings to come from joint procurement between the partner authorities, but this figure has already been exceeded. 31% of the total saving is from efficiencies enabled as a result of new and shared technology, and the remainder of the savings will come from reorganisation as a result of sharing services.

There are additional benefits associated with the scheme, such as providing alternatives to outsourcing and thereby allowing LGSS to focus on the optimisation and efficiency of

Case Study continued overleaf

the services it provides. There is also the opportunity for LGSS to expand and provide services to other public bodies, such as district councils, which may also generate significant savings. For example, a significant proportion of the annual fixed cost of the LGSS shared hosting contract would be saved every time another user joined the contract.

LGSS can therefore cost effectively support the wider local public service economy and enable greater sub-regional public sector collaboration (as reflected in previous initiatives such as Total Place). Over the seven-year period, the initial plan indicates that shared services will have generated £27.5 million cumulative total savings by 2015-2016. Implementation of the processes needed to generate this saving is already underway, and medium term planning taking place to ensure further work takes place to identify and generate even greater savings in the fourth and fifth years of the partnership.



3.2.2 Co-location of frontline services

The co-location of public service providers in public sector service hubs is a viable model for efficiency improvement. Co-location of front line services can act as a catalyst for sharing customer data and enable multiple agencies to rethink the way in which they deliver services to the public.

Co-location across the public and voluntary sector can be an effective way to overcome the 'silo thinking' of single organisations and the belief that each organisation must operate its own building. This has been proven in Kent, where the Gateway Programme demonstrates the significant improvements and savings that could be achieved by adopting a single, multi-agency hub approach for the delivery of benefits. For example, if someone was recently made redundant, their journey through the various agencies costs significant staff time. Re-engineering that journey has been calculated to save £62 in staff time. With a monthly average of 4,750 cases across Kent, this represents a saving of over £3.5 million a year

Sharing property is also assumed to be difficult because of the confidentiality that must be provided to the customer. However, this assumption does not always prove correct in practice. Many perceived barriers to closer working, such as the ability to share information, staff, premises and processes, can be overcome if organisations are prepared to reconsider their own strategies and policies. Barriers are frequently cultural and taking the customer's perspective in service delivery leads to savings and improvements.

Tanya Oliver, Director of Strategic Development & Public Access at Kent County Council said:

> "Our experience from the Gateway programme shows that it has mainly been the staff who resisted the change. Our customer surveys show that they welcomed the change as they were able to access previously scattered services in one place and were also happy to share the information across various organisations to save the time in having to provide it again."

KENT

CASE STUDY

KENT COUNTY COUNCIL

GATEWAY SERVICE HUB SCHEME

Challenge

Annual expenditure by the public sector in Kent is £8.25 billion. This is in addition to over £5 billion of property assets with annual running costs of £300 million. The challenge that public and voluntary sector service providers presently face is to reduce the cost of service provision while at the same time putting the customer first and improving service delivery, the customer experience and public satisfaction. In order to achieve this, Kent County Council and its local partners, together with central government departments, are redesigning the way many front line public and voluntary sector services are delivered to make access more simple, friendly, non-stigmatising and effective for the customer. In Kent this programme is called Gateway.

Gateway provides a customer-focused service delivery environment, offering residents the convenience of a single point of contact through which to access frontline customer advisors from a wide range of public and voluntary services, in a modern retail-style setting. Gateway is based on partnership working with local authorities, central government agencies, such as the Pension, Disability and Carers Service, and voluntary organisations such as Citizens Advice, to offer a more holistic approach to helping customers with complex needs that can not be met by one organisation in isolation. In addition, each Gateway offers provides free public internet access, and improved access to public services and information.

Redesigning services in this way provides the opportunity to examine and rationalise not just front office processes but also the back office processes that support them, producing significant efficiency savings. A key aspect of this combined rationalisation of front and back office processes, is the opportunity to rethink and achieve reductions in physical estate across agencies.

Action

The Kent Gateway programme brings together sixty service partners and creates a single point of customer access in three main channels – face to face, telephone and internet. A principal objective of the Gateway development has been to prove a hub-based centre of expertise model, which supports integrated service delivery through multi agency teams working together to provide an holistic customer offering, and to create a blueprint for a 'Benefits Hub' that challenges the existing public sector service silos and demonstrates both cashable savings and improved outcomes for people.

The establishment of service hubs will generate significant cashable savings and efficiency gains from asset reduction and lower staff costs. Kent CC and its partners used the 'Customer Insight' template (a Local Government Improvement and Development Programme that concentrates on the customer more than the community) to determine service delivery requirements and appropriately match them with property support for the development of each particular Gateway service hub.

