NIAO

Northern Ireland Audit Office

Property Asset Management in Central Government

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL
13 November 2012

Cover Photograph: Dundonald House, Belfast

NIAO

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Report by the Comptroller and Auditor General for Northern Ireland

Property Asset Management in Central Government

BELFAST: The Stationery Office £5.00

This report has been prepared under Article 8 of the Audit (Northern Ireland) Order 1987 for presentation to the Northern Ireland Assembly in accordance with Article 11 of that Order.

K J Donnelly
Comptroller and Auditor General

Northern Ireland Audit Office
13 November 2012

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Abbreviations

DHSSPS	Department of Health, Social Services and Public Safety
DFP	Department of Finance and Personnel
ePIMS	Electronic Property Information Mapping Service
FTE	Full Time Equivalent (for Staff)
GPU	Government Property Unit
KPI	Key Performance Indicator
LPS	Land and Property Services
NAO	National Audit Office
NDPB	Non-Departmental Public Body
NI	Northern Ireland
NIAO	Northern Ireland Audit Office
NICS	Northern Ireland Civil Service
NIA	Net Internal Area
OFMDFM	Office of the First Minister and Deputy First Minister
OGC	Office of Government Commerce
UK	United Kingdom

Glossary of terms

Benchmarking
Property Benchmarking measures the performance of the central government office portfolio against private sector benchmarks and against government targets and standards, where these have been set. This provides a standardised basis for data definition and for consistent reporting across the estate.

ePIMS
ePIMS (electronic Property Information Mapping Service) is a central asset register centrally managed by the Asset Management Unit, which allows departments and their arm's-length bodies to record and collect key information for all their property holdings.

Full Time Equivalent
The definition of FTE (full time equivalent) is the number of working hours that represents one full-time employee during a fixed time period, such as one month or one year. FTE simplifies work measurement by converting workload hours into the number of people required to complete that work.

Government Property Unit
The Government Property Unit is the property arm of the Efficiency & Reform Group in the Cabinet Office and leads the government's property strategy across the public sector. It is responsible for delivering targeted savings, as well as improving the built environment and promoting economic growth where possible.

Health Estates
Health Estates, along with the Investment Directorate, forms the Health Estates Investment Group, and is the single body in Northern Ireland with recognised expertise in all aspects of the Health and Social Care and Public Safety estate.

Key Performance Indicator (KPI)
KPIs are a commonly used type of measure of performance by an organisation to evaluate how well they are performing in relation to their specific goals and objectives.

Net Internal Area
Property areas are based on the usable area within a property measured to the internal face of the perimeter walls at each floor.

NI Public Sector Benchmarked Office Estate
The Benchmarked Estate includes the office buildings to be included in the planned *State of the Estate Report NI 2012*.

Properties Division
The Department of Finance and Personnel (DFP) Properties Division is responsible for providing professional and technical property management and accommodation services to the Northern Ireland Civil Service and wider public sector.

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Lighthouse Building, Belfast

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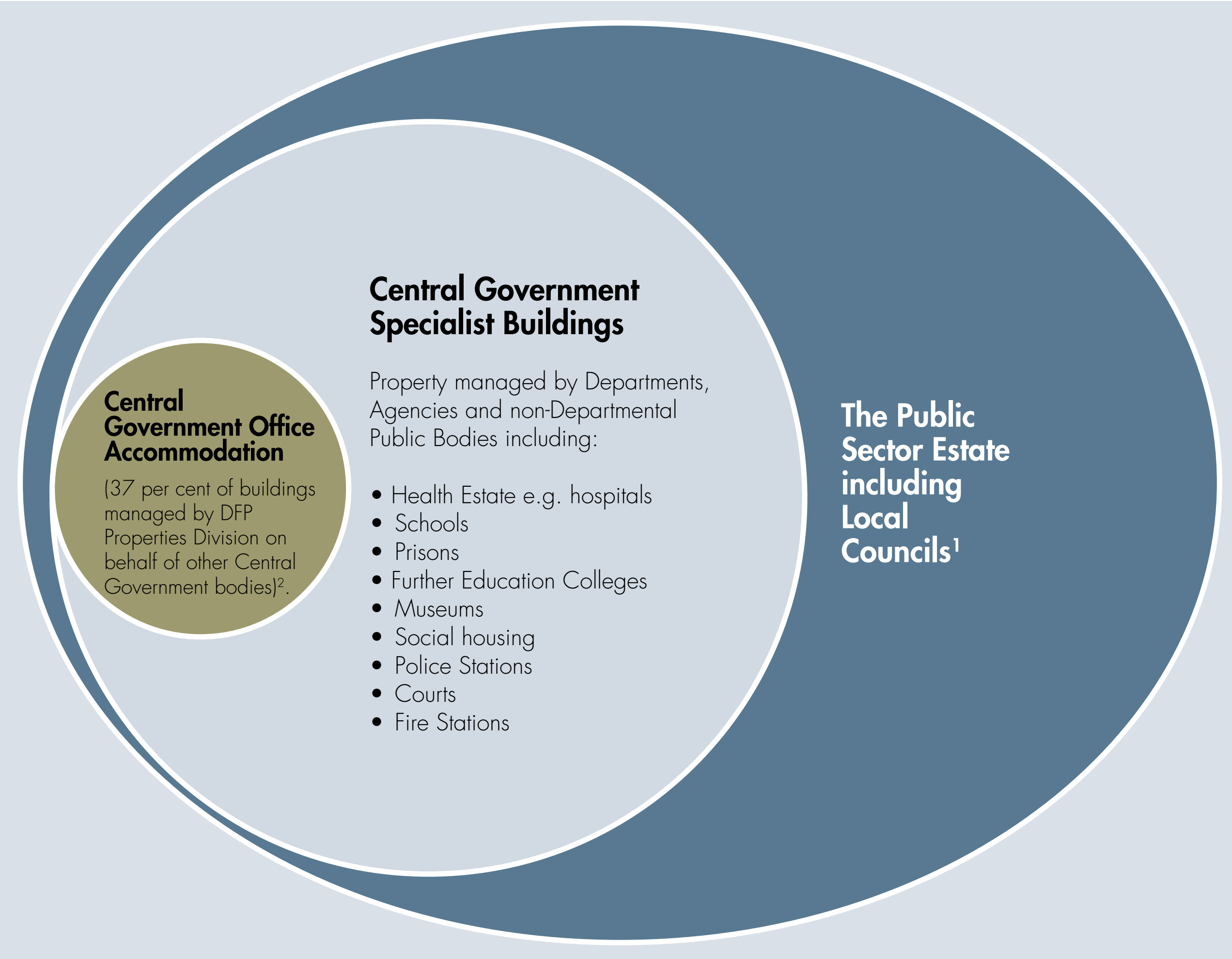
The Central Government Estate is part of a wider public sector estate

1. The central government estate is part of a wider public sector estate[1] (**Figure 1**) and spans a wide range of public bodies including central government departments; executive agencies; non-departmental public bodies (NDPBs); Health and Personal Social Services; and many other centrally funded public bodies including North/South bodies. Central government department and public bodies are responsible for procuring and managing the property assets they own or occupy to support the effective and efficient services they deliver. These include:

Figure 1: The Central Government Estate is made up of Specialist Buildings and Office Accommodation



Source: NIAO – Drawing not to scale

1 This report does not examine the management of Local Council property assets. The Chief Local Government Auditor has completed a survey in 2010 examining management arrangements of Councils' property assets and will include comment in her annual report to be published later this year.

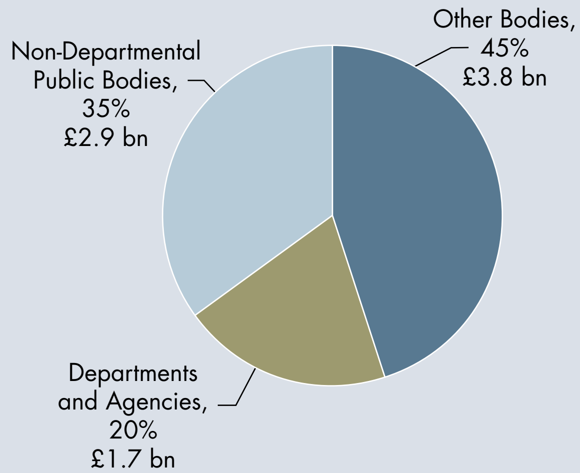
2 Based on indicative figures provided by the Asset Management Unit, as part of the development of a central asset register using ePIMS, it is estimated that Properties Division manages 37 per cent of buildings representing over half the net internal area of the NI public sector benchmarked estate, (Appendix 4).

- property provided for a specialist purpose such as hospitals, schools, prisons, police stations, museums, libraries etc; and

- administrative office buildings.

2. For the purposes of this report the definition of property assets includes land and buildings whether owned, leased, managed and/or occupied by central government departments and public bodies. While departments and public bodies may own, lease, or manage their own property assets, many central government bodies use the services of the Department of Finance and Personnel's (DFP) Properties Division which manages the government office estate[2]. Our review of central government accounts for the year ended 31 March 2011 identified property assets[3] worth £8.4 billion. **Figure 2** provides a breakdown of the central government owned estate by value - it does not include property assets leased from the private sector.

Figure 2: Central Government Property Assets are valued at over £8 billion



Source: Public body financial statements for the 2010-11 financial year and draft budget proposals.

This excludes Social Housing Stock valued at £3.4billion. NDPBs include bodies such as health and social care trusts, Police Service (NI) and Invest (NI). Other bodies include education and library boards, the non-controlled[4] education sector, and further education colleges.

Significant scope exists for delivering efficiency savings through improved property asset management

3. There are three key pillars to driving estate efficiencies:

- challenging the way services to citizens are provided including working practices and exploiting co-location opportunities;

- reviewing occupancy levels and making better use of space; and

- examining the potential for rationalisation of individual property assets.

4. In helping deliver the Executive's efficiency agenda, £100 million of additional capital receipts from asset disposals have been included in the Executive's 2011-15 Budget. Rather than focusing solely on asset disposals, the public sector can potentially achieve even greater

3 The values in Figure 2 are for financial reporting purposes and should not be used as an indication of market values as at 31 March 2011.

4 Valuation includes the non-controlled education sector. The last valuation of the non-controlled schools' estate was undertaken in 2003 and reported a valuation of £1.467 billion - representing almost half of the total schools' estate at that time. Land and Property Services (LPS) advises that this valuation cannot be indexed to give a robust estimate of the current value of the non-controlled estate. The Department of Education has commissioned LPS to undertake a revaluation of the entire schools' estate commencing in April 2012, the results of which should be available early in 2013. Valuation excludes Universities valued at £541 million.

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revenue cost savings through maximising the efficiency and effectiveness of its existing asset base. Costs associated with property asset management are the second highest after staff costs. It is identifying and managing these costs that are key to delivering efficiencies through improving asset management practices.

5. Reviewing the use of property assets must be supported by robust performance and management information. Until very recently there has been a lack of comprehensive baseline data which has prevented accurate reporting of the total spent on maintaining and running central government property assets. Through our own interrogation of data held by Account NI[5] we estimate that it cost government departments and their agencies £116 million to manage their property assets in 2010-11[6].

Our 2010 survey found that Northern Ireland lags behind England and Wales in relation to estate management arrangements

6. In June 2011 we published the results of our survey of 79 central government departments and public bodies[7]. The survey took place between August and October 2010 and achieved a 100 per cent return rate.

7. Overall we found that Northern Ireland lags behind England and Wales in relation to estate management arrangements. This was partly because the management arrangements in Northern Ireland at the time of our survey were highly fragmented, with many organisations working independently and using different management information systems, making identifying data about the size, value, and running costs of the property estate difficult. A summary of our survey findings is at **Figure 3**.

8. Apart from organisations that have property management functions e.g. DFP's Properties Division and the Health Estates Investment Group[8], our survey found limited information on the cost of managing and maintaining central government's property asset estate which is, in the main, independently managed by departments and public bodies. In addition we found limited evidence of collaborative, strategic or operational management at a regional (Northern Ireland) level.

5 Account NI provides an integrated Resource Accounting and Budgeting System for all NICS Departments on a customer–supplier basis.
6 The £116 million does not include the cost of managing property assets by non-departmental public bodies.
7 *Survey of Property Asset Management in Central Government* published on NIAO Website on 1st June 2011 http://www.niauditoffice.gov.uk/index/publications/report_archive_home/2011/report_prop_ass_man_cg.htm
8 A function within the Department of Health Social Care and Public Safety (DHSSPS)

Figure 3: Summary of the Key findings of the 2010 NIAO survey

- Overall, Northern Ireland lags behind England and Wales in relation to estate management arrangements.
- Less than one in ten public bodies have a comprehensive and formal property asset strategy in place
- There is confusion within organisations in relation to where responsibilities lie for strategic asset management arrangements;
- Not all public bodies seek advice or approval from their sponsoring department in relation to property asset management decisions;
- There is little evidence that Northern Ireland Civil Service organisations occupying DFP managed office accommodation challenge the notional cost of this service;
- Property asset management arrangements in Northern Ireland are highly fragmented;
- With the exception of energy management, the use of property estate key performance indicators, benchmarking and the setting of performance targets by most public bodies, is limited or non-existent;
- In the current economic climate, most organisations are required to manage their property estate more efficiently due to increasing costs and decreasing budgets, rather than a desire to be more efficient;
- A significant number of public bodies do not follow any financial or asset management guidance to plan and manage their land and buildings;
- More than half of public bodies have identified either surplus or under-utilised assets;
- Some public bodies do not know the full costs associated with their property assets; and
- Awareness of property asset management is increasing for most organisations

Source: NIAO survey of 79 central government organisations August – October 2010

A Capital Realisation Taskforce set up in 2007 identified the potential for significant savings by improving the management of the public sector estate

9. The Capital Realisation Taskforce was established in September 2007 by the Strategic Investment Board, under instruction from the Office of the First Minister and Deputy First Minister (OFMDFM) and DFP[9]. The Taskforce's Report[10] was submitted in November 2007 and agreed in principle by the Executive in January 2008. In view of the economic downturn, in January 2009, the Executive requested the Taskforce to review its original report and recommendations. The subsequent review[11] in 2009 focused on positioning the public sector for the time beyond

9 See Appendix 2 for background on the reviews conducted by the Capital Realisation Taskforce and establishment of the Asset Management Unit.
10 The 2007 Capital Realisation Taskforce Review report was never formally published, but was released in redacted form in response to a Freedom of Information request.
11 The 2009 report has not been published.

