



National Audit Office

The office accommodation of the Department for Culture, Media and Sport and its sponsored bodies

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EXECUTIVE SUMMARY



1 This report looks at the cost and utilisation of the office accommodation occupied by the Department for Culture, Media and Sport and 24 of its sponsored bodies. A key priority of the Department is to modernise delivery by ensuring that sponsored bodies, which have a high degree of independence, operate as efficiently and effectively as possible.

2 The 25 organisations covered by this report spent some £43 million on office accommodation in 2004-05 (**Figure 1**). This was spread across 95 offices of varying sizes around England, which accommodated some 5,000 people in total (Appendix 2). Several organisations have recently moved significant parts of their operations to new offices. Others are planning major office moves or refurbishments and this report should contribute to their thinking.

3 The emphasis of this report is on cost efficiency, for which there are two key indicators – the cost of space (rent, rates and operating costs such as cleaning and utilities) and the way that space is used (the number of square metres per member of staff). These two indicators combine to give a measure of cost per person.

1 Organisations covered by this report and their spend on office accommodation 2004-05¹, to the nearest £1,000

Arts Council England	£5,820,000
Big Lottery Fund	£6,337,000
Department for Culture, Media and Sport	£9,739,000
English Heritage	£6,162,000
Football Licensing Authority	£181,000
Museums, Libraries and Archives Council	£512,000
National Endowment for Science, Technology and the Arts	£981,000
National Heritage Memorial Fund	£2,989,000
National Lottery Commission	£548,000
Public Lending Right	£140,000
Regional Cultural Consortia (eight separate organisations)	£215,000
Sport England	£4,102,000
The Churches Conservation Trust	£143,000
The Gambling Commission (previously The Gaming Board for Great Britain)	£600,000
The Royal Parks	£328,000
UK Film Council	£1,228,000
UK Sport	£945,000
VisitBritain	£2,227,000
Total	£43,197,000

Source: National Audit Office survey

NOTE

¹ Spend on office accommodation includes rent, rates, operating costs and adaptation and equipment costs (Figure 10).

Our main findings

Geographical dispersal

4 The offices of the culture, media and sport sector are spread around England. There are 26 offices in London which cost £32.1 million in 2004-05 and accommodated 3,211 staff. The number of offices in London reflects the concentration of head offices in the capital, although the Department is planning to move some 600 staff out of London in response to the independent review of public sector relocation by Sir Michael Lyons.¹ (Paragraphs 1.4 and 1.6)

5 There is limited co-location of organisations across the country. There are two towns, Nottingham and Leeds, where organisations have offices located in the same building. (Paragraph 1.4)

The costs

6 There are wide variations between the regions in the costs of accommodation. The lowest cost per person is in Yorkshire and The Humber, where the average for each employee was £4,353 in 2004-05. The highest cost is in London, with an average of £9,990 a person. The average for the sector as a whole is £8,573 a person. The costs for each person are driven by the cost of the space itself and by the amount of space provided for each person. (Paragraphs 2.3, 2.4 and Figure 5)

7 Rent is the single largest element of accommodation costs amounting to £22.5 million in 2004-05. Variations in rental costs for individual offices are to be expected given the dependence of rent on the location and quality of accommodation, on market conditions at the time of making agreements, and on the particular nature of individual rental agreements which may, for example, include rent-free periods. However, there are marked variances within the sector, even between organisations with similar needs in the same town. (Paragraphs 3.5 and 3.6)

8 Operating costs are the other main element of accommodation costs and include utilities, maintenance and repairs, service charges, cleaning, security, telephones, reception, storage and catering. These costs also vary widely within and between regions. (Paragraphs 3.11 and 3.12)

The use of space

9 Average space utilisation (occupancy density) for the sector as a whole is 15.9 square metres per person. This is at the higher end of, but within, British Council for Offices'² good practice guidelines of 12 to 17 square metres per person. (Paragraphs 3.17 and 3.19)

10 The average occupancy density figures vary between regions from 14.3 square metres per person in London and in the West Midlands up to 25.4 square metres per person in the East Midlands. (Paragraph 2.4 and Figure 5)

11 Reduction of space in all offices above benchmarks could produce financial savings, but the ability of organisations to make savings by increasing occupancy density would depend on local circumstances, the nature of the property market and the terms and conditions of leases. For example, on whether organisations could sub-let surplus space, whether separate offices could be combined, or whether existing space can be reconfigured. (Paragraphs 3.20 – 3.21)

12 Open plan layouts require less floor space per person than the traditional layout of corridors and enclosed (cellular) offices. In responses to our survey of the 95 offices covered by this report, 76 were described as having open plan or mainly open plan layouts. In the largest five offices, where there is a combination of open plan and cellular lay-outs, the space occupied by each workstation in open plan areas was 50 per cent less than that occupied by workstations in cellular office lay-outs. (Paragraphs 3.22 – 3.23)

Management information

13 Whilst most of the largest organisations have a documented office accommodation strategy, the majority do not. Very few organisations use key performance indicators or have targets related to the unit costs of accommodation or amounts of space per person. Organisations' financial data on their accommodation is mainly used to manage and monitor budgets rather than to measure efficiency. (Paragraph 3.2)

¹ Sir Michael Lyons, *Well Placed to Deliver? Independent Review of Public Sector Relocation*, 2004.

