National Audit Office

REPORT BY THE
COMPTROLLER AND
AUDITOR GENERAL

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2 MARCH 2012

Cabinet Office

Improving the efficiency of central government office property

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Improving the efficiency of central government office property

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Amyas Morse
Comptroller and
Auditor General

National Audit Office

28 February 2012

Government has made good progress transforming how it uses its office estate over the past decade by moving from traditional cellular offices to open-plan offices and increasing 'hot-desking', where individuals do not have their own desk. This report examines how well the Government Property Unit supports departments to further improve the efficiency of the office estate.

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Contents

The National Audit Office study team consisted of:

Emma Cole, Andrew Denney, Faisal Hussain, Kim Hutchings, Joshua Reddaway and Constantinos Regas under the direction of Keith Davis.

This report can be found on the National Audit Office website at www.nao.org.uk/government-property-2012

For further information about the National Audit Office please contact:

National Audit Office
Press Office
157–197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Tel: 020 7798 7400

Email: enquiries@nao.gsi.gov.uk

Website: www.nao.org.uk

Twitter: @NAOorguk

Key facts

5m m^2	£1.8bn	13.2 m^2
estimated size of government's office estate	estimated annual cost of occupying those offices	current average amount of space per person across the government's office estate

£100 million	estimated reduction in annual running costs of the civil estate achieved each year between 2004 and 2010 (including offices, courts and laboratories achieved) – £600 million in total
£212 million	estimated reduction in the central civil estate's annual running costs since new central arrangements were established (April 2010 – December 2012)
10.0 m^2	Operational Efficiency Programme's recommended average amount of space per person for government office buildings
8.0 m^2	Government's aim for the amount of space per person for new and refurbished office buildings
£830 million	potential further reduction in annual costs if a space standard of 10 m^2 per person is achieved
£650 million	portion of the potential further reduction achievable by 2020 by exiting leases as they expire (the easiest way to shrink the size of the estate)
£180 million	portion of the potential further reduction that requires sale of freeholds, early surrender of leases, or finding private sector tenants (difficult to achieve under current market conditions)

Summary

1 There are an estimated 2,511 central government offices, representing 5,400,000 m^2 of space, of which an estimated 380,000 m^2 is sublet. The remaining 5,020,000 m^2 of space costs an estimated £1.8 billion per year. Government has made good progress transforming how it uses this office estate over the past decade by moving from traditional cellular offices to open-plan offices and increasing 'hot-desking', where individuals do not have their own desk. We estimate that space has reduced from 17.1 m^2 per full-time employee when we first looked at this in 2006, to 13.2 m^2 by December 2011.

2 These efficiencies were delivered under a system where central government departments and their arm's-length bodies owned and managed their own property portfolios (we refer to both departments and arm's-length bodies as 'departments' in this report). Government has recently recognised that, to make the best use of space in future, departments must significantly improve how they work together to share space, use it flexibly, and plan their future requirements.

3 The Government established the Government Property Unit (the Unit) in 2010 to strengthen central control over property management. This report examines how well the Unit supports departments to further improve the efficiency of the office estate. The report:

- examines the potential for savings and assesses the current pace of reform;
- identifies the barriers to making savings more quickly; and
- assesses whether the Unit and wider central government are taking all possible actions to address these barriers and to improve the value for money of the estate quickly.

Key findings

Delivering efficiency savings

4 **Departments acting individually have already made good progress, reducing the annual cost of the central civil estate by an estimated £600 million in real terms between April 2004 and March 2010.** This includes savings from the office estate (the focus of this report) and the operational elements of the civil estate, such as laboratories and courts, the latter of which are beyond the scope of this report. There are no pre-2010 savings figures for the office estate alone. The environmental performance of the office estate has also improved over this period.

5 **Since April 2010, £219 million further savings have been identified, comprising reductions in the annual cost of running the central civil estate of £212 million, plus additional one-off savings of £7 million.** Within this, as reported by the Cabinet Office in February 2012, are cashable savings of £132 million for the first nine months of 2011-12. In May 2010, the Minister for the Cabinet Office announced a freeze on acquiring new properties or extending leases without permission. This was formalised into National Property Controls in 2011, that are administered by the Government Property Unit. The controls have proved effective alongside the existing pressure on departments to reduce administration costs; have focused departments on planning for future lease breaks earlier; and have encouraged departments to work closer together in planning their future estate needs.

6 **If departmental staff numbers fall as expected and the amount of office space per person can be reduced to 10 m^2, government would release about 2 million m^2 of further office space costing over £830 million by 2020.** This amount is considerably more than the total current office space in Canary Wharf. It would thus require substantial and complex reconfiguration of the estate and will take many years. It is also dependent on being able to exit the surplus space in a timely fashion.

7 **However, departments are finding it difficult to surrender leasehold buildings before their leases expire, find private sector tenants to use their surplus space, or dispose of freeholds, because of the currently weak commercial property market.** As a result, the full potential £830 million savings are unlikely to be achieved before 2020 (Figure 8 on page 23):

- **About £650 million of cost reductions are achievable by exiting surplus leasehold offices as their leases expire.** As staff consolidate into fewer buildings on the government estate, properties can be handed back to landlords. If half the expected leases expiring before 2020 were surrendered, it would reduce annual costs by £650 million. Handing back properties to landlords in this way requires minimal additional investment and does not require departments to find another use for the building. The complexities of consolidation will, however, require departments to plan their estates strategies together.

- **The remaining £180 million of annual cost reductions will be harder to achieve.** It is possible to exit surplus leasehold offices in advance of contracted dates, and to sell or grant leases on freehold property. However, the market for office space is not currently strong, and departments are finding it difficult to secure private buyers or tenants for their surplus space, especially outside of London. Making the space suitable for others to use can require significant up front investment and financial risk. Departments often find it cheaper to leave such buildings empty (mothballed) which can save on some, but not all, the costs of running the building.

8 **Delivering these savings requires a step-change in the way departments work together, but they are hindered in doing so by structural barriers.** To date, departments have mainly concentrated on consolidating their estate within their own portfolios. To make the most efficient use of space, departments must plan their estate strategies together to ensure they share space and overcome silos. There are two barriers that are hindering their efforts to plan moves together:

- **Separate departmental responsibility for budgets provides departments with incentives that can conflict with taxpayer interests.** Departments must often bear the costs and risks of a move when the benefits to government as a whole go to another department. So far, all the major interdepartmental moves have required departments to agree ad hoc bilateral arrangements to share the costs and benefits.
- **Departments' ICT and security arrangements are incompatible.** Staff of one department cannot easily use another department's buildings.

9 **The reconfiguration of the estate required to make these savings also offers the opportunity to support wider civil service reform.** Government is currently exploring how changes in the use of office space can enable increased flexible and remote working; use of better ICT systems; delivery of environmental benefits; and service improvement through joined-up working. However, we have not seen these wider initiatives translated into property planning, and if departments rely solely on lease breaks and expiry to shrink the size of the estate, government risks ending up with an estate in 2020 that is similar in nature to the government estate in 2012, only smaller.

The role of the centre

10 **The new Government confirmed the establishment of the Government Property Unit in June 2010.** It also announced that the Unit would establish two property vehicle pilots in central London and Bristol during the course of 2011-12. It intended that these vehicles would centralise ownership of property, establish a rental regime to encourage departments to reduce their space requirement, and potentially use private-public-partnership arrangements to help dispose of surplus property.

11 However, the Unit has been slow to change the way government manages its estate. It:

- **Continued to deliver the services to departments that had previously been provided by the Office of Government Commerce's property team (part of HM Treasury), including advice and benchmarking.** It turned these strengths into effective policing of the National Property Controls (paragraph 5).
- **Concentrated in its first year on developing plans for property vehicles, which it failed to gain support for, and later dropped in favour of pursuing place-based consolidation strategies.** Its plans for property vehicles alienated estates management professionals across government. Departments could not agree on the governance or budgetary arrangements. The Unit was not able to set out adequately detailed plans as to how property vehicles would operate in practice. HM Treasury told us that it could not assess the plans because they were insufficiently developed and that it could not therefore authorise the necessary funding and budget changes. Immediate proposals for property vehicles were effectively dropped in summer 2011 in favour of pursuing 'place-based' estates consolidation strategies.
- **Did not meet its intended capacity until mid-2011 and had difficulty integrating systems and staff.** The Unit was originally established in the Department for Business, Innovation and Skills to take advantage of the asset disposal experience in the Shareholder Executive. However, the Unit struggled to assert influence across government and to integrate systems and staff transferring from the Office of Government Commerce. The Unit then moved to the Cabinet Office Efficiency and Reform Group in July 2011.
- **Provided advice to departments on some specific projects, but has not fully worked out how best to use its property expertise across government.** It is not clear when departments should seek advice from the Unit for specific projects, or how the Unit can aid departments in specific commercial negotiations. The Unit has also yet to fully explore centralised approaches to using government's purchasing power. Departments are delivering efficiencies through combining facilities management contracts, and the Unit is exploring the potential for further savings through combining across departments. In contrast, the terms and conditions of lease contracts remain varied. Existing rental agreements agreed by departments do not reflect the lower risk and combined buying power government tenants have in the commercial property market.

As a result, we found that the centre of government is not yet operating effectively in five of the six key areas we believe necessary (**Figure 1**).