Outcome

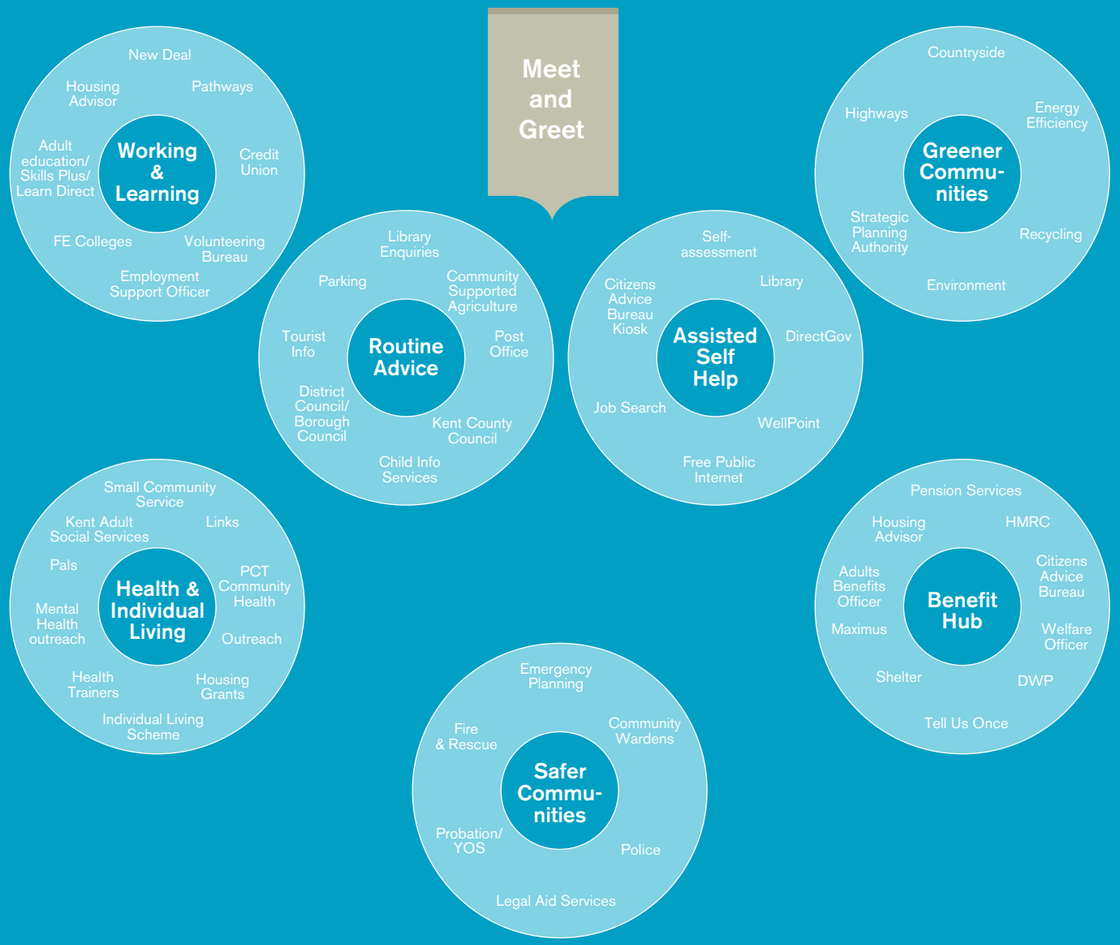
The 'Customer Insight' approach has enabled partners to develop a common perspective on place, community and service delivery. Common customer data provided the basis for future commissioning and targeting of services. It has also enabled the development of five key thematic service hubs focusing on specific service types.

Collaboration across the district councils has seen a reduction in the number of built assets needed. Equally, a specific study (below) into the benefits for a particular customer (a notional person who has recently become unemployed) include a reduction in the number of assessment forms that a person has to complete, from five to one, and in the number of visits to public agencies, from four to one. The co-location of services means Gateway partners are able to reduce the time it takes to deal with a customer by a third. This approach brings with it extensive financial benefits associated with the reduction in staff costs.

The potential saving in staff time on this single instance of the customer journey for redundancy was £62. Taking a monthly average of 4,750 cases across Kent, this represents a saving of over £3.5 million per year. The savings from this study can be multiplied across customers who require different services. For example a similar method of calculation was used to assess the potential saving in a notional case of retirement, resulting in an estimated saving of £1.5 million per year.

