



National Audit Office



Managing central government property

Cross-government

REPORT

**by the Comptroller
and Auditor General**

SESSION 2022-23

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HC 571

Key facts

136,844

UK central government buildings in 2020-21

157m

floor area (gross internal area) of UK central government property in m²

£158bn

value of UK central government property in 2020-21

- £22 billion** cost of operating UK central government property in 2020-21
- 12** number of property portfolios across government, as reported in the 2020-21 State of the Estate report
- 10** number of major property programmes currently underway at the centre of government
- 1** number of major property programmes completed from the 2018 government estate strategy
- at least £3.6 billion** estimated potential benefits government has calculated from the creation of the Government Property Agency and its consolidation of government's general-purpose property

Summary

1 Government has extensive property holdings, which it uses to deliver services to the public and support its operations. Central government property ranges from offices to hospitals, academy schools, jobcentres, courts, prisons and museums. The Cabinet Office has categorised these property assets into 12 portfolios, based on how government uses property to deliver services. As of March 2021, the value of these property holdings was approximately £158 billion (see Figure 2 on page 17).

2 The Office of Government Property (OGP), which is part of the Cabinet Office, sets the strategic direction for the management of government property as a whole, leads the Government Property Function and the Government Property Profession, which gathers property professionals across government, and administers the government's property controls. It does not manage any individual properties or set the strategy for individual property portfolios, which are managed by the relevant department or arm's-length body (ALB). The health, defence and school portfolios are the largest, together making up 89% of government property by area and 85% by value. Of the 12 portfolios, 10 are led by their respective departments. The science and land portfolios, which span multiple departments, do not have a single overall lead. The Government Property Agency (GPA), an executive agency of the Cabinet Office, is responsible for setting and implementing a property strategy for the office and warehouse portfolios.

3 The OGP and the GPA are engaged in, or responsible for, a range of property transformation programmes. For example, the OGP, in partnership with the Local Government Association, is responsible for supporting public sector partners to get the most from their property assets through collaboration (One Public Estate). The OGP is responsible for relocating civil service roles from London to the regions (Places for Growth). The GPA is responsible for taking over management of central government offices from departments and consolidating the office portfolio by using space more flexibly with greater sharing of space in London (Whitehall Campus) and across the country (Government Hubs). Government needs to manage its property effectively in order to achieve strategic priorities. For instance, as part of its strategic objective to deliver levelling up, government plans to relocate civil servants from London to the regions, and this requires locating sites which meet capacity, environmental and efficiency requirements.

Scope

4 This study examines how the Cabinet Office maintains, oversees and manages central government property through the OGP and the GPA. The study considers:

- how central government property and its management have changed since we last reported on them in 2017;¹
- progress on the property programmes included in the 2018 government estate strategy;
- key challenges for central government property management; and
- long-term planning and priorities, including those relating to net zero and levelling up.

5 This report focuses on UK central government property. It does not cover the property assets of the devolved administrations, local government, public corporations and the wider public sector (such as the Parliamentary estate). It does not consider land use or disposal, or property maintenance in detail, which we have reported on previously.² The report sets out case studies from the Department for Work & Pensions (DWP), HM Revenue & Customs (HMRC) and the Ministry of Justice (MOJ) to show how different property portfolios are managed and to highlight the breadth and variety of properties government holds. It does not examine in detail how the departments that have responsibility for managing property assets manage those assets.

6 This report builds upon a large body of National Audit Office work on government property. We have reported on the Cabinet Office's efforts to reform central government property in 2012 and 2017, before the creation of the GPA.³ We have also analysed the management of specialised properties such as those of HM Courts & Tribunals Service, as well as the property of specific departments, including HMRC and the Ministry of Defence.⁴

1 Comptroller and Auditor General, *Progress on the government estate strategy*, Session 2016-17, HC 1131, National Audit Office, April 2017.