Figure 1

Effectiveness of the centre of government against six key areas of responsibility identified by the National Audit Office

Activity	Assessment	Summary
Vision and strategic planning	Amber	The Unit's initial plans for centralising estate ownership and management have been deferred in favour of planning consolidation in specific local areas. The first two 'place-based plans' are for central London and Bristol. These highlight the potential for efficiencies from departments working together. They remain, however, focused on tactical estate reductions, and do not set out what government wants from its estate.
Collating and sharing information	Amber	Government has substantially improved central management information on the civil estate over the past decade. This has helped government to understand how much space it has and enables the effective operation of the National Property Controls. However, it does not collate sufficient information centrally to enable departments to manage their estates together, or for the Unit to undertake detailed planning.
Addressing financial barriers	Red	Departments' incentives can promote perverse behaviour and stop them from working together. HM Treasury, working with departments, needs to be able to vary budgets where this is in the interests of taxpayers. Funding for place-based plans is not yet in place.
Policing spending controls	Green	The Unit is policing lease extensions and property purchases and disposals effectively. The Unit effectively challenges departments and has forced departments to plan further ahead. Central review of new facilities management contracts is also in place, with standardised service requirements for future contracts.
Removing barriers to working together and promoting best practice	Amber	Government has increased adoption of best practice in using open-plan office and hot-desking, but departments continue to face barriers to working together, particularly from incompatible ICT and security arrangements. The Unit has established two pilot projects aimed at exploring potential ways of improving working practices though the linkages between this activity and wider civil service reform are not strongly drawn.
Developing and deploying expertise	Amber	Departments have often welcomed the advice and support they have received from the Unit. However, its remit is unclear as to when it should provide advice and support to specific projects. It is also developing plans to lead the property profession. It does not enforce standardised approaches to negotiation and lease terms, or facilitate collective bargaining.

Source: National Audit Office analysis

12 Over the course of 2011, the Unit changed its approach and started facilitating interdepartmental planning within existing governance and ownership structures. The Unit converted its pilot property vehicles into two pilot 'place-based plans' for central London and Bristol. The plans set out the buildings to retain as the 'core estate' and which to dispose of, as well as illustrations of the interdepartmental moves and space-sharing required. The plans provide the basis for future strategic planning on reforming the estate and are expected to improve interdepartmental estates management and make savings. However, so far these plans have been necessarily opportunistic, as they choose which properties to retain and which to dispose of based on what is easy to exit rather than on what best meets government's needs. The Unit's current plans also contain very little future investment in early exits, buying freeholds, or refurbishing buildings. They do not set out a strategic vision for what government wants its estate to look like or achieve from its transformation.

13 The Unit is also now taking a greater role in wider civil service reform. The Unit has commissioned Vodafone to help the Department for Business, Innovation and Skills and the Department for Transport to explore how the use of ICT can support more flexible working and reduce the need for office space. The Unit is also contributing to work led by the Department for Transport on reducing the impact of civil servants travelling into central London during the Olympics, through flexible working and encouragement of alternative travel arrangements. The Government believes this work has the opportunity to deliver sustained benefits beyond the Olympics and that it has the potential to act as a catalyst for wider civil service reform.

Conclusion on value for money

14 Departments have made good progress in improving the efficiency of the central government office estate since 2004. Achieving an average space standard of 10 m^2 per person would deliver a further reduction of £830 million in the annual running costs of the estate. £650 million of this should be achievable by 2020 by relying on leases expiring. However, in order to make this happen, departments will need to plan their estates requirements together. Furthermore, the real benefits of estate reconfiguration will only happen if government uses reform of the estate to facilitate wider improvements in how the civil service works.

15 The Government Property Unit is well placed to lead and support departments in achieving savings and to ensure reform of the estate facilitates wider improvements. However, the Unit is not yet securing the required impact in five of the six key areas we have identified as necessary for the centre of government to take a lead. To be effective, the Unit needs support from HM Treasury to work out how to finance and best share the risks, costs and benefits of property moves that will deliver savings to the taxpayer. Without these reforms, departments will continue to miss opportunities that are in the interests of taxpayers.

Recommendations

16 The Government Property Unit has recently been transferred to the Efficiency and Reform Group within the Cabinet Office. The Unit is now well placed to improve its influence and performance. The Unit is only likely to be effective, however, if it is supported by HM Treasury. In particular, the costs and benefits of office moves and projects should be shared in such a way that no compelling opportunity to deliver savings to the taxpayer is lost.

17 For the past two years, government and stakeholders have discussed the possibility of centralising ownership of office property to enable the Unit to take a more directive approach. However, such structural reform would cause a significant amount of upheaval and the Unit lacks sufficient evidence that further centralisation of ownership is necessary to achieve its aims.

18 This study has highlighted six key functions where central government can make improvements within the existing structures (Figure 1). Delivering improvements in these areas will strengthen central direction over the current structures, speeding up estates rationalisation and transforming the office estate to better meet government's future needs. We believe government can progress these recommendations while evaluating whether reform of the office estate ownership structure is necessary.

Vision and strategic planning

a **New place-based plans identify opportunities to rationalise the estate, but do not set out what government wants from its estate or say how transforming it can improve how the civil service works.** The Unit should:

- lead work with departments to agree a vision for the shape of the central government estate, including the geographical distribution, ownership and use of office space, and particularly how transforming the estate can help reform the civil service;
- develop cross-departmental place-based plans that move towards the agreed vision, building on the early work in London and Bristol. While recognising that the vision will not be achievable in one step, the plans will challenge departments to move in the required direction, and enable the centre to broker, or where necessary direct, the most beneficial solutions; and
- ensure these place-based plans work with other government economic and spatial planning, including plans currently being developed by local government and the Department for Communities and Local Government. The Unit's plans should also consider wider impacts, including their local economic impact and alternative uses for empty properties such as for charities, social enterprises and business start-ups.

Collating and sharing information

b **Centralised information on property is not designed to allow departments to manage their estate collectively or to market the estate to potential tenants and buyers.** The Unit should:

- work with all departments to improve data collection, validation and verification around the core set of key data needed on every building to manage an estate (Figure 13 on page 35). The Unit should use this information to help departments manage their estates together, promote public transparency about the estate, and allow comparisons to be made between buildings and departments; and
- building on the recent publication of a database of vacant space, develop an information portal for prospective public and private sector tenants to identify government buildings with surplus space. This should include both whole buildings and potential surplus space within occupied offices.

Addressing financial barriers

c **Departments are finding it difficult to finance moves requiring investment and have little incentive to undertake projects whose savings would fall to other departments.** The Cabinet Office should work with HM Treasury to:

- work out how to share the costs, risks and benefits between departments involved in these 'accelerated' moves. The robust strategic planning recommended above may identify a compelling taxpayer benefit that would justify investing in an accelerated move. Where the costs, risks and benefits of the move do not naturally fall to the same department, central mechanisms may be required to help secure the saving; and
- consider using joint venture arrangements with the private sector to develop surplus properties either to modern office standards or to recycle the building to alternative use such as residential, rather than selling properties undeveloped. A private partner may be able to provide local commercial knowledge and skills, verify the commercial potential of the project, and share some of the potential profits of development with government. Government would be protected from the risks of speculating in property development, while the partner would not have to finance the purchase of the property up front.

Removing barriers to working together

d **Government has not yet resolved the ICT and security barriers that prevent departments effectively using shared space, and sharing that space more effectively with private sector tenants.** The Unit needs to work with the wider Efficiency and Reform Group to achieve cross-government action to improve the flexible sharing of departmental spaces.

Developing and deploying expertise

e **Government's approach to property negotiations is fragmented and the Unit is not yet fulfilling its potential as a centre of expertise.** The Unit should:

- develop a strategy to share property skills effectively between departments, including rationalising how property consultants are procured, and using its own skills to best effect. To ensure roles and responsibilities are clearly understood, the Unit should agree memoranda of understanding between the Unit and each department. The Unit also needs to create development pathways for property professionals and develop networks for central government employees working in the sector; and

- the Unit should establish, disseminate and monitor best practice on managing property and negotiating with private landlords, tenants and buyers. In particular, it should establish a standard approach to leases that uses government's buying power and creditworthiness to achieve better than market terms; negotiate with landlords for whole portfolios, rather than property by property; and pool experience on negotiated settlements for paying 'dilapidations costs' to landlords to repair properties at the end of leases.

Part One

Improving value for money of the office estate

The current government office estate

1.1 Government's 9,699,000 m² mandated civil estate[1] costs about £3.58 billion a year to run. This includes central government offices, client-facing buildings such as job centres, and specialist properties such as courts and laboratories. The mandated civil estate does not include heritage estate such as museums and palaces, the NHS estate, the overseas estate or the defence military estate. Since 1996, departments have been responsible for the ownership and management of their own property portfolios.

1.2 Within the mandated civil estate, there are 2,511 office buildings, making up around 5,400,000 m² of office estate, of which an estimated 380,000 m² is sublet to local and devolved government or private sector sub-tenants. The remaining 5,020,000 m² of office space, costing an estimated £1.8 billion per year, is the focus of this report. This office estate can be divided between the 4,122,000 m² which is benchmarked by government each year[2] and the remaining 898,000 m² that is not (**Figure 2**).

1.3 The costs of the benchmarked office estate are made up of:

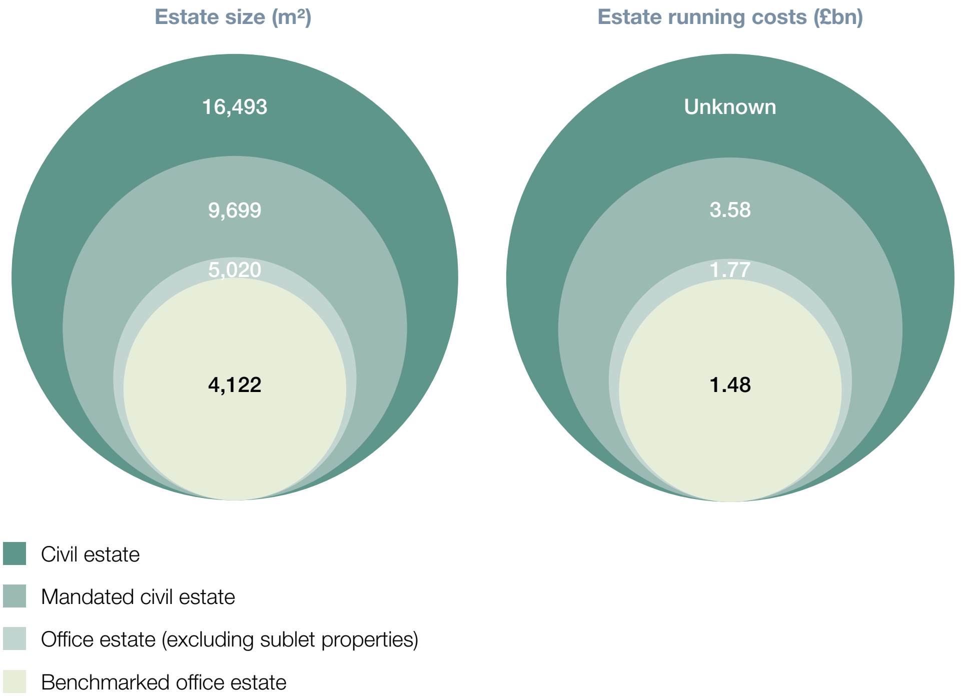
- rent and PFI charges;
- local government business rates; and
- other running costs (mainly utility bills, cleaning, security).