These figures do not include the reduced cost of premises and other assets, which could generate an additional £0.5 million year on year saving. Neither do they include the Social Return on Investment, which measures in monetary terms the social value generated by investment, including the impact of reduced wait times, early intervention, avoidance of stress and other illness, increased awareness and benefits uptake. In the case of redundancy, this was calculated to be in the region of £20 of social return for every £1 invested in the Benefits Hub in the first year of operation.

Case Study continued overleaf



This figure illustrates the centralisation of the Kent Gateway model on thematically focused service hubs. Every service hub is comprised of partner agencies or key representatives within particular service lines.

Source: Kent County Council

3.3 Sustainable Asset Solutions

The creation of a more environmentally efficient, sustainable estate should be central to strategic asset management in local government and the wider public sector. The Carbon Trust estimates that the first 10%-15% of carbon emissions can be effectively decreased through good housekeeping and low cost green solutions. A further 20%-30% of carbon can be shed through longer term Spend to Save measures like retrofitting existing buildings and efficient design of new buildings[30]. Carbon reduction measures of this scope represent a cost reduction of about £650,000 for an average participant in the CRC[31].

Richard Rugg, Head of Public Sector at Carbon Trust said:

> "The Carbon Trust's carbon management programme has helped local authorities save £367 million over five years as well as cut carbon footprints by an average of 30%."

Depending on the specific situation, there are many carbon management options that should be considered. However, it is important for organisations to understand which options should be prioritised over others in order to maximise carbon and cost effectiveness. The introduction of simple, short-term payback, energy efficiency measures is the first step; the more radical retrofitting of buildings should only come in after other 'quick win' measures have been taken. Further optimisation solutions can be added once the building is running as efficiently as possible. Finally, renewables should only be considered after measures to reduce demand for energy have been implemented, as demand should be reduced before addressing supply[32].

Figure 6: Sustainable Asset Solutions

Source: Carbon Trust, Public Sector Carbon Management Programme

30 Figures obtained from Carbon Trust Public Sector division.
31 According to the EC Harris Built Asset Consultants.
32 This order of measures is recommended by Carbon Trust within its Public Sector Carbon Management Programme.

3.3.1 Low cost green solutions

A simple set of policies introduced to the management of local government estates will not only improve their environmental performance, but will also lower the cost of property use by cutting down the spending on utility bills or waste disposal. For example, measures to be focused on may include applying appropriate temperature set points; the installation of power perfectors to achieve voltage optimisation; matching lightning levels to occupancy and keeping unnecessary lightning permanently off. Equally, installing split AC units in kitchens and patch rooms, setting timers to non-network equipment such as fridges, vending machines, screens or office equipment, or installing IT device rationalisation units are all low cost solutions that will contribute towards lowering energy cost. The first 10%-15% of carbon reduction can be achieved through these simple efficiency measures[33]. A majority of these solutions have a payback period in the range of three to five years.

Recommendation 14

Local government should, as a priority, implement simple low cost measures to reduce energy consumption, carbon emissions and operational costs.

Carbon Trust – Top 12 Most Effective Measures in Carbon Reduction

1. Modify building fabric (glazing upgrades, draft proofing and improved insulation)
2. Heating, ventilation and cooling efficiency and control
3. Lighting specification and controls (including street lighting and building lighting)
4. Installation of Variable Speed Drives (on major motors and pumps)
5. Building and equipment rationalisation
6. Voltage optimisation
7. Server virtualisation or server rationalisation
8. Waste management and recycling
9. Fleet management and green travel policy
10. Environmentally efficient procurement policy, equipment and new building design
11. Planning policy, district heating & local generation (e.g. Combined Heat and Power)
12. Renewable technologies and alternative fuel transport

33 Please see figure below for the outline of the Top 12 Most Effective Measures in Carbon Reduction

3.3.2 Long Term Spend to Save

While the initial 10%-15% of carbon reduction can be achieved through low cost green solutions, the next 20%-30% requires more significant capital investment adopted through a Spend to Save approach. There are usually two main options available. The first is the construction of new buildings to replace existing stock, financed in part or completely by the sale of resulting surplus assets. The second is the retrofitting of existing space.

Until 2008, the buoyant property market made it possible for local government to justify the new build approach, because of high market demand and values for surplus assets. The past decade has also been marked by the availability of prudential borrowing, enabling the public sector to secure relatively low cost loans to drive development of their estate. This has led to an improvement in the quality of local government estate. Through modern design and construction, local government buildings can now fulfil the latest environmental standards and have lower operational costs in comparison to older assets. The example of a building with long-term benefits is the joint property solution by St Edmundsbury Borough Council and Suffolk County Council. They have created a sustainable building, West Suffolk House, of BREEAM Excellent grade with incorporated passive design and energy efficiency features using renewable energy sources (see case study, page 56).