2 Comptroller and Auditor General, *Investigation into the government's land disposal strategy and programmes*, Session 2017-2019, HC 2138, National Audit Office, May 2019; *Investigation into maintenance of the museum estate*, Session 2019-2021, HC 108, National Audit Office, March 2020.

3 Comptroller and Auditor General, *Improving the efficiency of central government office property*, Session 2010-2012, HC 1826, National Audit Office, March 2012; *Progress on the government estate strategy*, Session 2016-17, HC 1131, National Audit Office, April 2017.

4 Comptroller and Auditor General, *Managing the HMRC estate*, Session 2016-17, HC 7216, National Audit Office, January 2017; *Transforming courts and tribunals – a progress update*, Session 2017-2019, HC 2638, National Audit Office, September 2019; *Optimising the defence estate*, Session 2021-22, HC 293, National Audit Office, June 2021.

Key findings

Data

7 Lack of good data is a major barrier to effective decision-making about central government property. The OGP started collecting data on the operating cost, value and size of all central government property in 2020-21. It collects only high-level data from the organisations that have responsibility for managing property assets and relies on them to hold more detailed information. It does not have comprehensive, real-time information on how central government property is distributed around the country or office occupancy following the COVID-19 pandemic. The GPA is piloting ways of measuring occupancy of the offices it manages, but it has limited information about those held by departments. A recent review of eight departments by the Government Internal Audit Agency found that three departments had data on the condition of all their property and five departments had no data on the condition of at least one-quarter of their property (paragraphs 1.7, 3.3, 3.4, 3.6–3.8).

8 Delays to a new database of central government property called InSite have hindered the Cabinet Office's attempts to collect more and better-quality data. The InSite database, originally planned for 2021, has been delayed. The contractor did not complete the project to the original or extended timescales. In the meantime, the OGP is relying on manual collection of aggregate data for its annual State of the Estate report. The OGP is now responsible for gathering data on the whole of central government property, including specialised assets. It told us that it has secured agreement in principle from nearly all organisations to share their data, and estimates that this will expand its data collection from around 5,000 property assets to potentially more than 100,000 assets. Some departments do not collect all the data required and obtaining them will be a long-term endeavour (paragraphs 2.13–2.16 and Figure 7).

9 Departments need accurate workforce planning data to support the GPA in managing the government's office portfolio. In our report on specialist skills in government, we noted that departments' overall progress on improving workforce planning was slow and we recommended that departments accelerate the adoption of workforce planning tools. Without accurate workforce planning data from departments on the number of employees and their location, it is difficult for the GPA to maximise efficiencies when planning and implementing departmental relocations. The impact of the COVID-19 pandemic on ways of working has made it more challenging for departments to anticipate what their future space requirements will be (paragraphs 3.5 and 3.10).

Property programmes

10 In the past five years, government has launched 11 programmes that aim to make central government property more efficient and cost-effective. Of these, the property disposals programme has been completed and generated £5.2 billion in receipts by March 2020. Some other programmes are longer-term efforts. Government has reduced by 6% the size of the central civil estate (which consists of the property assets that multiple departments can use without substantial alterations, such as offices), from 7.9 million square metres in 2016-17 to 7.4 million square metres in 2019-20. It did so even as the civil service headcount was growing to reflect EU Exit work. Government has made progress towards implementing its vision for a single management of the office portfolio. As of March 2022, 12 of 16 major departments had transferred all their offices to the GPA or agreed a transfer timeline for the remaining offices with the GPA. The GPA had anticipated in April 2018 that the transfer of central government offices to the Agency would have been completed by April 2021 (paragraphs 1.8, 2.5, Figures 5 and 11).

11 The GPA oversees a number of these property programmes, the most significant of which is Phase 2 of the Government Hubs programme.