These year-on-year costs exclude capital costs such as acquisition, refurbishments, and disposal costs. The ownership structure of the office estate is at **Figure 3**.

1 Office of Government Commerce, *State of the Estate (2010)*. The term 'mandated civil estate' refers to the part of government estate made up of UK-based offices, courts and laboratories on which HM Treasury requires departments to provide information. The full civil estate, including heritage and infrastructure assets such as road and rail, is estimated by government to be 16.5 million m².

2 Government benchmarking covers only those offices over 500 m².

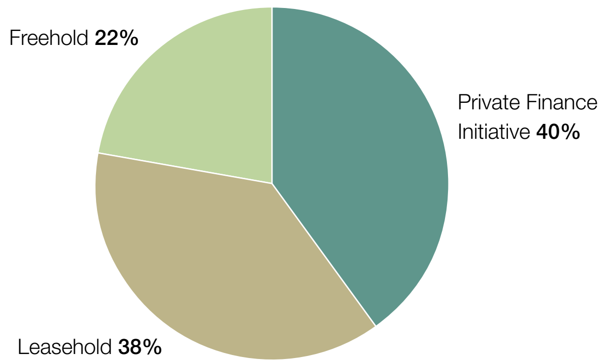
Figure 2
Estimated size and cost of central estate as at 1 January 2012



NOTE
1 Data is at 1 January 2012 except the benchmarked office estate which is as at 31 March 2011.

Source: National Audit Office analysis of Government Property Unit data

Figure 3
Ownership of central government office estate in 2010-11



Source: National Audit Office analysis of Government Property Unit data

1.4 The latest benchmarking of the government office estate with the private sector shows that government pays less to rent and run its offices than comparable private sector companies. However, government tends to utilise its offices less efficiently in terms of number of employees accommodated in the space (**Figure 4**).

Efficiency and sustainability of the central government estate has improved over recent years

1.5 The NAO published a think-piece in 2006[3] recommending that government adopt best practice in the utilisation of office space, and establish a portfolio of core long-term buildings, flexible spaces and shared service centres. In 2007, the NAO benchmarked departments' performance and recommended that government move towards space occupation levels of 12 m^2 per person and 0.7 workstations per person.[4] Since then, there have been a number of initiatives aimed at improving the efficiency and sustainability of the estate, some with associated space occupation targets (**Figure 5**):

- In 2004, Michael Lyons[5] recommended relocating 20,000 jobs from London to the regions to save costs. By 2011, the size of the civil service in London and the South East had reduced by over 20,000.[6] However, in the context of nationwide reductions in civil service numbers, the proportion of staff located in London and the South East has remained broadly unchanged at 27 per cent. Nonetheless, the Government does not currently see relocation out of London as a priority due to the amount of surplus space in London.

- In 2006, government launched the High Performing Property programme to increase government estates management capacity and encourage departments to improve the performance of their estate. The programme was led by departments with the support of the Office of Government Commerce. Space utilisation standards of 12 m^2 per person were published in 2008.

- In June 2006, the Sustainable Operations on the Government Estate initiative set targets to reduce carbon emissions from offices by 12.5 per cent by 2010-11 relative to 1999-2000 levels, and to improve energy efficiency, sustainable consumption and natural resource protection.

- Following the Climate Change Act 2008, the Office of Government Commerce started to report estimates of the size, cost, and environmental sustainability of the mandated estate in annual reports to Parliament, known as State of the Estate reports.

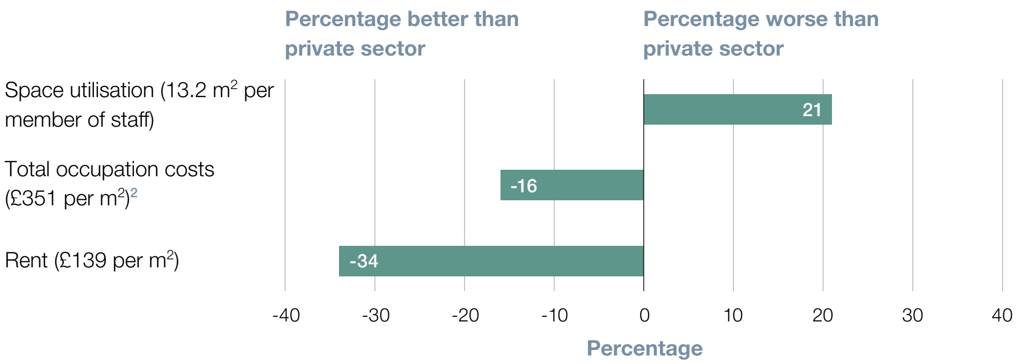
- In 2009, HM Treasury published the Operational Efficiency Programme,[7] which recommended generating further savings through raising the expected standard of office space use to 10 m^2 per person, and procuring facilities management contracts collaboratively.

3 Comptroller and Auditor General, *Getting the best from public sector office accommodation,* National Audit Office, June 2006.
4 Comptroller and Auditor General, *Improving the efficiency of central government's office property*, Session 2007-08, HC 8, National Audit Office, November 2007.
5 Sir Michael Lyons, *Well placed to deliver? Shaping the pattern of government service*, July 2004.
6 Office for National Statistics, *Civil Service Statistics*, March 2011.
7 HM Treasury, *Operational Efficiency Programme: final report*, April 2009.

- In May 2010, the Government announced a target to cut central government office estate carbon emissions by 10 per cent in the following 12 months.[8]
- In February 2011, the Government launched the Greening Government strategy which sets commitments to improve the environmental efficiency of the estate, including a commitment to a 25 per cent reduction on 2009-10 levels of carbon emissions by 2014-15.[9]

Figure 4
Performance of central government benchmarked estate versus private sector office property in 2010-11

Average performance of government buildings compared to regional private sector comparator



NOTES
1 Representing average performance of each property against a dataset of relevant private sector office property in similar regions.
2 Total occupation costs represents net rent, rates, net service charge, utilities, cleaning, security and maintenance costs.

Source: National Audit Office analysis of Government Property Unit data

Figure 5
Government standards for office space utilisation

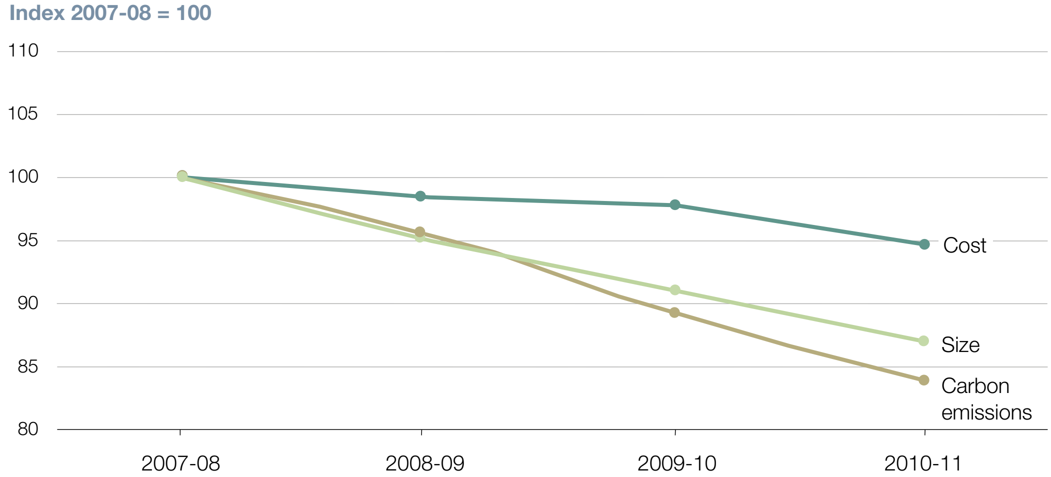
New Targets	Target for existing space (per person)	Target for new occupancy and refurbished space (per person)	Actual average utilisation at the point the target was set (per person)
Office of Government Commerce: Space Standards (2008)	12 m^2	10 m^2	14.5 m^2
HM Treasury: Operational Efficiency Programme (2009)	10 m^2	10 m^2	13.1 m^2
Government Property Unit: National Property Controls (2011)	–	8 m^2	13.0 m^2

Source: Various official reports

8 We reported on the success of this initiative in *Briefing for the Environmental Audit Committee on delivery of the target to reduce central government's office carbon emissions*, National Audit Office, July 2011.
9 These replace the 2006 Sustainable Operations on the Government Estate targets.

1.6 Working under these initiatives, departments were successful in reducing the size and cost of the estate between 2004 and 2010. Weaknesses in the central information on the office estate (discussed further in Part Two) make it difficult to trace the falling size and cost savings achieved accurately. However, the Cabinet Office estimates that the nominal cost of the estate has remained at around £3.6 billion a year since 2003-04. This implies that annual costs had fallen in real terms by around £600 million (reducing by approximately £100 million each year) by March 2010. Since their establishment in 2008, government's State of the Estate reports show the estimated size of the estate falling by approximately 2,000,000 m^2 (18 per cent) between 2008 and the end of 2010; costs fell by 5 per cent in real terms and the carbon footprint by 16.5 per cent (**Figure 6**).

Figure 6
Decline in estimated size, cost and carbon footprint of the mandated estate since 2008



	2007-08	2008-09	2009-10	2010-11
Indexed change in cost	100.00	98.47	97.75	94.72
Indexed change in size	100.00	95.00	91.00	87.00
Indexed change in carbon emissions	100.00	96.00	89.00	84.00

NOTES
1 Costs and carbon emissions are for the financial years shown, while the size is a snapshot as at 31 March of each year.
2 Indexed costs are in 2010-11 prices.