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2010 -11, placing less emphasis on the identification and sale of surplus assets and more on the need to promote best practice asset management and the governance arrangements which would be required. It identified the potential for significant gross cost savings each year by improving the management of the public sector estate.

10. In January 2011, the Executive endorsed the establishment of the Asset Management Unit, as recommended in the Taskforce's 2009 report. Since its inception in September 2011, the Asset Management Unit has worked with departments to:

- develop asset management plans, all of which were completed in draft by the end of June 2012;
- develop the 'ePIMS lite' database[12] of information for all land and property assets; and
- establish an Asset Management Forum in April 2012 to encourage collaboration across departments.

In August 2012, DFP and the Asset Management Unit established an Asset Management sub-group of the Permanent Secretaries Group to assist in the development of a region-wide asset management strategy.

In Great Britain the annual cost of the civil estate has been reduced by over £800 million since 2004

11. Various initiatives aimed at driving efficiency and sustainability in the UK Government's central civil estate have reduced annual costs of the estate[13] by an estimated £600 million between 2004 and 2010[14], and since April 2010 this has reduced by a further £212m.

12. Over 2010 and 2011 the UK Government introduced a regime of national property controls across central government, centrally co-ordinated by the Government Property Unit[15]. These included a moratorium on signing new property leases and lease extensions; central approval on capital disposals; new criteria for facilities management contracts; and a space standard of 8m^2 per full time equivalent (FTE) member of staff and a desk-sharing ratio of 8 workstations per 10 FTEs for new and refurbished offices. The NAO reported[16] that between April 2010 and December 2011 the Government Property Unit recorded departments terminating over 800 leases (both office and specialist buildings) with collective gross recurring savings of £212 million, including £138 million exited leasehold rent and running costs.

12 ePIMS (electronic Property Information Mapping Service) is a central asset register which allows departments and their arm's length bodies to record and collect key information for all their property holdings. ePIMS 'lite' aims to provide a start up and will initially hold very limited data for public sector land holdings such as property name, address, type and size.

13 The Civil Estate is defined as workspace, offices and other property (land and buildings) used to deliver departments' activities which are owned, leased or occupied by a government body, including ministerial and non-ministerial departments, executive agencies, executive NDPBs and special health authorities in England.

14 National Audit Office Report: *Improving the efficiency of central government office property*: 2 March 2012

15 The Government Property Unit (GPU) is the property function of the Efficiency and Reform Group in the Cabinet Office and leads Government's property strategy across the public sector. It is responsible for delivering the targeted savings, as well improving the built environment.

16 National Audit Office Report: *Improving the efficiency of central government office property*: 2 March 2012

There are substantial gains to be made in Northern Ireland from centralised control of government property assets, including the administrative office estate

13. The central government office estate is spread across over 470 buildings, and forms a significant part of the wider central government estate in Northern Ireland[17] (**Figure 1**). Whilst departments and public bodies may own, lease, or manage their own accommodation many central government bodies use the services of the Department of Finance and Personnel's (DFP) Properties Division. In managing the government office estate Properties Division own or lease some 155 properties, occupied by 18,750 staff, representing approximately a third of the administrative office estate owned or leased by central government across Northern Ireland[18]. In 2010-11 it expended over £73 million on behalf of its clients.

14. Properties Division currently measures its efficiency on the amount of space per workstation (m^2 per workstation) and seeks to improve space utilisation efficiency, upgrading accommodation to "Workplace NI" average space standards (11m^2 per workstation) for general office accommodation, on a selective basis, where budget and operational constraints allow. In 2011 the space per workstation was 16m^2. Over financial years 2009-10 to 2011-12, Properties Division (paragraph 2) reduced the size of its administrative office estate by increasing the number of staff occupying existing buildings. This resulted in a reduction in floor space of 26,000 m^2; and estimated savings of £4 million a year on rent, rates and service charges.

15. To demonstrate the potential for future efficiencies that can be delivered, an analysis of the data supplied by Properties Division relating to its office estate shows that leases covering 61,000 m^2 of floor space will expire over the next five years. Should Properties Division target the release of half of these leases this will equate to further average savings of £1.3 million a year for each of the next five years[19].

16. Whilst the exiting of leases may have already been factored into current plans, additional efficiency gains are achievable through increased collaborative working by departments and public bodies and through applying the key pillars to driving efficiencies (paragraph 3). In our view there is a need for ambitious strategic targets and controls across the whole of the central government estate to achieve increased efficiency gains by departments and central government public bodies. To illustrate the potential for efficiencies if a five per cent reduction in floorspace was achieved each year over the next five years, for Properties Division alone, this could potentially reduce the floor space

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17 Appendix 6 shows a number of key office hubs across Northern Ireland.

18 The Asset Management Unit is currently working with departments to establish the total number of office properties across all departments and sponsored bodies. The latest estimate is 472 properties classed as either wholly or substantially for administrative use of which Properties Division holds 155. Based on indicative figures provided by the Asset Management Unit, as part of the development of a central asset register using ePIMS, it is estimated that this covers over half the net internal area of the NI public sector benchmarked estate (Appendix 4).

19 It has been assumed that in 50 per cent of cases renewing the lease will be necessary for operational reasons or where renewal represents best value for money. A similar methodology was applied by NAO in their 2012 report "*Improving the efficiency of central government office property*".

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required by 80,000 m^2, equating to potential average gross annual savings of close to £3.4 million in each of the next five years.

17. The above highlights that delivering efficiencies through improved property asset management requires strategic long-term planning across the estate, by departments and public bodies. However, realising the full benefits of good asset management practice and initiatives in terms of efficiencies and asset realisation may require up-front capital investment, and extend beyond the current "in-year" initiatives, such as the "Invest to Save" initiative. Making the case through a robust analysis of the level of investment required, or payback that could be expected, is essential.

There is currently no reporting on the efficiency and sustainability of the central government estate

18. Under the requirements of the Climate Change Act 2008, the UK Government is required to lay before Parliament each year a report on the efficiency and sustainability of its central civil estate for the previous financial year. Its *State of the Estate in 2011*[20] report noted savings of £278 million (nine per cent) on the total running costs of the estate from the previous year, reflecting an accelerated drive to reduce the amount of space occupied and a continued trend towards making better use of existing assets. The report also noted that such results reinforced the importance of robust performance and management data to allow comparison of the performance of departments, and between public and private sectors.

19. There is currently no requirement for a similar report to be presented to the NI Assembly. There are specific energy efficiency targets for the public sector estate in Northern Ireland. Whilst not examined as part of this report, meeting these energy efficiency targets is heavily influenced by the use of property assets.

Land and buildings which are not being fully utilised, or are surplus to requirement, do not provide value for money

20. Land and Property Services (LPS) advised us that as at September 2012, 258 surplus properties had been notified to it since April 2009, that were known to be still available for sale or transfer[21]. Of these, 58 were currently on the market, with an aggregate asking price, or current offers where applicable, of approximately £22.8 million[22]. It also advised us that, since January 2012, 35 surplus properties have been sold with an aggregate value of almost £5.5 million, while a further 14 surplus properties had been agreed for sale, subject to contract, with an aggregate value of £2.65 million.

20 The "*State of the Estate in 2011*" report was published by the Cabinet Office and laid before Parliament on 23 May 2012.

21 The disposal of surplus assets is managed through the Clearing House service for surplus lands. This is the responsibility of Central Advisory Unit, part of Land and Property Services (LPS), working in conjunction with the disposing department and the network of LPS regional Valuation Offices.

22 LPS told us that, while necessarily only a snapshot of the position at any particular time, this was the most recent information available as at late September 2012. £22.8 million is an indicative figure extracted from the LPS Disposal of Government property database (Sept 2012). Public sector bodies obliged to follow the Central Advisory Unit disposal guidelines include NICS Departments and their Agencies, NDPBs and Education & Library Boards.

Scope of this study

21. The importance of developing and implementing an estates strategy was highlighted in our previous reports on the *Management of the Surplus Land and Property in the Health Estates*[23] and *Transfer of Surplus Land in the PFI Pathfinders Projects*[24]. This report draws on our survey findings and additional analysis to assess whether central government departments and public bodies are effectively managing and achieving value for money from their property estates. As explained in paragraphs 2 and 13 a large part of the central government administrative office estate is managed by DFP Properties Division. Whilst efficiencies can be realised from all property assets, the administrative office estate, due to its non-specialist nature, is likely to provide opportunities for delivering efficiencies more quickly. Much of the analysis in Part 2 of this report, therefore, examines Properties Division's management of this part of the central government estate. However, the issues identified have read across to the entire central government property estate.

22. The report examines three main issues:

- whether central government adequately maintains key management information on its property assets;
- the scope for efficiency savings through more effective management of property assets; and
- the governance arrangements operating to manage central government's property assets.

23. The methodology for our study is set out in **Appendix 1**.

23 NI Audit Office Report: *Management of the Surplus Land and Property in the Health Estates*: 24th February 2004
24 NI Audit Office Report: *Transfer of Surplus Land in the PFI Education Pathfinder Projects*: 11 September 2007

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Key Issues and Recommendations

There is an urgent requirement for an over-arching strategic plan for the central government property estate. In order to achieve the best value for money, departments must challenge their use of property assets in the delivery of their services and must work collaboratively with other departments and public bodies. We believe that there are substantial gains to be made from a more co-ordinated approach to property asset management and the introduction of central property controls such as those used by the Cabinet Office's Government Property Unit. During the course of this study, the Asset Management Unit has made significant progress in implementing ePIMS[25] (see **Case Study 1**, paragraph 1.7) which is an essential first step in this process. In addition the Asset Management Unit is well placed to provide strategic leadership and support, to enable departments and public bodies to take a more co-ordinated approach to managing the estate; on the need for early planning of future lease breaks; and for departments and public bodies to work more closely together to plan their future estate needs, promote co-location and maximise efficiency.

Issue: Most central government bodies do not maintain key management information on their property assets

Recommendations:

1) **We recommend that OFMDFM, through the Asset Management Unit, ensures that ePIMS is rolled out in its full form to all departments and public bodies and ensures, where necessary, that it captures information from existing property management systems**. There needs to be better collection of information on property assets at a departmental and strategic (regional) level. The use of ePIMS recommended in the Capital Realisation Taskforce review report has been mandated by the Executive and is being implemented by the Asset Management Unit.

2) **We recommend that all departments and public bodies should be required to set challenging property asset targets, collate baseline data and develop key performance indicators in relation to their property assets**. The collection of such data should be in a consistent format and enable benchmarking across departments; against other UK regions; and against the private sector. With ePIMS data (Case Study 1) now being collected for all central government departments and public bodies this should facilitate appropriate benchmarking and target setting.

25 ePIMS (electronic Property Information Mapping Service) is a central asset register for all government departments and their NDPBs and agencies at the request of the Executive.

3) **We recommend that the Asset Management Unit continues to work with Land and Property Services on introducing improvements to the Clearing House system for the disposal of surplus properties. This should include revising the current guidance on the disposal of land and buildings to include a mandatory requirement for departments to actively monitor the process from the time when an asset is identified as surplus to the sale or transfer of that asset.** It is important that the surplus assets Clearing House system operates effectively to reduce the costs associated with the retention of surplus assets and maximise revenue from sales.

Issue: There is scope for significant efficiency savings through more effective management of property assets

Recommendations:

4) **We recommend that departments and public bodies should actively and critically challenge their use of property assets and consider alternative models for delivery of services.** This should be based on a cyclical, staged review of their property assets every one to four years. Through the work being implemented by the Asset Management Unit to establish Asset Management Plans, public bodies should fully consider the potential for increased cross-departmental and joint-working arrangements. In addition the links between financial planning and asset planning are vital and must be set out clearly in Asset Management Plans which support departmental budgets and requests for resources.

5) **We recommend that Properties Division provides an annual report on the efficiency and sustainability of its administrative office estate to DFP's Management Board and to its client bodies.** This should include benchmarking performance against its United Kingdom counterparts and the private sector. In addition, information on the relative performance of individual buildings should be made available to the departments and public bodies occupying this accommodation along with recommendations on how individual building performance may be improved.

6) **We recommend that DFP, in consultation with the Asset Management Unit, examines the scope for using investment schemes such as the "*Invest to Save*" initiative and funding arrangements that would support proposals for the rationalisation of the central government estate and deliver efficiency savings and capital receipts.** Realising the full benefits of good asset management practice and initiatives in terms of efficiencies and asset realisation may require funding, which may extend beyond the current "in-year" initiatives.

7) **In line with the Committee of Public Accounts at Westminster[26] we feel that the best way to incentivise and secure efficiencies from government property is through centralised control of property**

26 House of Commons; Committee of Public Accounts: *Improving the efficiency of central government office property,* Eleventh Report of Session 2012–13

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assets with departments and public bodies paying the resource costs of what they use. We recommend that Properties Division should calculate and apply charges for departments that reflect the actual cost of the buildings occupied. Applying notional charges that reflect actual costs will make those departments and public bodies occupying properties managed by Properties Division aware of the true cost of the buildings they occupy and encourage them to consider the economy, occupancy levels, and efficiency of these buildings. This should be in a form that enables departments to directly challenge their own service directorates by making them aware of the cost of the space they occupy. In our view Properties Division should hard charge for the properties they manage and notional charging should only be an interim arrangement.

Issue: Fully effective governance arrangements are not in place to manage property assets

Recommendations:

8) **We recommend that DFP, in consultation with the Asset Management Unit, should examine current budgetary and governance arrangements with a view to ensuring that they encourage more effective collaboration between departments and public bodies.** This will require central mechanisms and include financing and incentives that will facilitate such arrangements and secure year-on-year savings.