However, the subsequent decline in the property market and more limited borrowing suggests that the focus will now need to shift to upgrading the environmental performance of existing buildings through retrofitting. Retrofitting requires less capital and is likely to deliver a faster payback. A programme run by the London Development Agency focusing on the refurbishment of property, showed that investment into energy efficiency of 42 public sector properties delivered, on average, a 28% carbon reduction and lowered energy costs by £1 million per year in total.

Recommendation 15

Local government and its public sector partners need to explore Spend to Save projects, prioritising the retrofitting of existing space over new build, to deliver more extensive carbon reduction on its estate. Local government should seek support from specialised funding sources, such as Salix or the London Green Fund.

ST EDMUNDSBURY

CASE STUDY

ST EDMUNDSBURY BOROUGH COUNCIL & SUFFOLK COUNTY COUNCIL

WEST SUFFOLK HOUSE

Challenge

St Edmundsbury began scoping possibilities of cooperation with various public agencies to consolidate multiple estates into one location in response to major service provision changes and the cost of surplus offices and depots. This prompted the District and County Councils to embark on a feasibility study aimed at securing economies of scale and improving efficiencies through the development of a joined strategy to rationalise part of their office estate.

Action

The solution was to build the Public Sector Village (later known as West Suffolk House) which is a shared building project that accommodates the head quarters of St Edmundsbury Borough Council and local area office space for Suffolk County Council. A £20 million capital budget, funded from £7.1 million capital receipts and prudential borrowing, delivered an 8,000 m² BREEAM Excellent building.

Outcome

The co-location of services provides one point of access for customers and reduces customer travel. The building layout is an open plan office environment with enhanced flexible work practices and hot desking with an average of 7.5:10 desks to staff and green travel incentives.

Between the councils, revenue savings of £924,000 per year have been achieved using modern ways of working. Specifically, this has involved sharing receptions, work stations, cafeterias and meeting rooms, sharing printers and IT hardware, sharing facilities management contracts, off-site storage costs and adapting to home working. Additional soft savings have been a counterpart of capital savings. West Suffolk House has created a better work environment and achieved increased staff productivity; lower sickness and turnover; and more efficient working within and between the Councils by reducing the need for travel to and from meetings. In order to go beyond financial and environmental efficiency to delivery soft benefits through people focus, partners also concentrated on a change management programme for staff, including a regular staff consultation.

Sustainability improvements on site have resulted in an Energy Performance Certificate Band A (A+ best, G worst) and minimisation of emissions through:

- Passive design features: The building orientation and glazing specification were selected to optimise and balance the seasonal thermal performance of the building and pitch orientated to favour natural ventilation buoyancy. Glazed roof lights were installed on the atrium roof to increase daylight penetration in the office. Insulation is 20%-40% better than Building Regulation standards and air tightness is 55% better than regulations dictate. There are also manual natural ventilation openings.

- Efficient energy use: Low temperature radiant heating and cooling is used as a more efficient system with embedded pipes in the ceiling structure. Automatic window openings control temperature and CO2 concentration. A comprehensive BACnet (BMS) controls network is used to automate and control the air-flow of the building.

- Extensive use of Renewable Energies: Ground source heat pumps (open loop boreholes type) are used for heating and cooling; A 20m² solar tracker collector system is used for hot water generation and there is separate metering of Renewable Energy Systems.

The property is managed by a formal joint member committee and owned by a trust co-owned by both councils.

SOUTHWARK

CASE STUDY

SOUTHWARK BOROUGH COUNCIL

ASSET RATIONALISATION STRATEGY

Challenge

The Council's back office operations were based across an asset portfolio widely scattered around the Borough. This incurred extensive operational costs due to the operational unsuitability of many buildings as well as time and travel costs because employees were forced to frequently travel to other Council sites. In addition, the Council has pledged to cut down its carbon emissions by 44% by 2016.

Action

In order to resolve Southwark Council's office problems as well as contribute towards its challenging carbon reduction target, the decision has been made to centralise office functions by relocating to the Council's new flagship headquarters. This solution was designed to deliver extensive economic and environmental efficiency and fulfill the political objective of centrally locating the Council's administrative staff to provide the right environment for service transformation and modernisation.