Source: National Audit Office analysis of State of the Estate Reports and Government Property Unit data

1.7 These savings have mainly been achieved by departments reorganising their estates and increasing the utilisation of offices under the High Performing Property programme. Our 2007 survey of departments showed departments had an average occupancy of 17.1 m^2 per full-time employee in 2005-06.[10] This improved to an average of 13.0 m^2 in December 2010, before staff cuts led to the average falling back to 13.2 m^2 a year later. However, this improved performance is still short of the 12 m^2 identified by the Unit as achieved by private sector companies in similar locations (Figure 4 on page 17).

The Government Property Unit was established in 2010 to drive further efficiency

1.8 In 2009, the HM Treasury Operational Efficiency Programme[11] recommended the establishment of a central property function to lead the delivery of further efficiency savings. This led to the establishment of the Government Property Unit (the Unit) in January 2010. In May 2010, the new Government established a nationwide moratorium on new lease extensions and property purchases. The moratorium gave the Unit central control over departments' abilities to enter new or extended leases, or to purchase property. These requirements were formalised as National Property Controls in 2011.

1.9 The Unit recorded departments terminating over 800 leases (including both offices and specialist buildings) under the freeze between May 2010 and December 2011. Collectively these had estimated running costs of £212 million (**Figure 7** overleaf), representing £110 million in its first year of operation and a further £102 million for the nine months April–December 2011. In addition, the Unit recorded £7 million of one-off savings. This suggests savings are continuing to accelerate compared to levels before 2010, although this may be due to the savings being more accurately captured. The reduction in the size of the estate since 2010 has remained in line with that of previous years, although it represented a larger proportional decrease of the remaining estate.

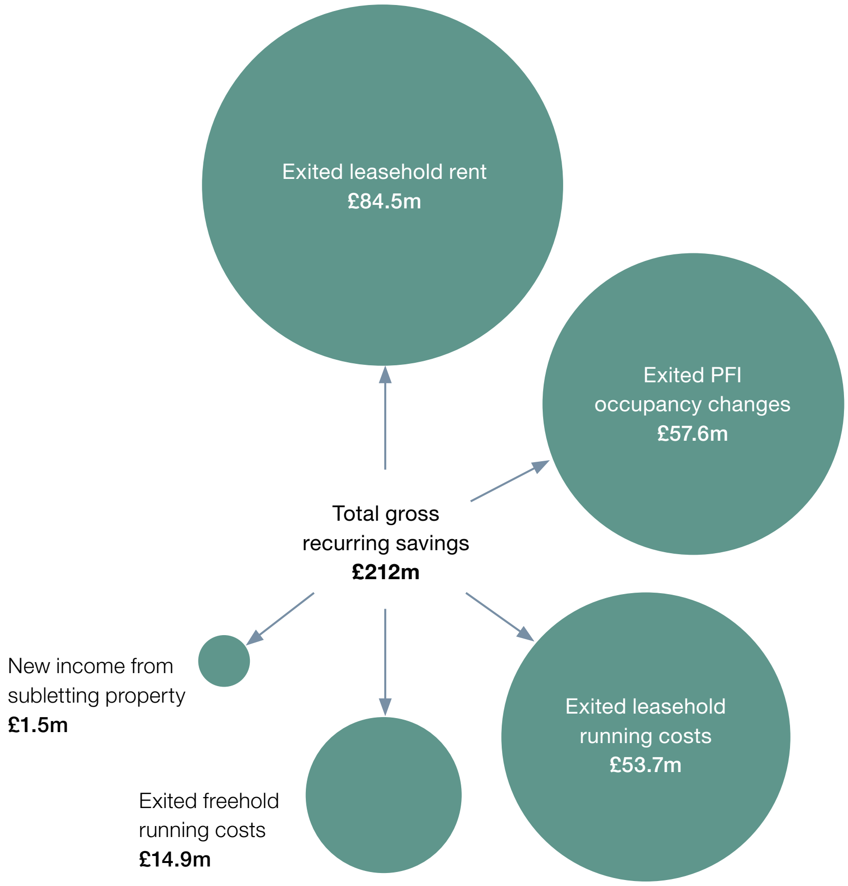
1.10 Within these savings are £132 million reported by the Cabinet Office in February 2012 for the period April 2011 to December 2011. The savings in this paragraph, paragraph 1.6 and paragraph 1.9 are for the total mandated civil estate. The Unit has not separated out savings from the office estate alone. We discuss the Government Property Unit and the moratorium in more detail in Part Two.

10 Comptroller and Auditor General, *Improving the efficiency of central government's office property*, Session 2006-07, HC 8, National Audit Office, November 2007.

11 *Operational Efficiency Review Programme: final report*, HM Treasury 2009.

Figure 7

Reported savings on the mandated civil estate between April 2010 and December 2011



NOTE

1 These saving estimates are based on better information than estimates of savings in previous years. However:

- the exit costs incurred delivering the savings are not included;
- the £53.7 million saving on leasehold running costs are estimated by the Government Property Unit; and
- any wider economic costs to areas affected by exits are not recognised.

Source: Government Property Unit monitoring

Potential future savings from the office estate

1.11 Reducing the amount of space from the current 13.2 m^2 per person to 10 m^2 per person could release 2,100,000 m^2 of office space and reduce running costs by a further £830 million. This assumes both an average of 10 m^2 per person across the office estate and takes into account the Cabinet Office's forecasts for civil service staff reductions. However, there are barriers that make reducing the size of the estate inherently difficult:

- **Contractual restrictions.** Over 75 per cent of the office estate is occupied under leasehold or PFI contracts. Such agreements cannot be exited without agreement of the landlord or PFI contractor, which normally requires up front payment as compensation for lost rent. As a result, government is locked into paying most of the costs of running the estate until existing contracts expire.

- **Market conditions.** Under current market conditions departments are finding it very difficult to dispose of vacant space through selling freeholds, finding private sector tenants or negotiating early surrender of leases.

- **Operational reasons.** The central government office estate contains a large number of office spaces incorporated in more specialist properties such as job centres or flood response units, which often have an operational reason for being where they are. This makes the widespread sharing of space more difficult to achieve. Our survey of 100 office buildings recorded in the government property database suggested over half were not the kinds of generic office requirements that could be easily relocated in support of consolidation.

- **Physical characteristics.** Much of the estate will require extensive refurbishment to meet government's standards. However, the layout of some buildings will restrict how effective such refurbishments can be. This is especially the case in older buildings. For instance, the 150-year-old Grade 1 listed Foreign and Commonwealth Office's headquarters is currently being refurbished to allow the department to vacate the nearby Old Admiralty Building. The costs of increasing utilisation in this building (22 m^2 per person in 2010) are expected to be particularly high. According to the 2010 State of the Estate report, 19 per cent of buildings on the mandated estate were built before 1950 and 7 per cent pre-date 1900.

Expected lease expiries to 2020 offer the potential to reduce costs by £650 million

1.12 Current market conditions are making it difficult for departments to vacate empty space unless the lease is due to expire anyway. Using the experience of the Unit and our survey of buildings and departments, we estimate that government can terminate half the leases that are due to expire or break between now and 2020. This would achieve £650 million of the potential £830 million savings a year available. We view this as the baseline performance to expect from the Government Property Unit (**Figure 8**).

The remaining £180 million will be difficult to achieve in current market conditions and without significant up front investment

1.13 Where departments have vacant space that does not have a lease that is due to expire, they can:

- **Pay to surrender a lease early.** As government bodies are normally considered excellent tenants, landlords are rarely keen to allow them to surrender a lease without a severance payment. This is usually a substantial portion of the present value of the future rent remaining to be paid over the lease term. The Government Property Unit is anticipating five early surrenders of leases in London and two in Bristol under its current plans. The largest of these is a possible deal, still under negotiation, to hand back the Department for International Development's headquarters in 2012.
- **Release freehold buildings or sublet leasehold properties for the remainder of their contract period.** Where a property is or can be developed to be marketable, departments can vacate premises and sublet to the private sector. The Insolvency Service is planning to vacate its headquarters and sublet the building to a private sector tenant until the lease expires in 2022. Meanwhile it will move to surplus space on the government estate saving the taxpayer an estimated £40 million. Surplus freehold properties can also be let, as the Cabinet Office currently plans to do by selling a long lease on Admiralty Arch.

However, such moves are difficult to achieve in the current poor market conditions. They are dependent on the willingness of a landlord to release tenants without certainty of being able to replace them, and the ability of a department to find a buyer or a tenant for a property it wants to put on the market. Departments often have to make substantial up front investments to make buildings attractive to the market, which is risky if they fail to find a buyer or tenant.