An Infrastructure and Projects Authority (IPA) independent review team noted in April 2022 that successful delivery appeared feasible, although significant issues required management attention. HMRC, which oversees Phase 1 of the programme, had successfully opened 12 of the 14 planned hubs and closed at least 150 offices by May 2022. The GPA had opened two London hubs and the first of 17 regional hubs which are due to consolidate departments' regional offices into shared locations by 2026. The GPA is progressing a parallel programme to consolidate central London offices (paragraphs 2.6–2.8 and Figure 5).

12 The OGP oversees Places for Growth, a high-profile programme designed to advance civil service relocation out of London. It commits government to moving 22,000 civil servants from London to the regions by 2030. In recent years, civil servants have remained disproportionately based in London. As of March 2022, 5,950 relocations (27% of the commitment) were completed. While government uses headcount as the primary measure of progress, success will also require changes in the property portfolio. Government needs to continue disposing of properties in London and securing appropriate sites outside London. The GPA plays the primary role in obtaining and managing those offices (paragraphs 3.22–3.24).

13 The Government Property Function and the GPA met some but not all of their targets in 2021-22. The annual plans of the cross-government Property Function, which the OGP oversees, set out government's deliverables against the priorities set out in the 2018 property strategy, as well as in other areas such as sustainability. In 2021-22, the Government Property Function delivered 80 out of 108 deliverables (74%), including opening 194 temporary jobcentres and agreeing 15,700 civil servant relocations with departments, to be completed by 2025. The GPA met targets on property utilisation and on the quality of the data held in its property database, among others. It did not meet targets in other areas such as customer satisfaction and carbon and energy reduction (paragraphs 2.19, 2.20, Figures 6 and 8).

14 The GPA estimates it will realise £903 million benefits by 2037 but there is a risk that not all the benefits from consolidating government property and its management will materialise. In 2018, government anticipated that the creation of the GPA would deliver benefits of at least £3.6 billion over 20 years. This was on the basis that most central government offices would be transferred to the GPA and consolidated into hubs. However, it is unclear when departments will transfer their remaining offices to the GPA and how strong the demand for hub accommodation will be. Three departments have yet to agree a transfer date for some or all of their offices. In its draft Annual Report for 2021-22, the GPA has stated that the projects approved up to March 2020 will realise £903 million benefits by 2037⁵ and that it has released 31 central London office buildings, against a target of 51 closures by 2026 (paragraphs 2.8, 3.14, 3.17 and Figure 11).

Skills and standards

15 Government is taking steps to improve property skills in government but many initiatives are in their early stages. Since 2018, the OGP has recruited more property apprentices, launched a Property Fast Stream for graduate recruitment, established the Government School of Property and issued a Property Career Framework. This is intended to help with recruiting property staff and developing the skills of existing staff. Departments told us there had been improvements but that there was more work to be done. The OGP has plans to offer training to provide more professional accreditations and to strengthen the leadership skills of government property professionals. It told us that it is working on clarifying the skills that the clients of property delivery organisations such as the GPA should have (paragraphs 3.11–3.13 and 3.20).

16 The OGP operates property controls and has developed a standard for property management across government. For example, the OGP requires government organisations to seek formal approval when they renew leaseholds to ensure that, where possible, they exercise lease breaks and move to a government hub or negotiate a better lease. The OGP and the DWP have been trialling a new approach to the property controls, where the OGP has granted DWP permission to renegotiate a group of its leases rather than considering each lease on a case-by-case basis. This allowed DWP to negotiate rent concessions that it plans to use to improve properties to make them more sustainable (paragraphs 2.17, 2.18 and Figure 5).

⁵ Information correct at date of publication.

Challenges for property planning

17 The spending review cycle makes it more complex to make the case for longer-term investment programmes. Specific funding for programmes, such as Places for Growth, is certain only until 2025. Some departments we spoke to considered that there was little appetite in government for initiatives with long-term savings. A programme with a positive seven-year payback may not get board approval as government focuses on smaller, short-term commitments. We previously reported on the challenges government faces in balancing long-term value for money with short-term savings (paragraph 3.31).