9) **We recommend that, at a strategic level, mechanisms are introduced to enable departmental performance to be transparent and reported to the Assembly.** The establishment of the cross-departmental Asset Management Forum and the recent formation of the Asset Management sub-group of the Permanent Secretary's Group are welcome developments. The Forum should support the Asset Management Unit in preparing an annual "*State of the Estate*" report on the efficiency and sustainability of the central government estate. This should include benchmarking performance against United Kingdom counterparts and the private sector. The Permanent Secretary's Group, through its Asset Management sub-group, should give the strategic direction needed to ensure cross departmental collaboration and shared use of assets. This is important to ensuring that all potential opportunities are identified and efficiencies maximised.

10) **We recommend that departments and public bodies raise the issue of property asset management to Board level and use information gathered on their property assets, such as benchmarked costs and key performance indicators, to improve performance.**

Part One:
Most central government bodies do not maintain key management information on their property assets

Clare House, Belfast

Key Findings:

- Overall, Northern Ireland lags behind England and Wales in relation to estate management arrangements;
- Baseline information on property assets is not being maintained by most public bodies;
- Property estate key performance indicators, benchmarking and the setting of performance targets by most public bodies is limited or non-existent; and
- Over half of public bodies surveyed indentified surplus or under-utilised assets. However, there is no overarching strategy co-ordinating the disposal of assets across central government

Part One:
Most central government bodies do not maintain key management information on their property assets

The absence of baseline information inhibits realistic, high level performance target setting and benchmarking

1.1 Access to comprehensive management information is required in order to quantify the costs associated with managing property assets, set meaningful targets, and benchmark performance. By using such information organisations are better placed to identify the scope for efficiency savings. In June 2010, the Assembly's Committee for Finance and Personnel[27] recommended that "*a comprehensive, mandatory central asset register for all public bodies – as recommended in the report of the Capital Realisation Taskforce in December 2007 – should be established without further delay*". The Committee also recommended that surplus government properties, together with the annual costs involved in maintaining them, should be fully disclosed in a more user friendly and meaningful way.

1.2 Better property asset management is delivered through measuring the efficiency and effectiveness of property and the costs associated with managing it. This enables departments and public bodies to identify opportunities to maximise the use made of property they occupy and to deliver savings through efficiencies. However, this requires access to quality base data, such as the value, size, cost, efficiency and sustainability of properties owned or occupied. This facilitates benchmarking across departments and at regional levels, against United Kingdom equivalents and industry best practice. Through using such management information organisations are better placed to make informed strategic decisions about buildings and their impact on the delivery of services to the public; to challenge the efficiency and effectiveness of buildings supporting service delivery; and consider whether potentially services may be delivered through alternative solutions, such as mobile provision or outsourcing.

Northern Ireland lags behind England and Wales in relation to estate management arrangements

1.3 The use of benchmarking in performance measurement, using a model developed by the Office of Government Commerce (OGC) in its "*Better Measurement, Better Management*" guidance[28], has led to increased rigour in the value and quality of property data. In Northern Ireland, with the exception of energy management, the use of property estate key performance indicators, benchmarking and the setting of performance targets by most departments and public bodies, is limited or non-existent. By contrast in England and Wales:

- up-to-date benchmark data in relation to the costs of managing and maintaining administrative and operational buildings has been published covering public bodies in England and Wales; and

27 Committee for Finance and Personnel *Report on the Preliminary Inquiry into Public Sector Efficiencies:* NIA 60/09/10R: 2 June 2010.
28 *Better Measurement, Better Management. Effective management of the government estate*: OGC 2006

Figure 4: Key Performance Indicators for property assets

A typical dashboard of Key Performance Indicator measures:

- reductions in the overall area of the Civil Estate (m^2) and in the total cost of the estate;
- improvements to workspace efficiency in offices expressed as £/Full Time Equivalent (FTE), calculated based on the £/m^2 (rent, rates and other occupation costs) and the number of employees based in the buildings;
- the use of occupied space expressed as m^2/FTE, based on space allocation per workspace and the ratio of FTEs to each workspace;
- compliance with a commitment to procure buildings in the top quartile of energy performance;
- Display Energy Certificate (DEC) ratings; and
- Sustainability performance against targets for CO^2 emissions from offices, waste arising, waste recycled and water consumption.

Source: Cabinet Office Government Property Unit/Welsh Assembly's annual "State of the Estate" report.

- central government bodies in England and Wales[29] measure annually the efficiency, effectiveness and environmental sustainability of administrative office occupations over 500m^2. Using independently validated indicators against comparable buildings in the private sector and, where appropriate, industry best practice, information gathered is used to inform strategic decisions about buildings and their impact on service delivery.

1.4 The use of Estate Management indicators is one way in which central, baseline data can assist in promoting and driving efficiencies. **Figure 4** sets out an example of key property asset management performance indicators used by the Cabinet Office Government Property Unit and the Welsh Assembly. The ePIMS[30] implementation programme, currently being managed by Asset Management Unit, will enable NI to provide this data (paragraph 10).

Despite being a requirement, less than one in ten public bodies has an appropriate asset management strategy in place

1.5 "*Managing Public Money Northern Ireland*" requires public bodies to have an appropriate asset management strategy to define how they acquire, maintain, track,

29 The provisions of the Climate Change Act 2008 require the UK Government to report on the performance of their estate. There is no such compulsion on the Welsh Assembly Government, however it saw it as an opportunity to capitalise on good practice.

30 ePIMS (electronic Property Information Mapping Service) is a central asset register for all government departments and their NDPBs and agencies at the request of the Executive. ePIMS was created by the Office of Government Commerce and was made mandatory in 2007 for all central civil estate as a central database. This allows departments and their arm's length bodies to record and collect the key information for all their property holdings. It stores key information for all their property holdings and provides the precise locations of properties, holdings and occupations (including vacate space) on computerised mapping. The main datasets used are: Size, Cost, Efficiency and Sustainability.

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deploy and dispose of the various kinds of assets they use. Our survey[31] found that less than one in ten public bodies are complying with this requirement. As a result, other UK regions are better placed to identify and realise efficiencies within a shorter timescale.

1.6 The recommendations of the Capital Realisation Taskforce Review (**Appendix 2**) to develop a region-wide corporate asset management strategy, individual departmental asset management plans and the use of ePIMS were agreed by the Executive in January 2011 and have since become mandatory across the public sector. The use of ePIMS in the Central Civil Estate in England was made mandatory in 2007.

1.7 The Asset Management Unit has been taking forward the introduction of an ePIMS 'lite' system (**Case Study 1**) which aims to provide a potential solution for

Case Study 1

The Electronic Property Information Mapping Service (ePIMS)

In January 2011 the use of electronic Property Information Mapping Service (ePIMS) was made mandatory across the public sector by the NI Executive. ePIMS is a web-based database which will centrally hold information on all land and property assets owned, controlled or used by central government departments and their sponsored bodies. The main objectives of the database are to:

- create a standardised and consistent mechanism for data capture;
- provide detailed (internal and cross departmental) property search and mapping;
- create a land and property co-ordination facility, to aid the creation and maintenance of departmental asset management plans;
- enable cross departmental searches of vacant space and surplus land; and
- enable benchmarking of property information against comparative data in Northern Ireland and the rest of the UK.

The first step in its implementation was ePIMS 'lite'[32]. By September 2012, ePIMS 'lite' had been completed using data provided by departments for 2010 -11. This enabled earlier capture of key, high level asset management data such as property name, address, type and size, with mapping information. This will be updated annually. In addition to the ePIMS 'lite' information, there will be ongoing collection of more detailed information on occupation, utilisation and running costs for the office and administrative estate. The first phase of this was completed by October 2012.

The information on the office and administrative estate will be used as baseline information in the first Northern Ireland State of the Estate Report, which will be produced by the Asset Management Unit in early 2013. This report will be based on the format currently used in England and Wales and provide a useful oversight on the size and scope of the NI public sector estate, and will be updated annually.

Once complete, this information will provide a valuable, centrally held database of information that will assist in the development of a region-wide asset management strategy for consideration by the Executive.

Source: Asset Management Unit

31 *Survey of Property Asset Management in Central Government*: Published on NIAO website on 1st June 2011
32 e-PIMS 'lite' aims to provide a 'virtual nil cost' start up and will initially hold very limited data for public sector land holdings such as property name, address, type and size.

high level data sharing. Adopting such an approach is likely to encourage increased compliance. However, it is important that departments and public bodies continue to gather more detailed key baseline data and move to the full ePIMS system.

In 2010-11 it cost departments over £116 million to manage their property assets

1.8 Identification of the significant costs associated with managing property assets, not just their value, is key to delivering efficiencies. However property asset information, including related costs, across the public sector have not been widely reported on or published. As departments manage their payment processing through Account NI[33] we extracted and analysed accommodation costs for the year 2010 -11[34]. The results are summarised in **Figure 5** below. This identified annual costs of £116 million associated with managing the property assets occupied by the eleven central government departments operating during 2010-11. This figure is only the core cost for each department and does not include the costs of managing the property assets occupied by other public bodies such as those in the wider health and education sectors. A breakdown by expenditure type shows that operating leases accounts for 18 per cent, with a further 50 per cent made up of accommodation costs such as rates, utilities, service charges, and maintenance.

1.9 One consequence of the introduction of Account NI was that asset management software supporting its predecessor systems became redundant. As a result, while the asset register modules of Account NI meet accounting requirements, they do not provide any of the estate management and asset performance aspects of predecessor systems. The Office of Government Commerce identified the same shortcomings in Great Britain and in 1999 proposed the development of ePIMS as a means of filling the gap.

1.10 We understand that most departments have yet to make full use of the key management information and reports available from Account NI on the costs of managing their property assets. There is clearly an opportunity and a need for departments to explore the possibility of making use of current resource management systems such as "Account NI", "HR Connect" and "IT Assist" to build intelligent performance measures to help drive efficiencies.

33 Account NI provides an integrated Resource Accounting and Budgeting System for all NICS Departments on a customer – supplier basis.

34 Department of Justice is not included in the analysis as it came into existence on 12 April 2010 and only started using Account NI in 2011-12.

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Most central government bodies do not maintain key management information on their property assets

Figure 5: In 2010-11 it cost departments over £116 million to manage their Property Assets

By Department

Department	£m
Department of Finance and Personnel *	73.6
Department for Social Development	18.3
Department of the Environment	6.5
Department of Agriculture and Rural Development	5.8
Department for Regional Development	4.9
Department of Culture, Arts and Leisure	2.1
Office of the First Minister and deputy First Minister	2.0
Department of Education	1.2
Department of Health, Social Services and Public Safety	0.8
Department of Enterprise, Trade and Investment	0.7
Department for Employment and Learning	0.5
Total	**116.4**

*DFP Properties Division pay accommodation costs on behalf of other departments and public bodies. These costs are not physically recovered but allocated to each department as a notional charge and included in the relevant department's resource accounts. In 2010 -11 notional costs totalled £66 million.

By Expenditure type

Expenditure type	£m	
Accommodation Costs (including rates, utilities, service charges, building maintenance)	57.8	50%
Operating Leases (rental of buildings, car parking and equipment etc.)	21.6	18%
Depreciation (buildings)	20.0	17%
Communications Costs (including telephone and mobile rental but excluding calls)	7.8	7%
Contracted out services (including cleaning, catering, security)	6.5	6%
Other Office Services (including postage, courier services, photocopying)	2.1	2%
Non-Capital Purchases (including office equipment, furniture and fittings)	0.6	<1%
Total	**116.4**	**100%**

Source: NIAO calculations based on Account (NI) records

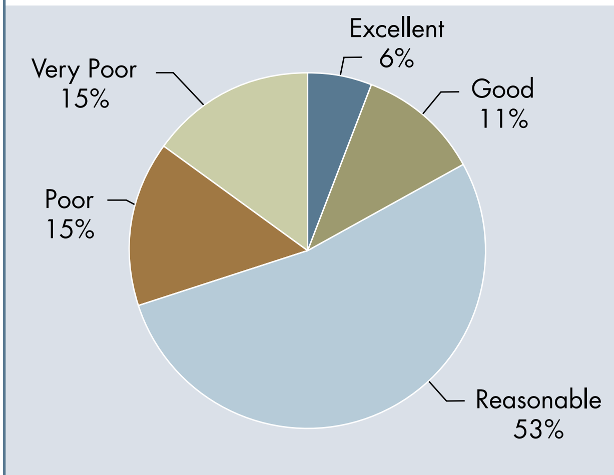
DFP's Properties Division maintains cost and buildings data which it uses to manage a third of the central government administrative office estate

1.11 As set out in paragraph 13, DFP Properties Division owns or leases 155 properties across Northern Ireland which it manages on behalf of a range of government departments, their agencies and non-departmental public bodies. In 2010 -11 over £73m (60 per cent) of the costs of managing accommodation in central government departments, were paid for by Properties Division. It maintains cost and buildings data which it uses to: manage the estate; inform the DFP Departmental Board and internal management meetings; consult with departments; and produce its NI Civil Service accommodation plans. DFP's 2011-12 Business Plan includes performance targets for Properties Division to:

- vacate 10,000m² of leased office space by 31 March 2012; and
- increase the number of workstations in modern space efficient accommodation[35] by 400 by 31 March 2012 (currently 1,500 workstations).

1.12 Following the termination of the Workplace 2010 procurement (**Appendix 3**), the current plan adopted by Properties Division seeks to improve space utilisation with minimum spend and/or upgrade accommodation to a standard defined in Workplace NI standards (11m² per workstation) *"on a selective basis where budget and operational constraints will allow"*. The plan states that 30 per cent of its properties are in either a poor or very poor condition[36] (**Figure 6**) with an average of 16 m² per workstation against the Workplace NI standard of 11m² and a Great Britain comparator of 12 m² (**Figure 7**).