The new building has been built according to the BREEAM 'Very Good' standard, with 20% of energy demands met by renewables including a biomass boiler that meets 50% of heating needs; and the use of the latest sustainability solutions such as a passive ventilation system; power perfectors, hot desking to maximise space utilisation and IT technology to manage lightning, computers, kitchen appliances and other devices. In addition to this, the Council has introduced a behavior change initiative including a bin-less office policy; an organic waste collection pilot, no-eating at desks and an energy awareness raising campaign for its staff, involving competition against other teams and sites to be the most efficient.

Outcome

The relocation from 20 buildings to a single centrally located building significantly improved the sustainability of the Council's estate. Improved operational cost delivered efficiency gains of about £3 million per year. Environmental efficiency, mainly through energy savings, has resulted in a reduction of 1,781 tonnes of carbon dioxide emissions annually. Capital receipts from the sale of vacated assets represented £39 million.

Learning from this first stage of modernisation, the council now plans to continue rationalisation, focussing on withdrawing from the poorest quality and most inefficient property first.

LONDON

CASE STUDY

LONDON DEVELOPMENT AGENCY (LDA)

RE: FIT

Challenge

The Mayor of London's climate change ambition is to reduce greenhouse gas emissions by 60% below 1990 levels by 2025. 43% of London's total CO_2 emissions are from commercial and public sector buildings, and 80% of these buildings will still be in use in 2050. Hence, the key challenge for London is making the existing building stock more efficient. The Mayor's draft Climate Change Mitigation and Energy Strategy sets out how London will contribute and show leadership in meeting this challenge. Historically, activity has been focused on small scale piecemeal improvement delivering 5% to 10% savings not the 25% to over 30%, that is required to meet the target.

Action

The aim is to reduce emissions from existing public buildings by improving their performance. To reach the target, the LDA assists public bodies in London by providing a commercial model to implement energy efficiency improvements to their buildings. The RE:FIT model, based on the Energy Performance Contract reduces energy consumption and carbon emissions in public buildings through appointing an Energy Service Company to install Energy Conservation Measures in buildings and to guarantee a set level of energy savings. The LDA has procured a framework panel of suppliers to carry out the works avoiding the need for lengthy procurement process. The framework is managed by the LDA and any call offs from the framework are managed by the respective public sector building owners (or 'buyers'). As whole groups of buildings are offered for retrofitting in one go it is easier to achieve economies of scale and gain long-term infrastructure investment.

Outcome

The initial pilot project, involving investment of £7 million into forty two buildings across public sector organisations in London has generated energy savings of £1 million per year. On average, 28% energy savings have been achieved with carbon reduction over 5,000 tonnes on 145,852 m^2 retrofitted.

The LDA and its partners aim to facilitate the use of RE:FIT's Energy Performance Contracting approach across at least 40% of public sector buildings over the coming years. This equates to 11 million m^2 of space bringing a reduction in CO_2 emissions of 2.5 million tonnes. At present the RE:FIT programme is aimed at buyers - who have access to funding for energy efficiency programmes either from their own budgets or from other sources. The LDA is currently in the process of establishing the London Green Fund to fund investment in energy efficiency, waste and decentralised energy projects. Over £100 million has been committed to the fund by the LDA, the European Regional Development and Structural Fund and the London Waste and Recycling Board.

GLOSSARY OF TERMS

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

Central Property Unit (CPU)
A unit within an organisation that has control over the organisation's property. A CPU should oversee all property management, including, but not limited to: property review processes; management of leases, disposals and acquisitions; facilities management; and maintenance programmes.

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 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.

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

Pooled Asset Vehicle (within the public sector)
A property holding structure or entity into which public sector organisations within an area transfer their property and in return receive a stake in the vehicle. A Pooled Asset Vehicle will assume the responsibility over the management of operational property and then lease space back to service providers.

Public sector
The public sector is defined in this report as the wider service delivery bodies that are not owned by the private sector, including local government but also wider delivery bodies such as health, fire, police, education and transport.

Service Asset Strategy
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.

Service directorates
Departments within local government that provide specific services for the community. This term includes services such as Environmental Services, Housing Services, Adult and Child Services, etc.

Soft benefits
The term 'soft benefits' describes social benefits of a sustainable estate including improved productivity, reduced sickness rates and work place satisfaction of employees.

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

Sustainable estate
A sustainable government 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 legislation.

Sustainable estate management
The series of policies and processes deployed by the public sector to improve the environmental and economic efficiency of its 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 key UK businesses, government agencies and parliamentarians, which seeks to promote effective sustainability policy in the UK.

The WSBF brings together leading UK 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.

With special thanks to Jo Richards, Helyn Dudley, Anna Carter, Thomas Moody and David Noll.

Designed by Richard P Chapman Design Associates
Illustrations by Lucy Davey