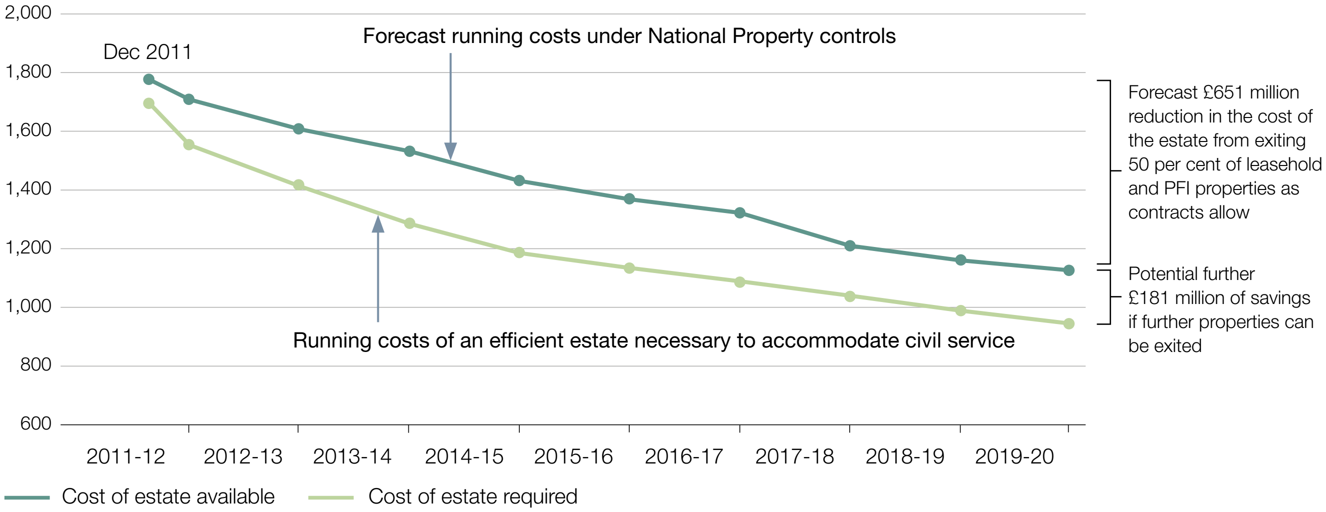
1.14 As at January 2012 there was 222,000 m^2 of vacant property on the office estate, representing a potential 22,000 workstations.[12] If the government achieves its space standards, but finds it cannot dispose of space where leases are not due to expire, vacant space will rise to 560,000 m^2 by 2020, costing £180 million a year to run if left fully functioning. Departments are therefore considering closing down (or 'mothballing') vacant properties. While this does not save on rent, it offers a saving on a proportion of the running costs.

12 Assuming the space can be used at 10 m^2 per workstation.

Figure 8
Space worth £830 million could potentially be released by 2020

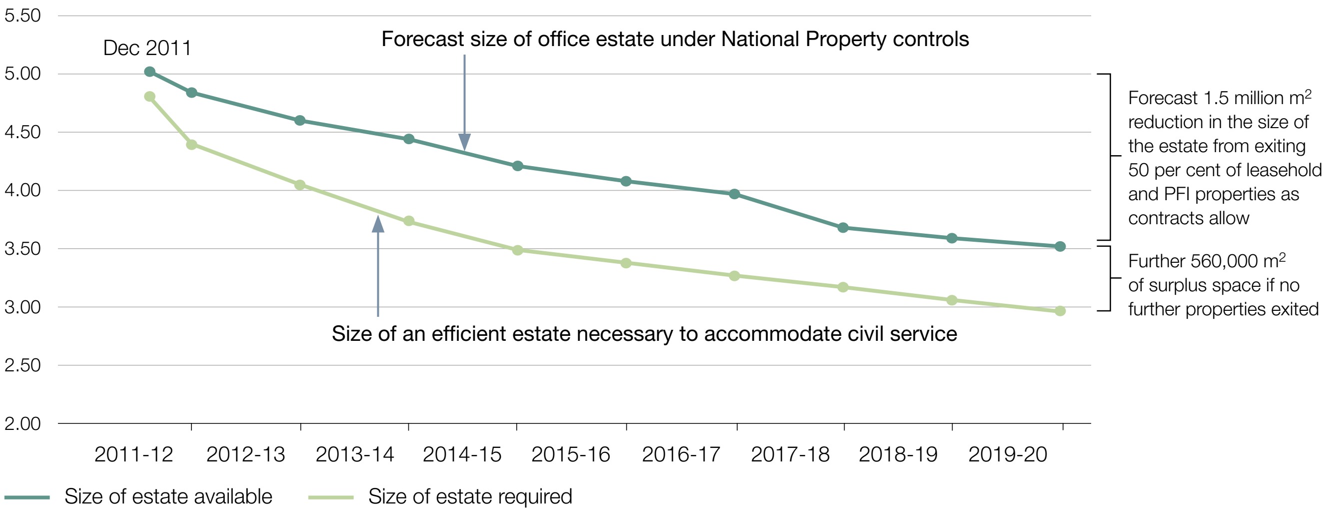
Projected cost of the office estate

£ million



Projected size of the office estate

Million m²



Key assumptions for this modelling

- A steady increase in occupation density, from over 13 m² per full-time equivalent in 2011 to 10 m² per full-time equivalent in 2020.
- Two per cent year-on-year savings in facilities management.
- Departments exercise half of the lease breaks up to 2020.
- The Department for Work and Pensions and HM Revenue & Customs use the flexibility allowances under their PFI estate management contracts.
- The number of full-time employees in central government falls in line with Cabinet Office expectations.
- The running costs of buildings that are not benchmarked have been estimated based on their size and tenure type.

Source: National Audit Office and Government Property Unit modelling

1.15 The Department for Business, Innovation and Skills is mothballing a 1,700 workstation property in 2012, reducing running costs in the last year of the lease from £9.9 million to £8.1 million. The Government Property Unit has identified two other central London properties it expects to be mothballed, closing space that could accommodate over 400 workstations at a cost of £2.7 million per year. Mothballing is particularly likely where the government closes offices in areas without strong private sector demand. Government does not have a strategy for what to do with such buildings and the Unit does not consider urban blight in its business cases.

Overcoming structural barriers

1.16 In order to deliver the potential savings, there needs to be a step-change in the way departments work together to share space. However, we found two structural problems that are hindering departments' efforts at joint working:

- departments' incentives do not always encourage them to manage property collectively; and
- variations in ICT, human resources and security arrangements across departments which hamper effective cross-departmental working.

Departmental incentives do not always align with taxpayer interests

1.17 As each department manages its own budget and properties separately, there are not always adequate incentives to manage their property assets collectively. Those with surplus space can dispose of it on the private market, and those in need of space can buy it from the market. In practice, however, space is not easily interchangeable and while buying new space is relatively easy, letting out surplus space can be very difficult:

- **The market is not naturally liquid.** Organisations do not move frequently and tenants can be hard to find. Quoted market rates are often based on benchmarks rather than an active market.
- **Not all space is generic office space, equally suitable for an occupant's needs.** Tenants often look for specific locations and requirements, while landlords may want to let a specific volume of space (e.g. a whole floor) rather than meet the tenant's requirements.
- **Public bodies often prefer to share with other public bodies.** This may be due to actual or perceived security barriers, or perceived threats to propriety or independence. In reality, these can be overcome with planning.

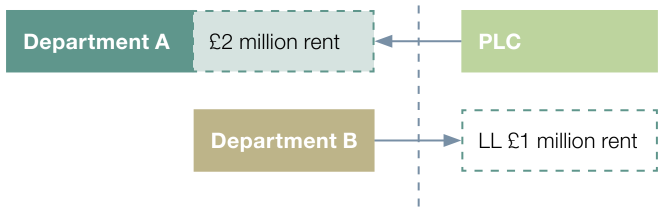
1.18 The difficulty in finding private tenants means it will usually be better value for money for public bodies seeking space to use existing government surplus offices, rather than pursue space on the open market that may appear cheapest from their own perspective (**Figure 9**).

1.19 Budgeting rules can also make public bodies reluctant to vacate property early and move into other existing government space. The rules require the host department to charge its public sector tenant market rates for rent, exposing any department wishing to move in and sublet its own property to the full cost of maintaining two properties until it can secure a tenant. Where a department is paying to surrender a lease before moving into vacant government space, the host department will again secure the income benefit while the moving department bears all the cost.

Figure 9
Departmental incentives do not always align with taxpayer incentives

Theory – liquid market

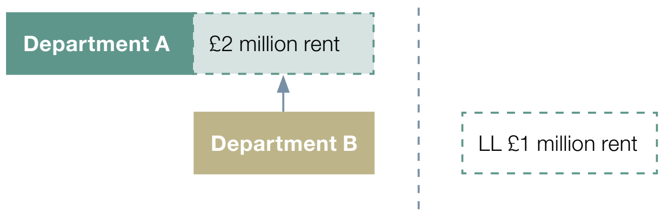
Department A has surplus space meeting the needs of both Department B and Private Company PLC



If Department B chooses to rent from Private Landlord (LL), the public sector does not lose out as Private Company PLC is a willing tenant at the price Department A requires.

Reality – illiquid market

There is no willing private tenant (PLC) to share Department A's space. Landlord LL offers a more financially attractive deal than Department A



If Department B is incentivised to rent from Private Landlord (LL), the rent will represent an additional cost to the taxpayer. VFM requires B to be compelled to share with A.

Source: National Audit Office analysis

Structural barriers in government hamper efficient cross-departmental working

1.20 Previous NAO reports on office property have highlighted the cross-government barriers preventing public sector organisations sharing space:[13]

- Changes to physical security arrangements are required to support flexible working in shared flexible 'hotelling' style office spaces.
- Mobile ICT capability is also required to support staff logging on to their departmental systems from such spaces, from home or from other sites of work.
- Remote working across government also requires changes to management culture and practice, and will need to be supported in staff terms and conditions.

1.21 Departments continue to report that these issues hinder sharing property and how far departments can work together. The Government Property Unit itself has struggled with these problems, with machinery of government changes meaning its Cabinet Office-based staff were required to work on ICT systems in both the Department for Business, Innovation and Skills and HM Treasury headquarters buildings. A lack of connectivity between systems meant staff had to move between buildings to use certain databases effectively and print documents. Staff required multiple building passes and ICT access rights to do their routine work. The Unit moved back into the Treasury building and on to common ICT systems in February 2012.

Supporting wider reform

1.22 A reconfiguration of office estate on the scale required to deliver these savings offers a major opportunity to support wider productivity reforms across central government and the civil service. Government has identified how approaches to office technology may support, for instance:

- more mobile working within and outside the office estate through secure wireless technology and mobile devices;
- the ability of services and teams to co-locate, improving the joined-up development and delivery of services; and
- environmental benefits with the potential to support the Greening Government agenda, such as reduced transport emissions through technology enabling greater flexibility of work location, and greater use of remote rather than face-to-face meetings.

1.23 Despite many such ideas being discussed and piloted around government, they have yet to be translated into plans for the reconfiguration of the estate.

13 For example, Comptroller and Auditor General, *Getting the best from public sector office accommodation*, National Audit Office, June 2006.