Figure 6: DFP Properties Division report that 30 per cent of the office accommodation it manages is in poor or very poor condition



Source: NICS Accommodation Plan Properties Division 2010-11 to 2012-13

Land and buildings which are under-utilised or surplus to requirement do not provide value for money

1.13 In March 2011, the Executive targeted additional capital receipts of £100m over the current budget period (2011-15) to increase its capacity to undertake additional investment. The disposal of surplus assets is managed through the

35 DFP defines this as accommodation meeting (or approaching) Workplace NI standards i.e. predominantly open plan, with density approaching 11 m² per workstation.

36 Condition is assessed by Properties Division based on criteria such as building configuration; last major capital investment; number of years before major investment is required.

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Land and Property Services (LPS) Clearing House service with their Central Advisory Unit working in conjunction with the disposing department and the network of LPS regional Valuation Offices. Whilst there are guidelines for disposing of surplus assets, we found no overarching strategy for co-ordinating disposal activity across departments.

1.14 When we published the results of our survey in June 2011 there was an absence of baseline data making it difficult for departments to assess either the extent of under-utilised property assets or the costs associated with managing and maintaining them. At that time, LPS provided us with a very approximate indicative estimate of £95 million[37] for the surplus assets reported to them. LPS told us that it cannot readily supply an updated figure on this element without extensive research and valuation work. However it advised us that, while necessarily only a snapshot of the position at any particular time, the most recent information available as at late September 2012 was that 258 surplus properties had been notified to it since April 2009 that were known to be still available for sale or transfer. Of these, 58 properties were currently on the market, with an aggregate asking price, or current offers where applicable, of approximately £22.8m[38]. It also advised that 35 surplus properties had been sold since January 2012 with an aggregate value of almost £5.5m, while a further 14 surplus properties had been agreed for sale, subject to contract, with an aggregate value of £2.65m.

1.15 It is important that the Clearing House system (para 1.13) in place to dispose of surplus assets operates effectively to reduce the costs associated with the retention of surplus assets and maximise revenue from sales. Many of the surplus assets have been included in the Clearing House system for long periods. Departments must ensure that the process from identification of a surplus asset, to the sale or transfer of that asset, is managed efficiently and effectively. This includes ensuring that properties are prepared for sale or transfer and business cases prepared and approved in a prompt manner.

1.16 The Bain Review into the Location of Public Sector Jobs (September 2008)[39] recognised the importance of effective property asset management. It states "*In implementing the relocation recommendations, officials will need to make best use of existing public sector assets and avoid, where possible, unnecessary expansion of the estate. This requirement points to the need, when relocating organisations, to look at any public sector bodies that are already operating in a receiving location and the options for co-location, and whether there is any potentially suitable vacant or surplus (or soon-to-be vacant or surplus) accommodation within the public sector estate*". The Review's recommendations

37 £95 million is a very approximate indicative estimate at May 2011 extracted from the LPS Disposal of Government Property database and is based on the information provided by disposing departments, local councils etc. to LPS. Public sector bodies obliged to follow the Central Advisory Unit disposal guidelines include NICS Departments and their Agencies, NDPBs and Education & Library Boards. It includes a number of historic valuations which would have reduced considerably since they were carried out.

38 £25m is an indicative figure extracted from the LPS Disposal of Government property database at Sept 2012.

39 In November 2007 the Executive sought an independent review of the policy on the location of public sector jobs. This review, known as the "Bain Review", was published on 30 September 2008 and made a number of recommendations on the location of public sector jobs in Northern Ireland.

are yet to be formally adopted by the Executive; however, DFP guidance on the appraisal of accommodation projects requires departments to ensure that any new accommodation proposals consider the implications of this report.

1.17 While sales of freehold property should be limited to ensure that opportunities for reuse elsewhere in government are fully considered, this should not preclude sales where there are good operational, commercial or value for money considerations for doing so. Northland House (**Case Study 2**) is an example where a key city centre site was identified as surplus in June 2009 and at the time of publication of this report was being marketed for sale. The availability of this city centre accommodation, although in need of refurbishment, should be considered in the context of Properties Division managing 58 properties in or around Belfast and paying rent on leasehold properties over £20 million each year on behalf of central government departments and other public bodies.

1.18 The Northland House case study also illustrates how Properties Division cannot enforce property decisions on tenants. Under current arrangements, whilst Properties Division can ask departments to vacate properties and move to alternatives, it is generally a department's decision about where it is located. In addition, departments and other bodies are free to arrange their own accommodation (**Appendix 4**). This means that in cases such as Northland House, limited options are available to Properties Division. The case study also highlights the need for greater centralised decision making and control of the central government property estate (see **Part 3**).

1.19 In addition to surplus assets, many other property assets are not fully utilised. However, the absence of any baseline data, central or otherwise, makes it difficult for departments and public bodies to identify or assess the extent of underutilised property assets; or the extra costs associated with managing and maintaining them in an inefficient manner. Few public bodies[40] appear to be setting property management targets or performing benchmarking (e.g. space utilisation), the results of which would help to inform their senior management as to whether or not their properties were being run efficiently and effectively.

40 Our survey indicated that approximately 50 per cent of public bodies were unable to determine the exact number of surplus assets, their approximate value, distribution, or length of time declared surplus.

Part One:
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Case Study 2

Vacant City Centre Property owned by DFP: Northland House

Northland house, owned by DFP, is a six-storey office building extending to 34,000 square feet, located in Belfast City Centre. It is currently vacant. NI Water (formerly Water Service) had been a tenant in Northland House for over 20 years. When NI Water was established in April 2007, it entered into a 5-year lease with Properties Division that included a break-clause at year 3. In June 2009 NI Water informed Properties Division that it intended exercising the lease break at the end of March 2010 (later requesting a 6-month extension to the end of November 2010). In July 2009, the building, with a net internal area of 2,352 square metres and 35 on-site car park spaces, was declared surplus and LPS notified placing it on the LPS clearing house system.

In April 2010, the Department for Social Development formally expressed an interest and agreed to pay on-going costs for the "mothballed" building once NI Water vacated the building. However, by January 2011 The Department for Social Development told Properties Division that it was unlikely it would have funding to convert the building.

In February 2011, Properties Division commissioned Central Procurement Directorate (CPD) to cost two options for the building:

1. to meet full Workplace NI specification (11m2 per workstation); and
2. what could be done for £1 million.

CPD estimated that conversion of the building to meet full Workplace NI specification would cost around £6 million. Its survey noted that certain elements of the building (e.g. staircases) did not conform to current modern building standards requirements. It also assessed that a refurbishment of the building without undertaking substantial remedial work would only allow the building to accommodate around 140 staff i.e. a workplace density of over 20 m^2 per person.

In June 2011, Properties Division decided to investigate three further options in parallel:

a) put the building on the market to test saleability and asset value;
b) investigate the possibility of additional capital budget allocation with DFP Finance with a view to refurbishing and back-filling out of leased accommodation in Belfast City Centre from a building where a lease is nearing expiry; and
c) commission the Asset Management Unit to investigate options to maximise site value. (Note there is an adjoining Department for Regional Development car park which may increase the attractiveness of the site if the two could be bundled.) The Unit informed us that, at that time they did not have the resources to undertake the work. However, this has now commenced following the arrival of the full-time staff in October 2011.

Properties Division explained that while there are a number of lease expiry options available, it has not identified a specific new tenant as the option selected will depend on timing and the outcome of various other proposed moves where business cases are currently being prepared. The building is being advertised for sale at a price of £1.5 million and is costing around £6,000 per month to maintain (to date costing over £141k).

Source: NIAO analysis based on information provided by DFP Properties Division

Recommendations:

1. **We recommend that OFMDFM, through the Asset Management Unit, ensures that ePIMS is rolled out in its full form to all departments and public bodies and ensures, where necessary, that it captures information from existing property management systems**. There needs to be better collection of information on property assets at a departmental and strategic (regional) level. The use of ePIMS recommended in the Capital Realisation Taskforce review report has been mandated by the Executive and is being implemented by the Asset Management Unit.

2. **We recommend that all departments and public bodies should be required to set challenging property asset targets, collate baseline data and develop key performance indicators in relation to their property assets.** The collection of such data should be in a consistent format and enable benchmarking across departments; against other UK regions; and against the private sector. With ePIMS data (Case Study 1) now being collected for all central government departments and public bodies this should facilitate appropriate benchmarking and target setting.

3. **We recommend that the Asset Management Unit continues to work with LPS on introducing improvements to the Clearing House system for the disposal of surplus properties.** This should include revising the current guidance on the disposal of land and buildings to include a mandatory requirement for departments to actively monitor the process from the time when an asset is identified as surplus to the sale or transfer of that asset. It is important that the surplus assets Clearing House system operates effectively to reduce the costs associated with the retention of surplus assets and maximise revenue from sales.

Part Two:
There is scope for significant efficiency savings through more effective management of property assets

Knockbreda Health and Well Being Centre, Belfast (Photograph courtesy of DHSSPS)

Key findings:

- There is limited evidence of public bodies actively and critically challenging their use of property assets;
- There has been little exploitation of the potential for shared accommodation or service centres between departments or between central and local government;
- Properties Division has in place key baseline information that helps it to manage the core administrative office estate. However, it does not currently report on the performance of properties it manages on behalf of other public bodies;
- Departments are not currently incentivised to deliver efficiencies and make more effective use of their assets;
- Exiting surplus leasehold offices as they expire can deliver significant cost reductions; and
- Delivering efficiencies through improved property asset management requires strategic, long-term planning, and often, up-front capital investment.

Part Two:
There is scope for significant efficiency savings through more effective management of property assets

With some exceptions, there has been little exploitation of the potential for shared accommodation. However, central government public bodies have had some success in rationalising the property asset estate

2.1 It is important that value for money is considered early in the asset management strategy process. This should include collection of data on the performance of property assets to ensure that the cost of occupying property can be assessed against the benefits and/or outcomes being delivered. Departments and public bodies should actively challenge their use of property assets and consider alternative models for delivery of services. This should include a cyclical, staged review, for example every 1 to 4 years, of an organisation's property estate and full consideration of the potential for increased cross-departmental and joint-working arrangements such as shared use of assets or asset transfers. An example of an approach to effective asset management has been developed by the Royal Institute of Chartered Surveyors. This identified 12 Steps in implementing value for money in property asset management[41]. These are summarised at **Appendix 5**.

2.2 Sharing of existing buildings across the public sector estate should release significant assets for sale or rent and result in immediate savings in running costs. For example, the health, social care and public safety estate accounts for around 20 per cent of the value of central government property assets, and is managed by the Health Estates Investment Group within the Department of Health Social Services and Public Safety (DHSSPS). The Group has critically appraised the use of property assets, particularly utilisation of space in administrative, acute and healthcare environments. **Case Study 3** is an example of how, through effective rationalisation, services can be improved and better use made of available space. A significant element of the capital cost has been met by income from the disposal of properties which became surplus on completion of this Centre.

2.3 Our survey asked public bodies to submit details of any property asset management initiatives implemented in recent years. Overall, 59 per cent indicated that they had implemented some form of property asset management initiative or were about to implement one. **Case Studies 4 and 5** present examples of such initiatives. These clearly set out a drive and awareness within those bodies for efficiencies and demonstrate the scope of savings that can be achieved.

Significant financial and environmental savings can be made by reducing the overall footprint of the estate and increasing the density in retained accommodation

2.4 The 2011 State of the Estate report[42] in England reported significant improvements in the efficiency and sustainability of the government estate and highlighted that such results reinforced the

41 Local authority asset management best practice 03: Value for Money Royal Institute of Chartered Surveyors 2009
42 The "*State of the Estate in 2011*" report was published by the Cabinet Office and laid before Parliament on 23 May 2012.

Case Study 3

DHSSPS: Quality of service and use of space can be improved through rationalisation
The Knockbreda Health and Well Being Centre was opened in January 2009 and is the third of three wellbeing and treatment centres to be built to serve south and east Belfast. These centres replaced over 40 separate buildings which were spread over this part of the city and often provided only a single service such as physiotherapy. As a result, service users frequently had to visit a number of locations to access treatment. The capital cost of the new Centres has been largely met by the income from disposing of properties which became surplus on their completion.

Improving Service Delivery
The Knockbreda Centre serves a population of around 70,000 and provides a range of services including Podiatry, Physiotherapy, Occupational Therapy, Speech and Language Therapy, and Dentistry. The clinical zone, comprising ten clinical rooms and two procedure rooms, supports a wide range of community and hospital out-patient services e.g. family planning, chronic pain relief, ophthalmology, and genetics. There is also a General Practitioner "out of hours" service which means the building is open outside the normal working day for a range of other clinical and community services - accommodation which is used by others during the day is available for General Practitioner and other work.

Many care teams providing outreach services in the community are also based at Knockbreda in a shared working environment. This includes an integrated care team for the elderly, dieticians, family and childcare services, health visitors, paediatric nurses, teams for stroke, fracture, and elderly rehabilitation, and specialist teams for palliative care and diabetics. This shared working environment is complemented by a range of support accommodation, including meeting and interview rooms. One objective of the programme to provide wellbeing and treatment centres is to present opportunities for other government bodies or voluntary organisations to link with the same population which uses them. Accommodation has been made available for the Citizens' Advice Bureau, a voluntary organisation which helps people with financial, legal, consumer, housing, or employment issues. Other communities groups and charity groups also make use of the building.

Better use of space
Another key objective of the project was to achieve a high standard of design, in order to create a healing and uplifting environment for patients and staff. Appropriate space standards, plenty of natural light, good use of colour and lighting, easy way finding, and high quality materials, fittings, and furniture are all essential elements of the approach adopted. The Centre received the Royal Institute of British Architects Award in 2009.

Space standards were developed by Health Estates Investment Group and the Belfast Trust, in discussion with Trade Union representatives, to take account of the experience of staff in the Arches, Bradbury, and Carlisle Wellbeing & Treatment Centres. These were then used as the basis of the schedule of accommodation at Knockbreda. The resulting provision of 104 workstations for 207 staff equates to a space allocation of 6.6m^2 per workstation and 3.3m^2 per member of staff. More recently, these standards have been further refined and developed, after consultation with all of the Health and Social Care Trusts, into three Office Space Standards documents relating to the accommodation in wellbeing and treatment centres, the acute hospital setting, and general administrative functions.