18 The COVID-19 pandemic and government's decisions to relocate civil servants from London to the regions and to reduce their number will alter government's use of and demand for offices. While working flexibly can support more efficient ways of working and reduce the need for space, government has also signalled its intent to encourage more office working to make sure that the benefits of working face-to-face are not lost. At the same time, the planned headcount reductions in the civil service headcount might result in a reduced demand for office accommodation, including in regional hubs. The government's new property strategy is due to be published later in 2022 (paragraphs 3.10, 3.18 and 3.21).

Conclusion on value for money

19 Central government property, valued at £158 billion, is one of government's largest assets and running it costs some £22 billion a year. Having good-quality property in the right place that is properly utilised, run efficiently and adaptable to future needs is fundamental to unlocking savings, as well as achieving a number of important government priorities such as net zero and levelling-up.

20 The government's new property strategy will provide the opportunity to set out long-term ambitions for how it manages this important asset. But some longstanding problems pose a real risk to its successful delivery. The OGP, working with the GPA and departments, needs to address data problems urgently, so it can understand what the picture is across government, take stock of its assets and make evidence-based decisions. It should also take steps to identify a single lead for each of the property portfolios across government, so it can support, challenge and hold these to account as 'one estate'. Developing a more cohesive view, supported by robust data, will help government deliver efficiencies, understand what works to improve efficiency and lead to a better managed estate so as to deliver improved value for money.

Recommendations

21 The OGP should work with the GPA and departments to incorporate these recommendations into its delivery plans.

Roles and responsibilities

The OGP should:

- a** ensure each property portfolio has an identified single lead by December 2022. The lead should have clear responsibilities and objectives related to their portfolio and provide a consistent set of information to support central oversight; and
- b** analyse the plans for each portfolio by location to identify any duplication and understand where efficiencies can be achieved. It should track the actions taken and monitor the savings that are made across government as a result of its work.

Data and information

- c** The OGP should:
 - take prompt and decisive action to establish its new property asset register, InSite, minimising additional cost to the taxpayer; and
 - analyse how and why the inSite project has failed to meet its goals and deadlines, producing lessons learned that can be used to inform future digital projects.
 - Alongside this, the OGP should continue its work to:
 - agree data improvement plans with the departments that have outstanding data readiness issues;
 - assess whether it has the capability to manage and analyse the cross-government data it is collecting as part of the InSite programme and put in place appropriate actions to rectify this if not; and
 - collect property utilisation data from across central government and analyse them to identify opportunities for co-locations and sub-letting or disposing of under-utilised space.
- d** The Cabinet Office should work with departments to prepare workforce plans for the next five years. These plans should then be consolidated to produce a single view of workforce plans by year and region.

e Programmes

f The OGP should measure if the expected programme benefits set out in the 2018 government estate strategy have been achieved. It should assess whether change has been realised and disseminate the lessons learned to date from delivering those programmes.

g The OGP and GPA should:

- discuss with the departments which have not yet agreed the transfer of their offices their onboarding plans and agree on whether these plans remain achievable and represent value for money; and
- assess whether the estimated benefits from consolidating government property, and from the hubs programme, remain realistic. If not, the GPA should re-baseline the benefits estimate for both these programmes.

Property skills

h The OGP should:

- support departments to improve maturity of property skills; and
- monitor departments' level of skills against the functional standard to ensure they are being met across government; collect data on the impact and benefits of OGP's training initiatives; and act on these data to ensure training resources are targeted and deployed most effectively to ensure that the functional standard is being met.

Delivering efficiencies

i The OGP should:

- work with HM Treasury to consider what longer-term financial settlements are available to best incentivise long-term value for money decisions about government property; and
- work with portfolio leads to identify any efficiencies from ways of working during the COVID-19 pandemic that can be sustained.

Property strategy

j The OGP should set out key performance indicators and interim milestones for each of the objectives in its upcoming property strategy.