Part Two

Establishing an effective centre

A role for the centre of government

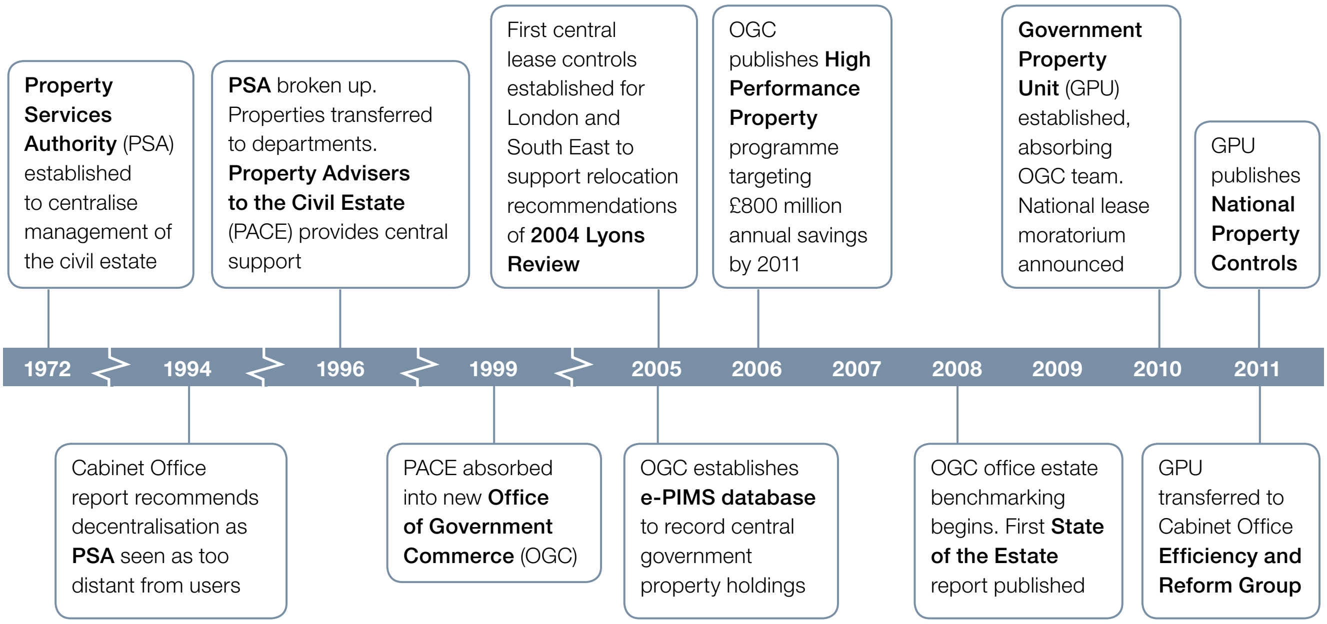
2.1 The role of the centre of government in managing government property has changed in the last 20 years. Government has tried to manage the tension between the economies of scale of a strategic approach, and the local knowledge and understanding of the property requirements provided by departments (**Figure 10** overleaf).

2.2 The extent of formal centralisation may vary. From our review of the barriers hindering the speedy delivery of efficiency savings set out in Part One, we have identified six key areas where the centre of government currently needs to have a strong role in estates management irrespective of formal structures:

- **Vision and strategic planning.** Departments need to work together towards a well-defined goal for what government wants the estate to be, preferably with a plan for how this will facilitate wider reform of government.
- **Collating and sharing information.** Departments need shared information to work together to rationalise the existing estate.
- **Addressing financial barriers.** Central government must address perverse incentives that drive Departments to work against the interests of the taxpayer. Invest-to-save projects should be funded to maximise the savings to taxpayers.
- **Policing spending controls.** Previous compliance with initiatives such as the Lyons review have not been high, with many public bodies finding reasons for buying new property space.
- **Removing barriers to working together and promoting best practice.** Departments need to develop and share best practice on how to transform the efficiency of the estate and share buildings.
- **Developing and deploying expertise.** The estates management community requires leadership so it can transform the estate, as required, and deploy skills and resources where they are most needed.

2.3 This part of the report assesses the performance of the Government Property Unit against these six criteria.

Figure 10
The changing role of the centre in property management



Source: National Audit Office analysis

The Government Property Unit

2.4 The Government Property Unit was established in January 2010 to strengthen central coordination of efficiency savings on property. The Unit's remit is:

- to support departments in delivering their spending review settlements by delivering substantial efficiency review savings;
- to provide new models of occupancy;
- to improve the delivery of government services; and
- to drive jobs and economic growth.

2.5 The Unit absorbed the Office of Government Commerce's Government Estates Transformation Division, and added new capabilities drawn from regional government and the commercial property sector. The Unit was located in the Shareholder Executive within the Department for Business, Innovation and Skills, before being moved to the Cabinet Office in 2011. It is led by a newly created post of head of the property profession.

2.6 On its formation in 2010, the Unit researched options for a future model of central government office property. Influenced by the Swedish model of centralised and privatised ownership of estate, the Unit developed a strategy based on:

- transferring ownership and management of office estate to the centre;
- introducing occupancy charges for departmental use of space; and
- using private sector partners to manage the supply of property and dispose of surplus properties.

2.7 The Unit intended to start implementing the strategy in April 2011. However, it was unable to secure the necessary support for the plan from departments or to secure the funding from HM Treasury. Departmental heads of estates told us that developing this centralised ownership strategy was imposed by the Unit, had caused tensions with the estates management community, and alienated key stakeholders. There was resistance from:

- departments concerned about the loss of accountability and control over office estate, and cultural concerns about the risks of property being managed by a remote, unresponsive central agency;
- departments with low costs or vacancy rates concerned about charging models where the cost of vacant space would be spread across all departments; and
- HM Treasury, which told us that it could not assess the Unit's business case for transferring property ownership to the Unit because it was insufficiently developed.

2.8 Meanwhile, the Unit did not reach its intended capacity until mid-2011 and had difficulties integrating systems and staff transferring from the Office of Government Commerce (paragraph 1.21). It underspent by £2.66 million (66 per cent) against its budget for its first full year of operation.

2.9 As a result of this slow start, the Unit is not yet operating effectively. The remainder of this part of the report sets out our assessment of the centre of government against the six criteria set out in paragraph 2.2 (**Figure 11**).

Figure 11
Key to our assessment of performance

Green	Centre of government is operating effectively in this area
Amber	Centre of government not yet effective but is making progress in this area
Red	Centre of government is not effective and making little progress in this area

Amber

Vision and strategic planning

2.10 After its initial centralisation plans were abandoned, the Unit focused on coordinating departments' plans for office property in central London and Bristol, encouraging consolidation into core freehold and long-term leasehold properties as short-term leases expire.

2.11 These plans identify all the properties in the area, define core and surplus properties, and suggest some of the chains of departmental moves required for consolidation. They provide the first place-based plans for consolidating central government property and are a foundation for future planning. However, they are limited in scope:

- The plans are essentially tactical in that they are based around scheduled lease break opportunities. They do not set out a strategic vision of how the estate can best be structured to optimise efficiency, staff productivity and operational performance.
- The plans include relatively little investment, meaning opportunities to invest-to-save in projects that would release long-term savings, such as purchasing cheaper freehold properties to replace short-term leases, will be missed.
- The status of the Unit's plans remains unclear, creating uncertainty for departments that are not occupying core property but for whom future provision in the plans is uncertain.
- The plans do not explore working with the wider government estate, including the defence, NHS and local government estate. Central government departments and agencies can represent significant holdings in particular locations, though the priority on exiting leasehold properties has meant they have not always been involved in local estate planning.
- The plans do not set out the environmental impact of the estate reconfigurations.

2.12 The London plan aims to consolidate 173 buildings into 23 (**Figure 12** overleaf), though negotiations around the affordability of major headquarters moves have created uncertainty around aspects of the plan. So far 28 accelerated exits have been identified in central London with annual running costs of £140 million. Of these, eight (representing nearly 50 per cent of the running cost) have not progressed at all due to market conditions and funding issues. Only one of the accelerated exits required by the London plan is close to delivery as at March 2012.