These standards have now been issued by Health Estates Investment Group under a "Professional Estates Letter" to Health and Social Care Trusts, NI Fire and Rescue Service, and non-departmental public bodies which fall under the DHSSPS, as mandatory standards to be adopted in all new build projects and to be an aspirational target in all refurbishment schemes.

Source: DHSSPS

Part Two:
There is scope for significant efficiency savings through more effective management of property assets

importance of robust performance and management data to allow comparison of the performance of departments, and between public and private sectors. Although Properties Division collects and collates a significant amount of baseline information in respect of the office properties it manages, this has not been used to produce Key Performance Indicators or other performance benchmarks. Whilst Properties Division has not put in place targets or milestones to reduce space utilisation rates from current levels of 16.1m^2 per workstation, it continues to cite the provision of 11m^2 per workstation as the specification it uses for new buildings or when significant refurbishments are being undertaken.

2.5 The use of benchmarking model developed by the Office of Government Commerce in its "*Better Measurement,*

Case Study 4

Southern Trust – Rationalisation of Estate in Armagh

The Southern Trust successfully bid for £318,000 of capital funding in 2010-11 to refurbish a number of under-used buildings and wards on the St Luke's hospital site in Armagh to support the relocation of office-based teams from other accommodation.

To date, two leases have been terminated, and the Trust plans to terminate a further two. In addition, two owned buildings have also been vacated, with a further building released in March 2012. The total revenue saving so far is £152,000 per annum, against an investment of £318,000 capital. This equates to a payback period of just over two years. There have been other benefits for the Trust such as improved adjacencies and centralisation of teams.

The Trust has a similar project underway in Newry requiring £490,000 in capital investment with expected revenue savings of £130,000 each year from leased accommodation.

Source DHSSPS

Case Study 5

Northern Ireland Social Care Council – reduction in rental cost

The Northern Ireland Social Care Council was occupying two rented properties in Belfast at a total rental cost of £247,000 a year (including service charge). The Council has now rationalised into one building and has taken the opportunity to exercise a break option on the lease for the vacated property. This has resulted in rent being reduced by £90,000 a year. The total rental cost (including service charge) to the Northern Ireland Social Care Council is now £144,000 – a saving of £103,000 a year (42 per cent).

Source: DHSSPS

Better Management" guidance (paragraph 1.3) has led to increased rigour in the value and quality of property data in England and Wales[43] and the annual measurement of the efficiency, effectiveness and environmental sustainability of administrative offices over 500m^2. We presented this model to Properties Division as a potential framework it could use to provide an effective benchmark of performance.

2.6 Properties Division has since developed a comparable model based on data it maintains. **Figure 7** presents an overview of the results against comparable models for England, Wales, and the private sector. While there may be variances in the way data on property assets has been gathered in Northern Ireland, this shows that in terms of cost, DFP Properties Division's performance compares favourably with those in the public sector in England and Wales and indeed those of the UK private sector. This may be due to lower costs for office accommodation in Northern Ireland, such as rent and rates.

2.7 One area where Properties Division has performed less well is on space efficiency. At 19.8 m^2 per full time equivalent (FTE) member of staff, this is 50 per cent higher than the English civil estate offices and 7 per cent higher than Wales. Significant financial and environmental savings can be made by reducing the overall footprint of the estate and increasing the staffing density in accommodation. Properties Division explained that this process has begun but that its ability to realise savings in the short term is limited by the number of leased buildings, the terms of those leases, and the number of leases approaching expiry.

2.8 We calculate that improving the average total space efficiency of the Properties Division office estate from 19.8 m^2 per FTE to the HM Government Civil Estate performance (13.2 m^2 per person), could release 117,000 m^2 of office space and potentially reduce gross running costs by £25 million. DFP told us that that there are many factors influencing the potential for realising property asset efficiencies and maximising space utilisation, including the level of investment required; the ability to dispose of existing space as it becomes surplus; and when lease agreements come to an end.

2.9 We acknowledge these factors and recognise there are a number of barriers such as: financial and budgetary barriers; contractual restrictions; market conditions; operational reasons; and the physical characteristics of buildings which can make reducing the size of an estate and achievement of savings difficult. Such barriers have also been identified by the National Audit Office in its 2012 report on central government office property (**Figure 8**). Nonetheless, it is important that all the parties involved: departments; Agencies; NDPBs and other public bodies work with Properties Division and the Asset Management Unit to set challenging targets to reduce space and realise the efficiencies.

43 The provisions of the Climate Change Act 2008 require the UK Government to report on the performance of their estate. There is no such compulsion on the Welsh Assembly Government, however it saw it as an opportunity to capitalise on good practice.

Part Two:
There is scope for significant efficiency savings through more effective management of property assets

Figure 7: DFP Properties Division performance against UK Private Sector and English and Welsh Assembly Office Estates

		UK Private Sector 2010-11	HM Govt. Civil Estate Offices 2011	Welsh Assembly 2010-11	DFP Properties Division Office Estate 2010-11*
Level A	Overall Efficiency (£/FTE)	£4,562	£4,608 ↓	£3,497 ↓	£4,251 ↑
Level B	Total Space Efficiency (m^2/FTE)	10.9m^2	13.2 m^2 ↓	18.5 m^2 ↓	19.8 m^2 ↓
Level C	**Costs**				
	Rent/ m^2	£207	£139 ↑	£72 ↑	£106 ↑
	Rates/ m^2	£70	£58 ↑	£35 ↑	£45 ↑
	Other/m^2	£138	£101 ↑	£82 ↑	£64 ↑
	Total Costs £/m^2	£415	£349** ↑	£189 ↑	£215 ↑
	Space Efficiency				
	m^2/workstation	10.0m^2	11.8m^2 ↓	12.3 m^2 ↓	16.1 m^2 ↓
	Workstation/FTE	1. 09	1.1 ↓	1.5 ↓	1.23 ↓

Key: ↑ ↓ = Relative performance against Private Sector Benchmark

Notes:

* The baseline information gathered by Properties Division has not been aligned with that gathered in other regions to ensure a consistent approach to cost and space metrics. For example, Properties Division data covers all buildings in the office estate not just those over 500 m^2.

** The difference in the sum of the component costs and Total costs shown is a result of occupiers, particularly for PFI space, being unable to break down total payments into all components and therefore may simply enter a single unitary payment cost. PFI is significant in some estates so this difference appears significant.

Source: NIAO analysis of data from DFP Properties Division, and Cabinet Office/Welsh Assembly "State of the Estate" Reports

Exiting surplus offices as leaseholds expire can deliver significant cost reductions

2.10 As set out in **Figure 5** (paragraph 1.8), 18 per cent of occupancy costs incurred by Central Government departments in 2010 -11 were spent on operating leases, representing a cost to the public sector of over £21 million each year[44]. This includes Properties Division which, at March 2012, leased 62 properties on behalf of departments. These make up around one third of the total floor area of the office estate managed by them (350,000 m^2). In 2010-11, the total annual property costs, rent, rates and service costs for these 62 properties were approximately £26 million. In addition over half of the benchmarked office estate managed by other departments is leased (**Appendix 4**).

44 As this figure relates to Central Government departments (not including Department of Justice), the total expenditure across the entire central government property estate is likely to be significantly higher.

Figure 8: Barriers that make reducing the size of the estate and achievement of savings inherently difficult

The National Audit Office in its report on the central government office property estate, identified barriers that make reducing the size of the estate and achievement of savings inherently difficult:

Contractual restrictions: Most leases cannot be exited early without the Landlord's agreement and normally results in exit costs as compensation for lost rent. In NI over a third of the central government office estate is occupied under leasehold arrangements;

Market conditions: The current economic climate makes 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 number of office spaces incorporated in more specialist properties, which often have an operational reason for their location. This can make sharing of space difficult to achieve;

Physical characteristics: The layout of some buildings, especially freehold, may restrict how effective refurbishments can be. In addition, given that 30 per cent of Property Division's properties are in either a poor or very poor condition (see paragraph 1.12) much of the office estate may require extensive refurbishment to meet government standards; and

Structural barriers: For example financial and budgetary incentives may not always align with taxpayer incentives and encourage property to be managed collectively, therefore hampering efficient cross-departmental working in delivering savings.

Source: Adapted from NAO report "Improving the efficiency of central government office property", 2 March 2012

2.11 When public sector organisations are considering their future accommodation requirements there should be a presumption in favour of suitable solutions from within the government estate. As staff consolidate into fewer buildings properties can be handed back to landlords and savings achieved. In May 2010, the UK Government introduced a moratorium in Great Britain on signing new property leases and lease extensions across the central government mandated civil estate[45], for a period of ten months. This has since been extended for an indefinite period by the Cabinet Office. In addition, controls such as: avoiding upward-only rent reviews; the central approval of new property leases or lease extensions; all major refurbishments and new acquisitions of workspace adhering to the workplace standard of 8m^2 or less per FTE and a ratio of 8 workstations or fewer per 10 FTEs, were formalised into the National Property Controls in 2011, and administered by the Government Property Unit[46] (GPU). The scheme generated major

45 The Civil Estate is defined as workspace, offices and other property (land and buildings) used to deliver departments' activities which are owned, leased or occupied by a government body, including ministerial and non-ministerial departments, executive agencies, executive non-departmental public bodies (NDPBs) and special health authorities in England. It does not include for example the operational NHS estate, the prisons estate, the DEFRA rural estate, the Ministry of Defence (MOD) military estate.

46 The Government Property Unit is the property function of the Efficiency and Reform Group in the Cabinet Office and leads Government's property strategy across the public sector. It is responsible for delivering the targeted savings, as well improving the built environment.

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cost savings and has been extended to 2015. The NAO reported[47] that between April 2010 and December 2011 the GPU recorded departments terminating over 800 leases (both office and specialist buildings) with collective gross recurring savings of £212m, including £138m exited leasehold rent and running costs.

2.12 There is significant scope for cost savings across the whole of the office estate in relation to leased accommodation – both those managed by individual departments and those managed on their behalf by Properties Division. For example, since January 2009, Properties Division has identified opportunities for efficiencies by not renewing leases and working with other departments to relocate staff within the existing office estate. Supported by a £5m investment on various projects, preparing existing accommodation for staff needing re-housed, floor space has been reduced by 26,000 m^2, resulting in an overall annual savings of £4 million on rent, rates and service charges (**Case Study 6**).

2.13 Despite the barriers identified in paragraphs 2.9 and **Figure 8** we consider that further significant cost reductions are achievable across the whole of the office estate. We estimate that if only half of the expected leases managed by Properties Division expiring before 2022 were surrendered (**Figure 9**) and staff were relocated within the existing estate, this could reduce annual rental costs by approximately £6.5 million, and associated property running costs by £6.4 million[48].

2.14 Making the most efficient use of space and maximising the economic benefits of consolidation may, however, require capital investment and increased co-ordination by departments in planning their estate strategies to ensure they share space and overcome "silos". There are a significant number of leases expiring over the next ten years, particularly in 2014 and 2019. It is important that departments work together, and with Properties Division, to: review occupancy levels; make better use of the space available; exploit co-location opportunities; and exit leases to release office space and reduce running costs.

It is important that central government public bodies fully utilise leased accommodation

2.15 Departments and public bodies must ensure that the best use is made of leased office accommodation space, bearing in mind the costs associated with entering long-term lease commitments which often span over a 15 year term. As departments and public bodies do not have to use Properties Division and may organise and manage their own office accommodation, there is a risk that this will not be carried out in a co-ordinated manner. **Case Study 7** relates to a lease agreed by the Child Maintenance and Enforcement Division and highlights the implications for any public body entering such long-term commitments. Tenants may

47 National Audit Office: *Improving the efficiency of central government office property*: 2 March 2012

48 The NAO applied a similar methodology in their 2012 report on "*Improving the efficiency of central government office property*".

Case Study 6

Properties Division has made significant savings by improving the operating efficiency of the estate

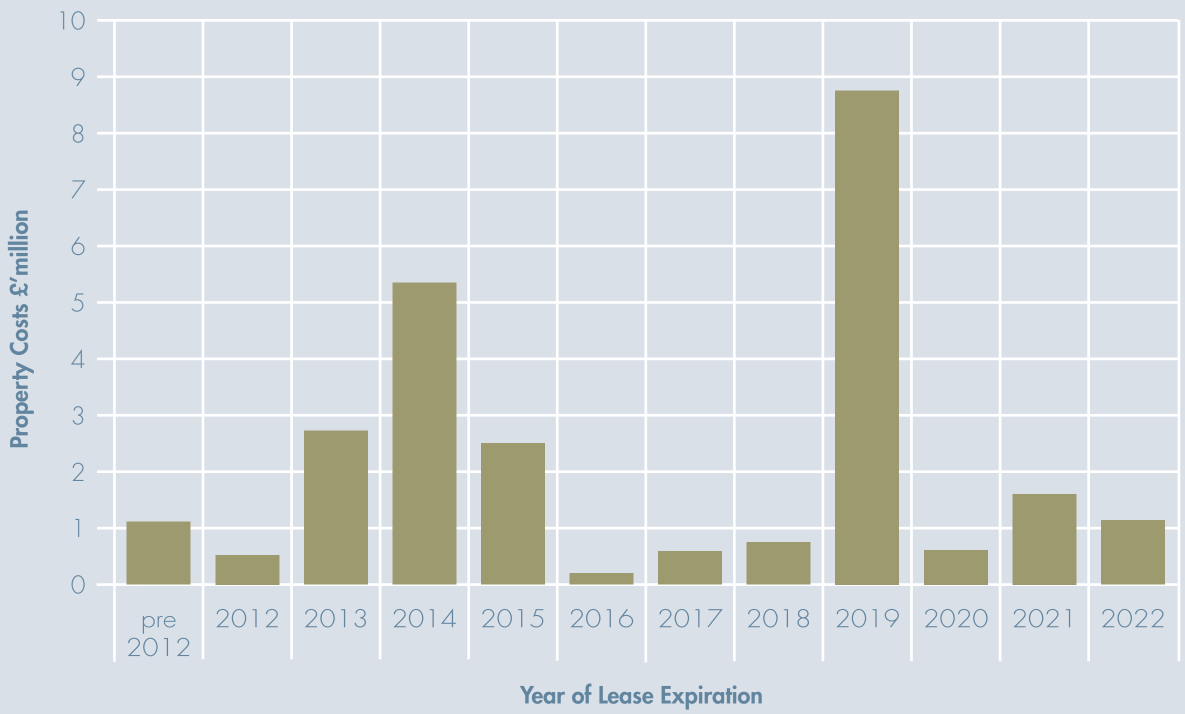
In adopting a strategic approach to the management of its portfolio of leased and freehold buildings, Properties Division has made significant savings. It has improved the operating efficiency of the estate by reducing its size and increasing staff numbers in the remaining buildings. Over the period 2009 -10 to 2011-12 this centrally managed approach has resulted in:

- the vacation and release of 21 buildings;
- a reduction in floor space of 26,000 m^2; and
- savings estimated at £4m a year on rent, rates and service charges.