² *British Council for Offices Guide 2005: Best Practice in the specification for offices*. The British Council for Offices is a membership organisation, which exists to research, develop and communicate best practice in the office sector.

Concluding Comments

14 The aim of our work has been to collect and analyse data provided by the organisations and use it to construct key performance measures. In most cases the organisations did not have these measures. Such measures would help them to assess whether their office space is cost-efficient, both individually and relative to others. This report does not make judgements about accommodation standards or the location of offices, which should reflect the individual operational and staff needs of those organisations.

15 Office costs and space utilisation do, however, vary greatly across the sector, suggesting significant scope for improved value for money. If those offices with rent and operating costs significantly above the median values for the sector were able to reduce their costs there would be savings of some £4 million a year.³ Savings would also be possible if organisations which exceed good practice benchmarks were able to reduce their use of space.

16 Delivering improvements is not, however, necessarily straightforward. The impact of change depends significantly on property market conditions and the terms of organisations' lease agreements. In a weak property market organisations will have greater opportunities to achieve good deals on rent and space. Conversely an organisation's requirements for cost-effective space may be more difficult to achieve when the demand for accommodation is high or it is in poor supply.

17 Some of the costs of office space can be reduced through good procurement practice, and this was the subject of a report we produced last year.⁴ Improvements can also be achieved, where costs and space usage are above accepted benchmarks, through changes of layout or location. The scope for such improvements will depend on cost and other factors.

18 Organisations should, however, have a clear understanding of how efficiently and effectively their office space is being used. Although a number have recently made or are planning major changes to their accommodation, and these involve a good deal of management effort and organisational upheaval, the challenge is to keep the efficient use of that accommodation on the management agenda. That is what our recommendations below are designed to achieve.

³ This calculation is based on no office paying more than 125 per cent of the current regional median values for operating costs and rent across the sector. The median represents the midpoint in a series of values (for example, rent per square metre); half the values are above the median, and half are below. We have used the median here in order to avoid distortion by extreme high or low values. Appendix 1 describes more fully our calculations for quantifying the financial impact of reduced costs and space.

⁴ National Audit Office, *Procurement in the Culture, Media and Sport sector*. HC 596, 2005.



RECOMMENDATIONS

In making recommendations our aim is to encourage organisations in the sector to move towards a more strategic approach to managing their accommodation. Key principles are to build in efficiency measures to the oversight of accommodation, to identify inefficiencies, to plan for how to achieve improvements, to develop accommodation strategies, and to achieve a co-ordinated approach across the Culture, Media and Sport group of organisations.

Measuring efficiency

1 The metrics used in this report – cost per unit of space, space per person and cost per person – are key measures of whether accommodation is being provided cost-effectively. All organisations should use these measures and monitor performance against them.

2 The recurring theme in our analysis has been the wide variations in cost and space utilisation across the sector. Performance data should be shared so that the outliers can be identified, the reasons examined and the lessons shared. Looking more widely, the Office of Government Commerce is undertaking a pilot exercise to benchmark property in government. As this exercise is rolled out across government over the next two years there will be scope for the Department and its sponsored bodies to become involved.

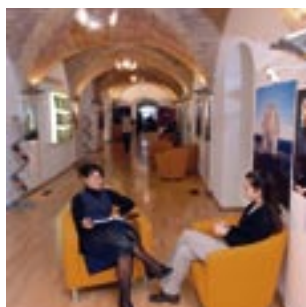
Improving efficiency

3 Scope to make efficiency savings depends on local circumstances, the nature of the property market and the terms and conditions of leases, but organisations should consider the following options:

In the short term

- Renegotiating rental payments, for example through revised or new lease agreements (if this is feasible within the rental agreement and having regard to the cost of an early exit from the lease);
- Reducing operating costs. Our recent report *Procurement in the Culture, Media and Sport sector*⁵ sets out ways in which this could be achieved;
- Sub-letting space to others (providing this is permitted under the terms of the lease); and
- Reducing the demand for workstations through increased desk sharing.

⁵ National Audit Office, *Procurement in the Culture, Media and Sport sector*. HC 596, 2005.



Longer term implementation

- Reorganising existing offices into more space efficient layouts;
- Exploring the scope for achieving savings through moving premises; and
- Achieving economies of scale. Sharing offices with others from within and beyond the sector potentially increases bargaining power and facilitates the sharing of services and back office functions.

4 All organisations should have an accommodation strategy in which central elements should be how efficiency will be measured and any longer term plans for change. Moves can be forced on organisations, for example if leases come to an end, and elective change can take time depending on lease terms and the investment required. A formal plan is therefore essential.

5 For all organisations there should be a designated individual with responsibility for efficient use of accommodation, who has access to expert advice. Organisations should take full advantage of others' experience from around the sector in making changes to their accommodation.

6 The Department should facilitate a more co-ordinated approach to property management across the sector. Without such an approach there is a risk of organisations working in isolation and in opportunistic ways, and that action to improve value for money will lack impetus. A helpful step would be to support the sharing of performance information and benchmarks across the sector using this report as a baseline.