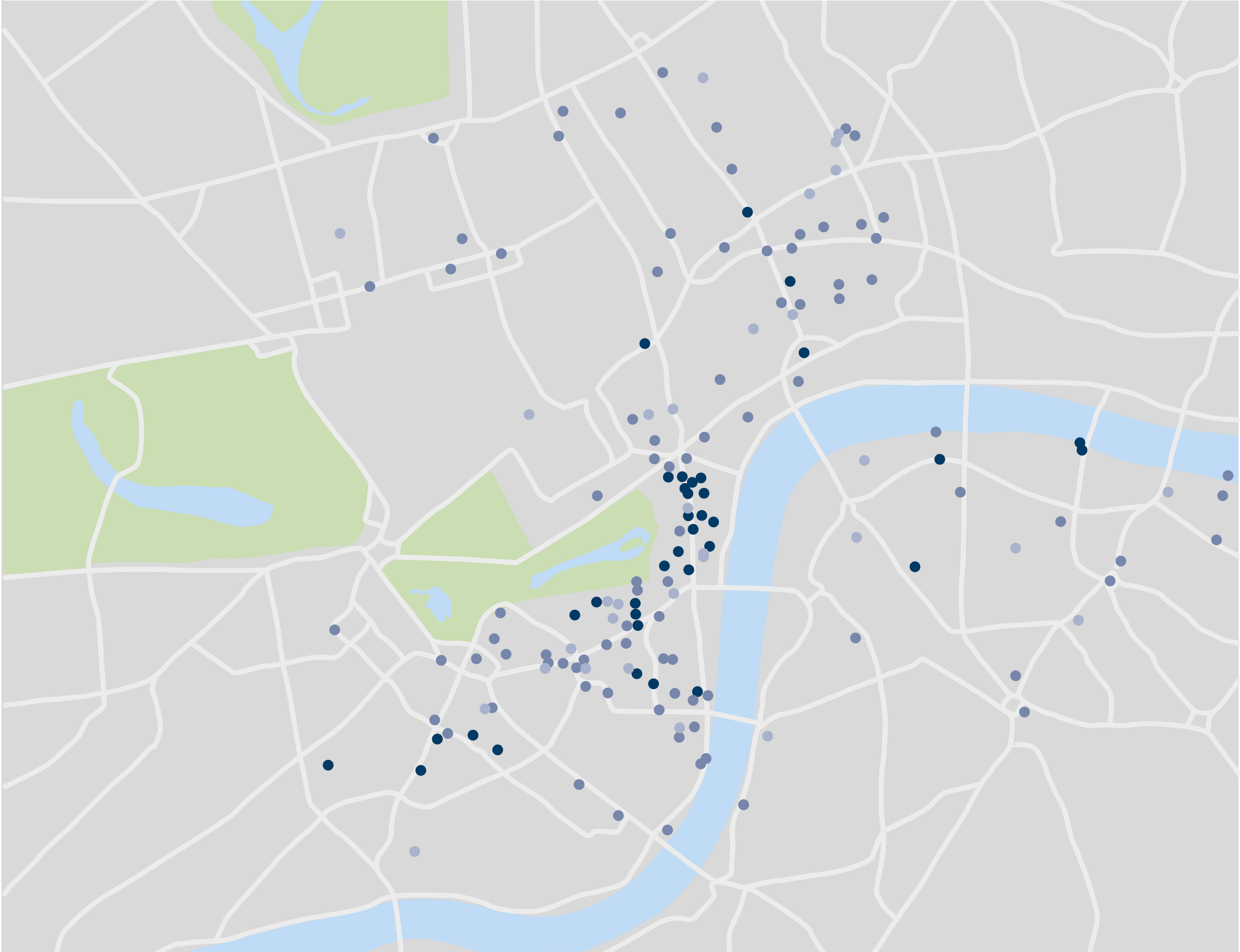
2.13 The Bristol plan aims to reduce the estate from 58 buildings to 16 (Figure 12). The plan is expected to deliver £32 million of gross savings by 2015, through consolidating staff into a smaller number of shared city-centre leasehold offices. This was not, however, the Unit's preferred plan. It had originally planned to consolidate into a long leasehold campus at Burghill Road on the city outskirts. This option offered present value savings of around £40 million in excess of the city centre plan by 2049, while mitigating risks of future rent increases. The Burghill Road site would, however, have required more upfront investment and delivered £12 million fewer savings by 2015. At the time the options were being evaluated, the Burghill Road site was also sought by the Department for Education for use as a Free School. The school is now permanently resident at the site. Furthermore, weak market conditions could also prevent a number of leasehold properties with annual running costs of £4 million from being exited early.

2.14 Meanwhile, the Department for Communities and Local Government has been leading local asset planning approaches, involving all local service providers in improving efficiency through pooling property, disposing of surplus property, and combining services to improve operational performance. This Capital Asset Programme has involved more operational buildings such as police and fire stations, job centres and libraries in sharing space and delivering efficiency.

Figure 12
Consolidation into core properties under Government Property Unit plans

Central London

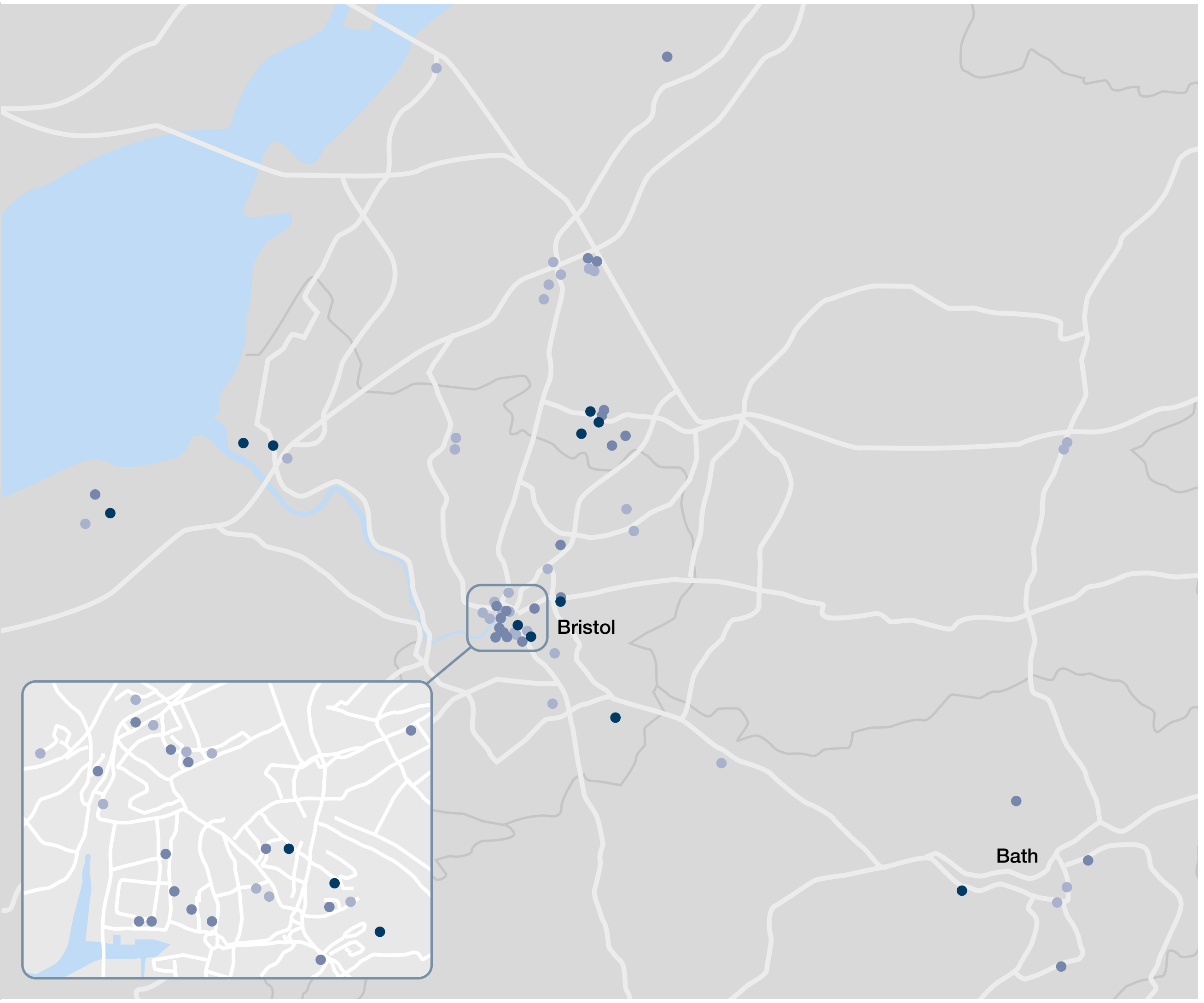
Government has already vacated over 45 property holdings in central London since 2008. The Government Property Unit aims to help departments further reduce their property holdings from over 170 in May 2010 to around 40 by 2020. Of these, it has identified 23 that it expects departments to keep permanently.



- government offices in 2008, already vacated
- offices in 2008 still remaining in 2011
- offices in 2008 expected to remain in 2020

Bristol

Central government has already vacated 12 buildings in Bristol since 2008, although it has yet to dispose of two of these. The Government Property Unit aims to help departments further reduce their property holdings from 64 in May 2010 to around 17 by 2020.



NOTES
1 The Government Property Unit plans are subject to change as departments update their estate needs. The forecast holdings as at 2020 reflect those properties identified as core properties as at February 2012 and those with leases expiring after 2020.
2 The maps show government offices, each of which can include multiple holdings.
3 The central London plan covers the five postcodes: SW1, WC1, WC2, SE1, W1.
4 The maps exclude properties held by the security services.

Source: Government Property Unit

Amber

Collating and sharing information

2.15 In 2007, we reported that departments did not routinely hold the required management information to effectively manage their office property. Government has since taken steps to improve information. In particular, it has:

- restated the requirement for departments to record their property data on the central **e-PIMS** (electronic property information and mapping system) database;
- established annual benchmarking of the efficiency and sustainability of administrative properties over 500 m^2; and
- published annual *State of the Estate* reports to Parliament, based on benchmarking and an annual survey of departments, estimating the size, efficiency and sustainability of the estate.

2.16 These steps have significantly improved the information available on the estate and allow for the effective working of the National Property Controls. Robust information on the size and location of the government estate was recently published as part of the Government's openness and transparency initiatives. However, we found some problems in what is collected centrally. We found:

- **Inaccurate data** – e-PIMS entries by public bodies are not routinely verified or checked by internal or external auditors.
- **Incomplete scope** – e-PIMS was designed for central monitoring of the estate and not as a central estate management system. A significant amount of the data required for central management of the estate is missing. Our July 2010 report on the Defence Estate set out the five key information requirements departments need to consolidate their estates; e-PIMS does not fully capture these (**Figure 13**).
- **Difficult to use systems** – e-PIMS does not readily generate reports that provide meaningful information for managing the estate. Its main use for departments is therefore compliance rather than management, with the risk that they have little incentive to care about the quality of the data.

Figure 13
Data gaps

Information requirement	Data weaknesses
Operational importance and user requirement	e-PIMS records properties as 'core' or 'surplus', but no other information on department's requirements. Space within core properties that is suitable for subletting is not identified.
Potential sale value	There is no information on sale value.
Running costs	Only benchmarked properties (representing 82 per cent of office space but only 49 per cent of the total mandated civil estate) have running costs recorded in e-PIMS.
Utilisation	Occupation density data, for staff per m^2, can mask inefficiencies about the proportion of working time that desks are in use. This is a particular risk for highly mobile workforces.
Condition	Condition data is only collected for benchmarked property. This data would support planning around invest-to-save initiatives.