Properties Division estimate that this has also saved approximately £1 million a year on energy and facilities management services (maintenance, cleaning, etc.). The investment required to achieve these savings was £5 million, representing a payback of just over one year.

Source: Properties Division

Figure 9: Expiration of leases and associated property costs each year to 2022



Source: NIAO based on Properties Division data

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Case Study 7

Oyster House

The Department for Social Development's Child Maintenance and Enforcement Division (formerly the Northern Ireland Child Support Agency) secured accommodation in Oyster House in 2006-07. The contract is managed by the Child Maintenance and Enforcement Division and the costs shared with the Department for Work and Pensions in Great Britain.

The key terms of the lease, which was entered into without consulting DFP Properties Division, were:

Oyster House, Belfast

Period: September 2006 to 31 March 2015.

Annual Lease Cost: £201,800 (with a five year review in September 2011)

Break option: None

Other relevant points:

(1) Child Maintenance and Enforcement Division to be responsible for refurbishment costs – amounted to £883,000 refurbishment; and
(2) The lease included an "alienation" clause which does not permit the tenant to part with, share, or underlet the premises to anyone other than a Northern Ireland or UK government department.

At the end of June 2010, three years after moving into the building, it was vacated with staff moving to Millennium House and back to the Great Northern Tower in Great Victoria Street, Belfast. With four years 9 months remaining on the lease the Department was committed to incurring lease costs of almost £1 million until the lease expired at the end of March 2015.

Land and Property Services (LPS) were not able to find alternative full time tenants to take over the lease of Oyster House for the remaining years. As a result the building lay vacant for almost two years incurring total property costs in excess of £550k. However, from June to October 2012 it has been used as a decant facility by 300 staff from Department of Agriculture and Rural Development following severe flood damage to Dundonald House which rendered it uninhabitable. The Child Maintenance and Enforcement Division are to recoup costs of approximately £7,500 per week from DFP Properties Division for use of the accommodation. Then from October Oyster House will be used as a decant facility for Department for Social Development staff from CastleCourt, to enable refurbishment for the Universal Credit launch site. From December 2013 it is envisaged that the Oyster House accommodation will be used to house Department for Social Development staff processing the new Personal Independence Payment and will continue to be occupied until the lease expiry date in March 2015.

Source: NIAO based on information supplied by Child Maintenance and Enforcement Division incur major expenditure on initial fitting out of the premises and dilapidation costs at the end of the lease. Should the lease be exited early, as in **Case Study 7**, the terms and conditions of long-term leases may reduce flexibility and mean that leases cannot be reassigned with ease and result in fruitless payments for unoccupied space.

2.16 **Case Study 8** presents the outcome of recent rent reviews of five major Belfast City Centre properties accommodating over 2,000 staff. Value for money must be considered in the context of commitments to these long-term leases, as they do not offer the flexibility of shorter leases. LPS commented that shorter leases for new "Grade A" space may not be obtainable from commercial suppliers, or only at significantly higher initial cost. However, the conditions attached to longer term leases often mean that they cannot be reassigned with ease or only be used by public sector bodies. This may negate any savings gained through committing to longer term leases. It is therefore important that the need for leased accommodation is identified over the full term of the lease as the public sector is generally committed to this period.

There is the potential for significant efficiencies if occupancy levels can be improved and space efficiency targets and standards can be achieved

2.17 It is important to ensure that the most efficient use is being made of buildings; this can be measured in terms of space efficiency (**Figure 7**, paragraph 2.6). Despite the barriers noted (**Figure 8**) we consider that there is potential for significant efficiencies if occupancy levels can be improved and space efficiency targets and standards achieved. We have used **Case Study 8** to illustrate the potential.

2.18 **Improving the ratio of Workstations to Full Time Equivalent (FTE) staff** can increase occupancy levels and release staff from other buildings. For example at the end of 2010-11, the five buildings in Case Study 8 were occupied by 2,054 staff. However, there were 2,463 workstations available - an average of 1.28 workstations per full time equivalent member of staff. The UK equivalent is 1:1 (**Figure 7**). We calculate that, if the ratio could be improved to the level being achieved in the UK, this would potentially release 409 staff from other buildings. Using the current headline figure for rental values in Belfast City Centre[49] (£139 per m2) this shows potential gross saving close to £740,000 each year[50].

2.19 **Improving the ratio of Area (m²) to number of Workstations** can also increase occupancy levels. In relation to this space efficiency measure Properties Division set the "Workplace NI" average space standard at 11 m² per workstation - the UK average figure is 11.8 m² per workstation (**Figure 7**). **Case Study 8** show an average of 13m² per workstation for the five leased City Centre properties. If these five buildings were occupied to the "Workplace NI" standard, 2,850 workstations would be

49 Based on an estimated headline Grade A office rent in Belfast of £12.90 per square foot at September 2011 (equivalent to £139 per m²).
50 Based on 409 staff transferring from other accommodation averaging 13m² per workstation.

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Case Study 8

Rent reviews in 2009 of five major Belfast City Centre properties resulted in a 20 per cent increase in annual rents over the period 2004 to 2009

Causeway Exchange, Belfast

In September 2009, Properties Division bid for additional funding of £1.2 million following a number of rent reviews. These related to a number of buildings taken on 15 year leases, mainly to house staff displaced from Churchill House and IDB House which had to be vacated to facilitate the Victoria Square development. When these leases were signed in 2004 they included various concessions, such as rent-free periods and the inclusion of car parking spaces. Rental levels agreed ranged between £115 to £126 per m² and included 181 free car parking spaces. The rents under these lease agreements were to be subject to review every five years. The table below shows information on these five major properties in central Belfast providing a total of 31,427 m² of accommodation. These leases were pre-agreed in 2003, in the lead-up to the Victoria Square redevelopment, and first occupied in 2004.

Building	No of Staff	Floor Space (m2)	m² per Work station	Annual Rent from 2004 to 2009	Revised Annual Rent from 2009	Car Parking Spaces	Amount of increase attributable to Car Parking	Total Increase in 2009	Percentage increase in 2009
Waterfront Plaza	164	1,974	12	£249,605	£310,000	17	£20,400	£60,395	24.2%
Causeway Exchange	375	6,657	13	£895,000	£1,054,675	-	-	£159,675	17.8%
Goodwood	419	6,654	11	£765,000	£950,000	21	£25,200	£185,000	24.2%
James House	695	10,731	14	£1,299,420	£1,560,000	103	£86,520	£260,580	20.1%
Lighthouse	401	5,411	14	£669,817	£797,500	40	£42,800	£127,683	19.1%
Total	**2,054**	**31,427**	**13**	**£3,878,842**	**£4,672,175**	**181**	**£174,920**	**£793,333**	**20.5%**

Following the first five yearly rent reviews in 2009, the overall annual rent on buildings and associated car parking provision increased by a total of £793,333 (20 per cent). The reviewed rents were agreed by Land & Property Services following negotiations, on behalf of Properties Division, with the agents acting for the landlords. Under the original terms of four of the leases, on-site car parking spaces were reflected in the annual rental. However, at the first rent review that came to an end and car parking was separately negotiated. The reviewed rents represented a 16 per cent overall £ per m² increase on the office pricing (from an average £123 to £149 per m²) plus an additional 4.5 per cent uplift attributable to the inclusion of rents in respect of car parking spaces, ranging from £840 to £1,200 per space per annum, totalling almost £175,000 each year.

Source: NIAO based on DFP Properties Division data fully occupied with one desk per full time equivalent member of staff. This could potentially release 800 staff from other buildings. This equates to the space available in James House or representing potential annual savings of £1.5 million each year. The reduction in the associated property running costs could potentially double the savings.

2.20 DFP considers this analysis to be simplistic and theoretical and that savings are generated when leases that expire are not renewed. It explained that, in practical terms, savings from moving staff around can only be realised if leases are about to expire for an equivalent amount of space. It has been identifying such leases and re-accommodating affected staff and then releasing the expired leases (**Case Study 6** paragraph 2.12). DFP operates a policy of assuming a default position of non-renewal of leases but considers that there will be cases where it is best value for money to extend, or in some cases, renew existing leases.

2.21 Since 2009, 12 leases with annual running costs of approximately £1.3 million have been extended or renewed by Properties Division. These include, for example: "specialist" buildings where fit out work would be expensive to replicate elsewhere; and public-facing functions where location is important. We note that, through national property controls (paragraph 2.11), departments in the UK are not permitted to sign new leases (including extensions to existing leases) without approval from the UK Government Property Unit who has taken the strategic decision to exit leases at the earliest opportunity in order to make longer term savings. In our view this highlights the need for Properties Division to develop a longer term strategic plan for its estate. In addition all decisions on renewal should be made on an overall value for money basis with supporting business cases by the parties involved.

Properties Division currently recovers most of its costs through a notional charge. DFP has considered, but decided against hard charging

2.22 Properties Division covers its costs in a number of ways. Non NICS clients, such as non-departmental public bodies, are hard charged whilst a notional accommodation charge[51] is deducted from NICS departments' budget allocations. This annual notional charge is based on a flat rate cost per square metre (£190[52] in 2011-12) to cover accommodation costs such as: leasing costs; depreciation, car parking costs; rates; utilities; facilities management costs; insurance; office services and maintenance. The rate applied is the same across the entire NICS, regardless of the location or condition of the accommodation. The notional charges applied to departments in 2011-12 are shown below.

51 A notional charge is one were no cash flow occurs. The notional accommodation charge is not physically recovered but allocated to each department and included in their resource accounts. The charge is deducted from each Departments budget at source by DFP.

52 In 2010-11 the rate was £205. This also includes an agent fee to cover Property Division's administration and staff costs of approximately £9 per m^2.

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Department	£m
Department for Social Development	18.2
Department of Finance and Personnel	7.8
Department for Employment and Learning	5.9
Department for Regional Development	5.6
Department of Agriculture and Rural Development	5.8
Department of the Environment	4.9
Department of Health, Social Services and Public Safety	3.6
Department of Enterprise, Trade and Investment	2.0
Office of the First Minister and Deputy First Minister	1.6
Department of Education	1.6
Department of Culture, Arts and Leisure	0.6
Department of Justice	0.7
Total	**58.3**

Source: Properties Division

2.23 A 2012 report from the Westminster Committee of Public Accounts[53] recommended that "*centralised control of property assets, with the department paying the resource costs of what they use, is the best way to get efficiency out of government property and should therefore be established*". We agree. **Case Study 9** gives an overview of the office accommodation managed by Properties Division on behalf of the Social Security Agency and demonstrates our view that current arrangements do not encourage departments and public bodies to critically assess the properties they manage or occupy, such as that set out in paragraph 2.1.

2.24 It is also important that departments and public bodies occupying Properties Division office space develop measures that provide their own service directorates with incentives to critically assess property use. Under the current arrangements, where a notional accommodation charge is levied against budget allocations, there is little incentive for departments to challenge the notional charges. Furthermore, the use of a flat rate notional charge masks the true property cost to the occupying bodies.

2.25 DFP told us that it has given significant consideration to hard charging over the past 12 months and has concluded that it would not be appropriate at this time. It argues that the current model:

- allows central management of the estate function and strategy;
- enables all costs for the provision of accommodation to be controlled centrally, so that individual Departments cannot direct funds towards accommodation independently of the overall strategy;
- enables DFP to realise office accommodation efficiencies and savings by considering the estate holistically;

53 House of Commons; Committee of Public Accounts: *Improving the efficiency of central government office property*, Eleventh Report of Session 2012–13.

Case Study 9

Notional charging to departments and wider public sector bodies, at a flat rate, does not encourage effective and efficient use of space or fully consider property assets costs in delivery of services.

As part of our annual audit work we carry out short, focussed reviews into specific areas of public expenditure to identify potential areas for more detailed audit reporting. Within the Social Security Agency, we have been reviewing the operation of Jobs and Benefits Offices and in particular the "Customer First Project", which aims to make local office services modern, secure and more accessible to all of the Agency's customers in the long term.

While the Outline Business Case for the "Customer First Project" made general references to accommodation, we could not find any information in relation to the capital value of the local office network or the annual costs of maintaining the network, including leases. We asked the Agency for this information and were told that it does not attribute a capital value to its local office network as buildings are either owned or leased by Properties Division and form part of the central government estate. They are not assets of the Agency so information relating to the costs of managing and maintaining the assets and associated occupancy costs are held by Properties Division.

The Agency is charged an annual notional fee based on a flat rate cost per square metre. In 2010 -11, the rate was £205, and the total notional charge amounted to £16.9 million. The Agency is not provided with a breakdown of the individual components of this charge. Therefore when considering the costs of delivering its services, the Agency has little knowledge of, or influence over, costs associated with the offices it occupies or incentive to drive down costs through, for example, alternative delivery models.

Source: NIAO

- allows for more effective identification and monitoring of the total costs of running the estate;
- allows the costs and risks associated with maintenance to be pooled and therefore managed more easily;
- is relatively simple to administer for DFP and departments and avoids additional administration costs with internal invoicing e.g. in checking invoices, scrutinising costs, and minimal potential for disputes; and
- has no additional costs for DFP in developing and maintaining a hard charging model, and for DFP and departments in agreeing funding transfers.

DFP considers that central control of the property budget is particularly important given the on-going change process aimed at moving to a smaller more efficient estate.

2.26 While the use of a notional charging model may be simpler, the resulting charges bear no relation to the actual cost of the individual property assets occupied. Notional charging does not conform to modern standards of financial management, nor does it provide Properties Division with the authority to direct or control the use made of its property assets (see **Case Study 2**).

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There is scope for significant efficiency savings through more effective management of property assets

2.27 In our view, current arrangements do not incentivise Departments to move from the current 'status quo' towards working collaboratively. A move to hard charging would ensure that departments and public bodies were fully aware of the actual costs of their accommodation. They would then be able to consider costs in terms of the efficiency of delivery of services, and also enable them to directly challenge their service directorates to reduce space, by making them aware of the true cost of the space they occupy. At the very least, Properties Division should calculate and apply notional charges for departments that reflect the actual cost of the buildings occupied.

There are significant variations in the cost of managing property assets across Northern Ireland

2.28 As part of its annual "State of the Estate" exercise, the Welsh Assembly collates key information in a single page "desktop" summary. This provides a clear and transparent snapshot of the state of its public sector estate, enabling informed decision making and clear strategic direction. As noted at paragragh 13 the central government administrative office estate in Northern Ireland is spread across over 470 buildings (**Appendix 6** shows the main office hubs). We have prepared a comparable summary for the properties managed by Properties Division, presented at **Figure 10**. Our analysis of the actual costs associated with managing the estate indicates that the current regime of charging a flat rate per m^2, regardless of location, means regions such as the North East are paying a significant premium for the space they occupy and, to a large degree, are "subsidising" those departments occupying Belfast city centre accommodation.

2.29 DFP contends that the analysis is simplistic and deals only with geographic location. It argues that it could reasonably be assumed that costs would also vary considerably if the analysis was undertaken in relation to size, age, or condition of buildings; or city centre locations as opposed to peripheral locations. However, the flat rate charge per square metre in 2011-12 of £190 used by DFP to calculate the notional costs of accommodation (paragraph 2.22), likewise does not take account of such factors. What is clear is that the costs across the regions vary significantly; from an average of £175 per m^2 in the North East, to £221 per m^2 in Belfast. Many factors need to be considered in formulating an accommodation strategy and **Figure 10** demonstrates the importance of fully considering the location of public sector office accommodation, and the potential for savings by locating outside Belfast.

Departments must be incentivised to deliver efficiencies and make more effective use of their assets

2.30 In our survey (see paragraph 6) we used two open questions, to give all public bodies the opportunity to present what they considered to be the main obstacles and/or incentives to delivering efficiencies in property management. Surprisingly, the main 'incentive' to encourage more efficient use of land and buildings relates to financial constraints. This may suggest that many departments and public bodies in Northern Ireland take a reactive, rather than a proactive, approach to property asset management. None of the public bodies identified the need to make efficiency savings as an incentive to encourage their organisation to make more efficient use of the property they managed.

2.31 The Public Accounts Committee has considered the issue of incentives for departments, and the contribution assets may make to the achievement of other strategic priorities[54] in its 2007 report on the Transfer of Surplus Land in the PFI Education Pathfinder Projects. Its recommendations included:

- before making a decision on disposal of surplus assets, public sector bodies must properly assess the contribution those assets may make to the achievement of other strategic priorities and objectives; and

- there can be a valuable incentive in allowing departments, within limitations, to retain receipts. The Committee expects DFP to respond sympathetically in priority areas, where a business case can be produced which demonstrates the maximisation of receipts and value for money for the public purse.

2.32 In its response to the Public Accounts Committee, DFP acknowledged that the retention of receipts, within limits, can provide an important incentive to departments to maximise receipts and obtain value for money for the public purse. It stated that it would remain open to proposals from departments for the retention of part or all receipts in relation to particular disposals and would make recommendations to the Executive to approve such arrangements where it believed they would provide value for money. The benefit of incentivising departments was also a key recommendation in the Taskforce's 2009 report (**Appendix 2**).

2.33 In addition departments often have to invest scarce resource funding to prepare surplus land and buildings for sale on the open market (e.g. for costs associated with site clearance and planning permission) which can often represent a significant amount of funding. This should be done before a surplus asset is passed onto the LPS clearing house (paragraph 1.13 to 1.15). There are clear benefits in departments releasing surplus assets but the current systems do not enable departments to access adequate financial or technical support to prepare sites for sale.

2.34 Delivering efficiencies through improved property asset management requires strategic, long-term planning, and up-front capital investment. Often this requires planning capital investment outside the current three-year budgeting framework. It would therefore appear to have been an

54 Public Accounts Committee Report: *Transfer of Surplus Land in the PFI Education Pathfinder Projects:* 11/07/08R 22 November 2007.

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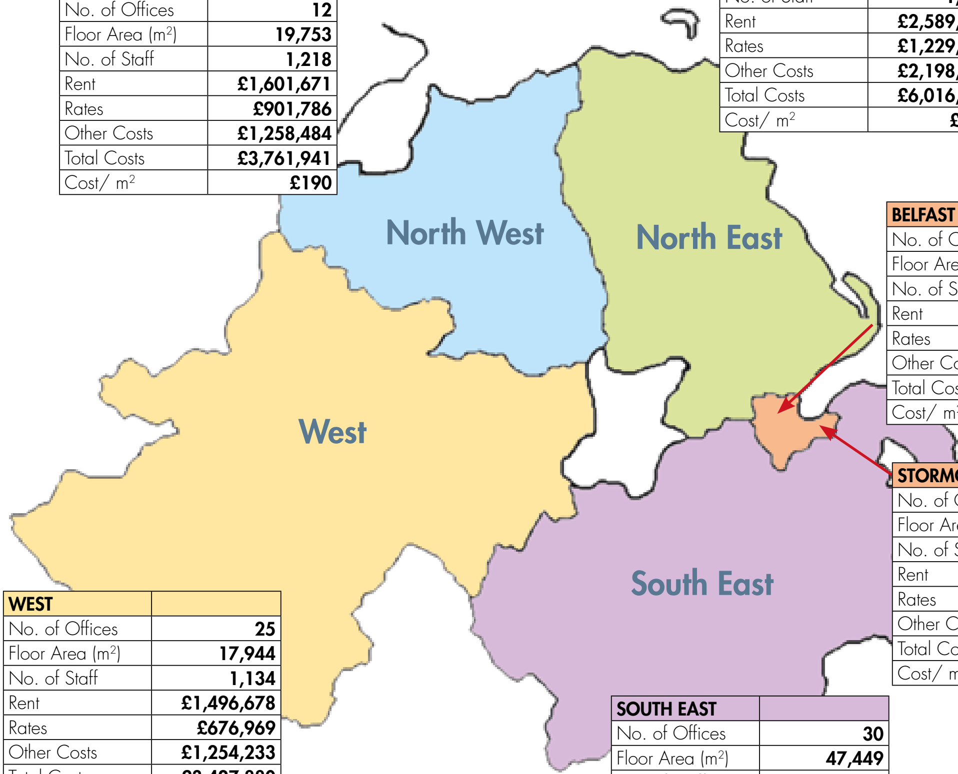
Figure 10: Regional Overview of Properties managed by Properties Division in 2011



NORTH WEST	
No. of Offices	12
Floor Area (m²)	19,753
No. of Staff	1,218
Rent	£1,601,671
Rates	£901,786
Other Costs	£1,258,484
Total Costs	£3,761,941
Cost/ m²	£190

NORTH EAST	
No. of Offices	18
Floor Area (m²)	34,286
No. of Staff	1,658
Rent	£2,589,106
Rates	£1,229,246
Other Costs	£2,198,276
Total Costs	£6,016,628
Cost/ m²	£175

BELFAST	
No. of Offices	58
Floor Area (m²)	176,266
No. of Staff	8,811
Rent	£20,741,885
Rates	£9,120,009
Other Costs	£9,063,021
Total Costs	£38,924,915
Cost/ m²	£221

STORMONT	
No. of Offices	13
Floor Area (m²)	56,934
No. of Staff	3,159
Rent	£7,130,059
Rates	£2,198,313
Other Costs	£2,711,817
Total Costs	£12,040,189
Cost/ m²	£211

WEST	
No. of Offices	25
Floor Area (m²)	17,944
No. of Staff	1,134
Rent	£1,496,678
Rates	£676,969
Other Costs	£1,254,233
Total Costs	£3,427,880
Cost/ m²	£191

SOUTH EAST	
No. of Offices	30
Floor Area (m²)	47,449
No. of Staff	2,827
Rent	£3,885,221
Rates	£1,627,307
Other Costs	£3,072,977
Total Costs	£8,585,505
Cost/ m²	£181

Summary All Regions

No. of Offices	156
Floor Area (m²)	352,632
No. of Staff	18,807
Rent	£37,444,620
Rates	£15,753,630
Other Costs	£19,558,808
Total Costs	£72,757,058
Cost/ m²	£206

Source: NIAO based on DFP Properties Division data as at 31 March 2011 appropriate candidate for support from the Executives' '*Invest to Save Initiative*'[55] which allocates funding to departments for discrete projects that will generate more significant savings over the medium to longer term. Properties Division told us that it did not submit proposals for "Invest to Save" funds, and that for accommodation schemes, even if all planning and design work was in place and agreed with the department in question, procurement and implementation would not be possible in the timescale and in line with criteria for the current initiative.

Recommendations:

4. **We recommend that departments and public bodies should actively and critically challenge their use of property assets and consider alternative models for delivery of services.** This should be based on a cyclical, staged review of their property assets every one to four years. Through the work being implemented by the Asset Management Unit to establish Asset Management Plans, public bodies should fully consider the potential for increased cross-departmental and joint-working arrangements. In addition the links between financial planning and asset planning are vital and must be set out clearly in Asset Management Plans which support departmental budgets and requests for resources.

5. **We recommend that Properties Division provides an annual report on the efficiency and sustainability of its administrative office estate to DFP's Management Board and to its client bodies.** This should include benchmarking performance against its United Kingdom counterparts and the private sector. In addition, information on the relative performance of individual buildings should be made available to the departments and public bodies occupying this accommodation along with recommendations on how individual building performance may be improved.

6. **We recommend that DFP, in consultation with the Asset Management Unit, examines the scope for using investment schemes such as the "Invest to Save" initiative and funding arrangements that would support proposals for the rationalisation of the central government estate and deliver efficiency savings and capital receipts.** Realising the full benefits of good asset management practice and initiatives in terms of efficiencies and asset realisation may require funding, which may extend beyond the current "in-year" initiatives.

55 In June 2012 the Executive agreed to put in place another £30million 'Invest to Save' scheme. The aim of this scheme is to reduce future costs in the context of a tightening budget environment, even beyond the current Budget period.

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7. **In line with the Committee of Public Accounts at Westminster[56] we feel that the best way to incentivise and secure efficiencies from government property is through centralised control of property assets with departments and public bodies paying the resource costs of what they use. We recommend that Properties Division should calculate and apply charges for departments that reflect the actual cost of the buildings occupied.** Applying notional charges that reflect actual costs will make those departments and public bodies occupying properties managed by Properties Division aware of the true cost of the buildings they occupy and encourage them to consider the economy, occupancy levels, and efficiency of these buildings. This should be in a form that enables departments to directly challenge their own service directorates by making them aware of the cost of the space they occupy. In our view Properties Division should hard charge for the properties they manage and notional charging should only be an interim arrangement.

56 House of Commons; Committee of Public Accounts: *Improving the efficiency of central government office property*, Eleventh Report of Session 2012–13.

Part Three:
Fully effective governance arrangements are not in place to manage property assets

Interior of Causeway Exchange Building, Belfast (Photograph courtesy of DFP Properties Division)

Key findings:

- Property asset management arrangements in central government in Northern Ireland are highly fragmented;
- Not all public bodies seek advice or approval from their sponsor departments in relation to property asset management decisions; and,
- The establishment of the Asset Management Unit and the introduction of strategic governance arrangements is a welcome development. However, property estate management is not currently embedded in departmental governance structures.

Part Three: Fully effective governance arrangements are not in place to manage property assets

Property asset management arrangements for the entire central government estate are fragmented

3.1 At the time of our survey in August 2010, property asset management arrangements in Northern Ireland were highly fragmented, with many organisations working independently and limited evidence of collaborative, strategic or operational management at a regional level. There are property management functions within DFP (Properties Division) and in DHSSPS (Health Estates Investment Group). There are also a number of other central property services, led by DFP, in relation to property valuation, lease management advice and surplus asset realisation. However, most of the estate is independently managed by individual public bodies using different management information systems.