Source: National Audit Office analysis of data systems

Red

Addressing financial barriers

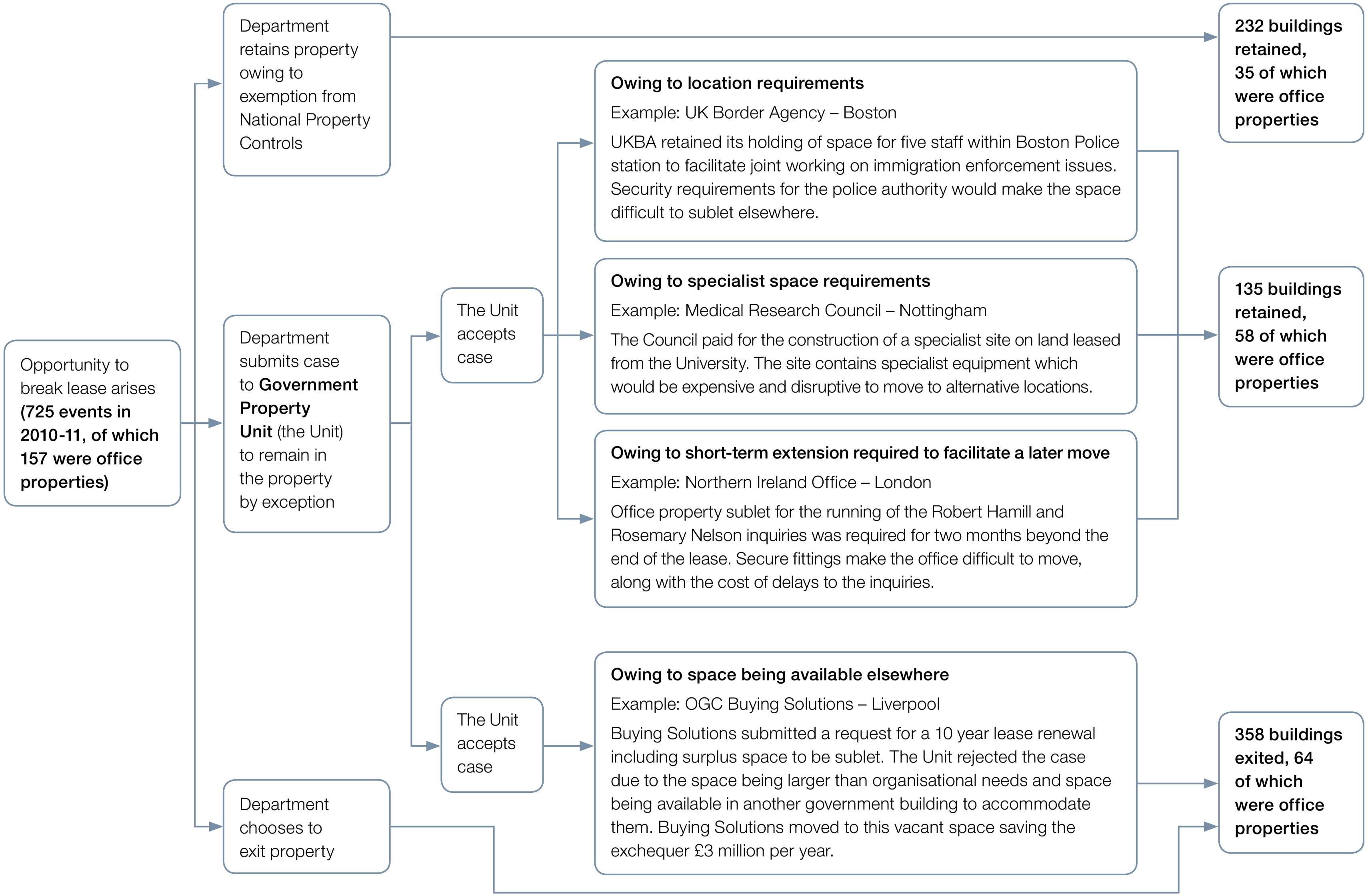
2.17 The Government Property Unit has not succeeded in addressing the financial and budgetary barriers outlined in paragraphs 1.22 and 1.23. While the Unit has identified a number of potential accelerated moves in its planning work, no large moves have yet been achieved.

2.18 During its set-up phase the Unit attempted to negotiate a pool of funding additional to departments' budgets to help support the risks of major accelerated exits that departments felt unable to resource themselves. HM Treasury resisted the idea of releasing additional funding from reserves, in the absence of a worked up business case, on the basis that if proposals represented compelling value for money, departments would find ways to invest in them.

2.19 The Cabinet Office intends to provide funding for property projects using the proceeds from the anticipated sale of a long lease on Admiralty Arch. The Cabinet Office and HM Treasury are currently discussing several options to use this, and other sources of funding.

Figure 14

Of lease break opportunities, 359 out of 726 were exercised in 2010-11



Source: National Audit Office analysis

Green

Policing spending controls

2.20 In 2005, a lease moratorium was introduced in London and the South East to prevent departments renewing or signing new leases unless the activity could not be reasonably located outside the region. In May 2010, this moratorium was extended nationally to enforce consolidation and rationalisation of the estate. The moratorium was formalised as National Property Controls in March 2011, which require:

- Cabinet Office approval for any lifetime expenditure exceeding £100,000 on new leases, lease renewals, non-exercise of lease break options, and property acquisitions, or freehold sales. Certain kinds of operational properties are exempt;
- any permitted lease renewals to secure a 25 per cent rent reduction;
- the Unit to approve future rent review mechanisms;
- any major refurbishment or new workspace acquisition to meet a target of 8 m^2 per person and a maximum ratio of eight workstations per ten staff;
- all new facilities management contracts and contract extensions to be approved by the Unit's **Facilities Management Board**, made up of property professionals from across government; and
- departments to share their property strategies with the Unit.

2.21 The Unit monitors departments exercising lease breaks and recommends any exceptions and exemptions to the Minister for the Cabinet Office. The controls have been welcomed by departmental estates teams. They see them as a useful catalyst for their own initiatives to reduce costs, and particularly important for controlling arm's-length bodies.

2.22 Of 726 lease breaks in 2010-11, 359 were exited, 232 were exempt from the controls (costing just over £7.5 million), and 135 were granted exceptions (**Figure 14**). The main reasons given for granting exceptions were:

- location requirements;
- specialist space requirements; and
- short-term extensions to facilitate a later move.

2.23 Around half the exception requests we reviewed were submitted with insufficient notice to allow alternatives to be found, with at least one case of a request to extend a lease provided on the week of the lease break. However, departments are now planning ahead and thinking of moves and exceptions up to 2015 and the end of the spending review period.

2.24 The National Property Controls also strengthened central control over expenditure on new facilities management contracts. New contracts require central approval through the Facilities Management Board. The Unit is also producing standard specifications for facilities management contracts. The specifications are designed to avoid unnecessary service costs and save on procurement process costs. Departures from the standard specifications will have to be centrally approved.

Amber

Removing barriers to working together and promoting best practice

2.25 The Government Property Unit inherited responsibility for collecting and disseminating best practice in ways of working from the Office of Government Commerce. This work had been successful in promoting open plan spaces and hot-desking generally, but had not tackled the barriers to working together.

2.26 The Unit's move back into the Cabinet Office Efficiency and Reform Group offers an opportunity to address the barriers to departments sharing space. The Group also contains cross-government leadership on human resources and civil service reform, ICT strategy and physical security. All these teams are involved in project managing the best practice pilots described below. Nonetheless, plans to adopt common security standards so staff can use buildings interchangeably and achieve compatible ICT systems are not yet advanced.

2.27 The Unit began its own work in this area in late 2011, sponsoring two 'New Ways of Working' pilot projects in the Department for Business, Innovation and Skills and the Department for Transport. Working with Vodafone, these projects will pilot ICT adaptations to support remote working and reduce the need for physical office space occupied by departments. The pilots are expected to end in spring 2012, and the Unit hopes they will better inform government of the relationship between workspace and productivity.

Amber

Developing and deploying expertise

2.28 An unpublished Office of Government Commerce survey in 2009 found that there were approximately 3,500 staff in central government working on property and asset management. We estimate that 2,275 of them are involved in managing central government buildings.[14] Since 2006, the centre of government has been a leader in developing the profession, principally through the Office of Government Commerce's High Performing Property programme. Since the Government Property Unit inherited responsibility, professional development has not been given the same emphasis. Departmental estate teams told us the Unit's professional leadership had had little impact on them. Work has focused more on the future shape of capability at the centre.

2.29 Departments told us that the Unit had provided useful advice and support to them across a number of projects. However, the Unit has not yet established standard approaches to property management, or used its position to help departments best use the government's buying power and credit rating. In theory, the Unit can use cross-government buying power to negotiate terms that reflect the credit security a government tenant can offer a landlord. There is also potential to negotiate centrally across multiple leases that government holds with the same landlord. For instance, government has effectively used standardisation in PFI negotiations to reduce transaction costs.

14 Representing respondents classified in commercial property, facilities management, and strategic property management. The remaining staff are classified in environment, rural, planning and construction.

Appendix One

Methodology

The main elements of our fieldwork, which took place between July and October 2011, are set out below. Our fieldwork covered:

- the Cabinet Office as accountable department for the Government Property Unit;
- the Treasury as central source of budgeting guidance and control; and
- estates management teams in all 17 ministerial departments in central government.

A more detailed methodology annex is available on our website at www.nao.org.uk/government-property-2012

Method	Purpose
Interviews with Government Property Unit staff.	To understand the role of the Government Property Unit, the history of its development and the nature of its work streams.
Semi-structured interviews of estates management professionals across 17 central government departments.	To understand the challenges facing departmental estates planning. To provide evidence to assess the effectiveness of the work of the Unit to date.
Document review. Reviewing central and departmental plans relating to estates. Reviewing other published reports on government property.	To provide context and supplement interview evidence.
Telephone interviews with estates staff for a sample of 100 buildings selected at random from the e-PIMS property database.	To supplement understanding of the nature of office buildings in the estate and the barriers they face to improved utilisation.
Review of documentation relating to a sample of 40 buildings excepted from the National Property Controls in 2010-11.	To provide evidence to assess the effectiveness of the National Property Controls.
Modelling of demand and supply of office space in central government.	To create a baseline for potential savings against which to evaluate the Government Property Unit's plans.
Interviews with external property and facilities management experts.	To understand the market contexts in which departments and the Government Property Unit are operating.

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