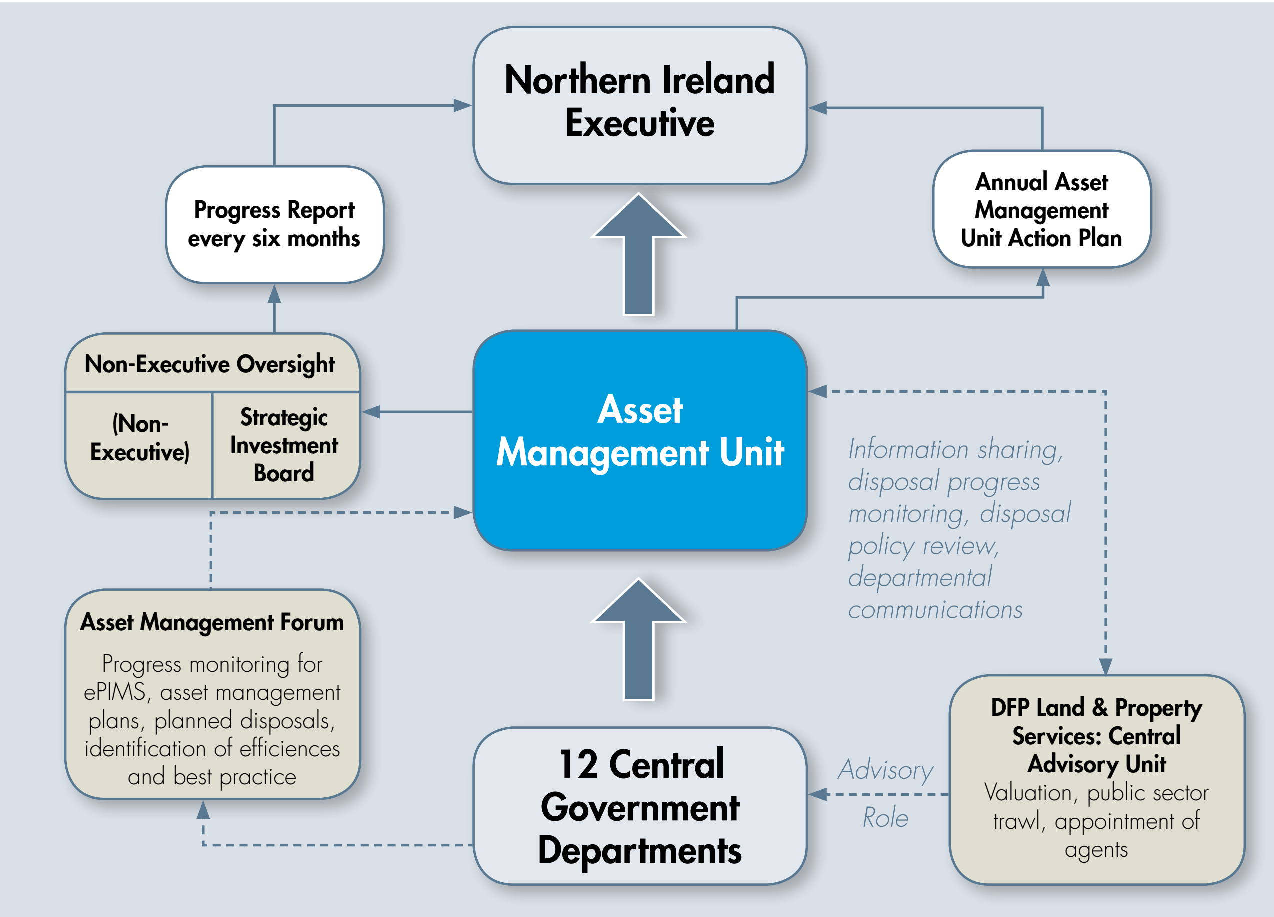
In January 2011 the Executive endorsed the establishment of the Asset Management Unit

3.2 A welcome development was the establishment of the Asset Management Unit in September 2011 which has been mandated by the Executive to introduce a more strategic approach to asset management across government. Details of the reviews conducted and recommendations made in the 2007 and 2009 Taskforce reports and the role of the Asset Management Unit are summarised in **Appendix 2**. A key issue for the Asset Management Unit is the establishment of effective governance structures and arrangements that will enable the Unit to be autonomous and sufficiently independent of the departments it assists and advises. This was recognised by the Executive and governance structures have been developed enabling the Unit to submit an annual action plan to it (**Figure 11**). The Executive also invited the previous head of the Capital Realisation Taskforce Review along with the Strategic Investment Board, to be part of the oversight arrangements of the Asset Management Unit on a non-executive basis. The Strategic Investment Board will submit reports on progress to the Executive every six months. Since approval by the Executive in January 2011, the Asset Management Unit has reported to the Executive's Budget Review Group about progress on its deliverables and identification of opportunities for increasing funding from capital receipts.

Centralising management of property is an essential first step to extracting value and efficiency from the government estate

3.3 The UK Government established the centrally run Government Property Unit in 2010, with the aim of centralising the ownership and management its office estate (paragraph 2.11). The idea is that control of all Central Government offices would transfer from individual departments to the Government Property Unit, and these departments will then act as client tenants, each having to request property from the portfolio based on need. It was anticipated that up to £5 billion would eventually be saved on annual property costs using this model. However,

Figure 11: Proposed Governance structures - Asset Management Unit



Source: Prepared by NIAO

according to a recent National Audit Office report[57], real progress has been impeded due to difficulty in breaking down departmental structural barriers (**Figure 8** paragraph 2.9).

3.4 In Northern Ireland, there has been a degree of centralisation in the management of the central government office estate through the work of DFP Properties Division. This has delivered significant savings by improving the operating efficiency of the estate, as evidenced in **Case Study 6** (paragraph 2.12). It has also enabled consistency of approach for statutory compliance, repairs and maintenance and capital investment. In addition, departments have been able to focus on their main role of providing services to their customers.

3.5 However, it is important that there is a more determined focus on the use and need for office space in the future. This

57 *Improving the Efficiency of Central Government Office Property*; Report by the Comptroller and Auditor General HC 1826 Session 2010-12.

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requires departments and public bodies to consider the current economic environment and critically challenge, understand, manage and match occupation requirements across central government. This also needs departments and public bodies to: take account of the potential for reducing staff numbers; focus on working practices; consider new service delivery models, including location; make better use of information technology; consider flexible working patterns; and explore the capacity for shared resources.

3.6 Prior to the Executive's endorsement of the Capital Realisation Taskforce Review Report in January 2011, the vast majority of property management initiatives undertaken by individual departments and public bodies did not correspond to, or co-ordinate with, any wider regional strategy. They were also not supported by departmental asset management plans. Since its establishment in September 2011, the Asset Management Unit has commenced a programme of work aimed at transferring all property information onto a single database and developing individual departmental asset management plans. Progress is positive (**Case Study 1**, paragraph 1.7), and once completed, a region-wide asset management strategy will be developed by the Asset Management Unit for consideration by the Executive. With their strategic overview of public sector accommodation holdings, the Asset Management Unit and Properties Division are well placed to help public sector organisations throughout this process and there may be benefits in "absorbing" roles and responsibilities.

3.7 Development of a region-wide asset management strategy may also need support from DFP in terms of how to finance and best share the risks, costs and benefits of property moves in order to deliver savings. The links between financial planning and asset planning are vital and must be set out clearly in asset management plans. For example plans should include the budget provision for known key events and the likely impact of planned changes, as well as planned and intended asset development, including acquisitions, sharing, disposals and maintenance. The plans should also set out an organisation's office requirements and aspirations (for example over a 10 year period), and highlight events such as: lease breaks or terminations; requirements to undertake significant capital investment to deliver the organisation's accommodation needs; forthcoming Policy Reviews; and/or organisational restructuring. Events of this nature should trigger a review of the organisation's current accommodation holdings, how it expects to deliver its future accommodation needs and what efficiency gains might be achieved.

Property estate management must be embedded in governance structures

3.8 Our survey found that awareness of property asset management is increasing for most organisations. However, less

Case Study 10

Effective strategies between sponsor departments and arms-length bodies are important

When the Ulster Scots Agency moved to new upgraded city centre office accommodation in July 2008, from its previous premises in Franklin Street (annual rent of £18,000) to Great Victoria Street (annual rent of £95,000), it did not prepare a business case or economic appraisal, or seek approval from its sponsor Department (Department for Culture, Arts and Leisure). The Agency continued to pay rent on the premises it vacated for a further 17 months, until the lease expired in December 2009.

Source: Department for Culture, Arts and Leisure supporting documentation

than one in ten of all bodies surveyed had an up-to-date, comprehensive asset strategy or plan covering all areas of the organisation, linked to the organisation's corporate plan and approved by the management board. A key element of raising awareness is the ongoing work of the Asset Management Unit with departments to develop asset management plans, transfer data onto the ePIMS database and the establishment of the Asset Management Forum to integrate this work across all departments and public bodies.

3.9 Investment in, and the management of, property assets are significant business risks. Their strategic management must be embedded within corporate governance structures and fully considered by management boards and audit committees.

It is important that arrangements for property management between departments and the public bodies they sponsor are properly managed

3.10 Central government departments sponsor a wide range of non-departmental public bodies and arms-length bodies (paragraph 1), which by their nature enjoy a distant relationship. Nonetheless it is important that effective strategies are in place between the department and these bodies in relation to property asset management arrangements. These strategies and plans should include consideration of whether space is used efficiently and whether the size, standard and location of properties is appropriate.

3.11 In our survey, 15 per cent of public bodies reported that neither their sponsor department nor DFP plays any part in their asset management decision making process. **Case Study 10** provides an example of how inefficiencies can result in the absence of appropriate strategies.

Part Three:
Fully effective governance arrangements are not in place to manage property assets

Recommendations:

8. **We recommend that DFP, in consultation with Asset Management Unit, should examine current budgetary and governance arrangements with a view to ensuring that they encourage more effective collaboration between departments and public bodies.** This will require central mechanisms and include financing and incentives that will facilitate such arrangements and secure year-on-year savings.

9. **We recommend that, at a strategic level, mechanisms are introduced to enable departmental performance to be transparent and reported to the Assembly.** The establishment of the cross-departmental Asset Management Forum and the recent formation of the Asset Management sub-group of the Permanent Secretary's Group are welcome developments. The Forum should support the Asset Management Unit in preparing an annual "State of the Estate" report on the efficiency and sustainability of the central government estate. This should include benchmarking performance against United Kingdom counterparts and the private sector. The Permanent Secretary's Group, through its Asset Management sub-group, should give the strategic direction needed to ensure cross departmental collaboration and shared use of assets. This is important to ensuring that all potential opportunities are identified and efficiencies maximised.

10. **We recommend that departments and public bodies raise the issue of property asset management to Board level and use information gathered on their property assets, such as benchmarked costs and key performance indicators, to improve performance.**

Appendices

Appendix 1:
(Paragraph 23)

Methodology for the Report

Information was obtained through meetings with key staff in OFMDFM, the Strategic Investment Board, the Department of Finance and Personnel (DFP) and Land & Property Services (LPS). In addition we reviewed departmental papers/circulars and guidance; Treasury guidance and other best practice guidance.

We also conducted a questionnaire based survey to obtain a snapshot of asset management arrangements within central government and to understand what progress has been made over the past few years. The results of this survey were published on the NIAO website in June 2011 ahead of the publication of this report.

Case studies were identified and agreed following discussions with relevant departments and public bodies.

Appendix 2:
(Paragraphs 1.6, 2.32 and 3.2)

Background to the reviews conducted by the Capital Realisation Taskforce including key recommendations

In September 2007 the Strategic Investment Board, under instruction from the Office of the First Minister and Deputy First Minister (OFMDFM) and DFP, established a Capital Realisation Taskforce ('the Taskforce'). Its remit was to review the potential for further asset disposals over and above those already identified in the original Investment Strategy for Northern Ireland[58], or their re-use, across all Departments. The Taskforce was asked to report its findings to the Executive in advance of the Budget and the Investment Strategy in final form, thereby enabling final settlements for 2008-2011 to include additional investment in priority areas.

The Taskforce's Report[59], submitted in November 2007 and agreed in principle by the Executive in January 2008, made a number of important recommendations in relation to asset management. These included:

- firm opportunities identified for realising around £913 million from assets sales;
- the establishment of structures and strategies for managing the programme for realisation; and
- the introduction of incentivisation schemes and reforms to the planning system to better support the realisation of public sector assets.

The economic downturn in 2008 led to the market for property assets (including housing and development sites) becoming one of the most significant casualties. This prompted the Executive, in January 2009, to request the Taskforce to review its original report and recommendations. This review recognised that a different and longer-term approach was needed for the foreseeable future and that better returns lay in maximising the efficiency and effectiveness of the existing asset base than in asset disposals.

For this reason the review and subsequent report[60] focused on positioning the public sector for the time beyond 2010-11, placing less emphasis on the identification and sale of surplus assets and more on the need to promote best practice asset management and the governance arrangements which would be required to do this. Of the original seven recommendations in the first report, five were endorsed and two were replaced with updated recommendations covering the establishment of a central asset management function and embedding asset management as a key strand of the NICS Reform Programme.

In January 2011, the Executive endorsed the establishment of the Asset Management Unit, replacing interim arrangements and making it responsible for:

- assisting departments in the development of their asset management plans;
- overseeing the development and implementation of a Central Asset Register;

58 Investment Strategy for Northern Ireland 2005/2015 published in December 2005, which sets out a 10 year potential investment programme of up to £16 billion over the period 2005-2015
59 The Taskforce Report was never formally published, but was released in redacted form in response to a Freedom of Information (FoI) request.
60 This report has not been published.

Appendix 2:
(Paragraphs 1.6, 2.32 and 3.2)

- advising departments on making the most of their existing asset base;
- managing the implementation and operation of an "ePIMS" central asset register system;
- identifying opportunities to reduce costs while delivering effective services;
- identifying opportunities to generate capital receipts through full utilisation of assets; and
- taking forward specific asset management projects.

The Reviews of the Capital Assets Realisation Taskforce conducted in 2007 and 2009 made key recommendations

2007 Report Recommendations	2009 Report Recommendations
Recommendation 1 Assets totalling some **£913 million** should be classified as firm opportunities and plans to release their value initiated. Of this figure, some **£295 million** can be achieved in the first three years of the Investment Strategy and some **£564 million** over the first five years of the Strategy. Once the Executive has decided on the level of realisations to be achieved, implementation will necessitate: the full participation of Departments, particularly senior officials; the early establishment of the programme management arrangements including the Programme Board and the Central Assets Realisation Team; the investment of sufficient resources to begin preparing assets, including the master planning of sites and, where necessary, to provide for the relocation of services.	*(Replaces Recommendation 1 of the First Report)* Significant scope exists for public sector land and buildings to be used more efficiently and effectively through improving asset management practices. In today's climate and for the foreseeable future, better returns lie in maximising the efficiency and effectiveness of the existing asset base than in asset disposals. Given the significant potential for ongoing savings and enhanced service delivery through assets that are truly fit for purpose, developing Asset Management should be embedded as a key strand of the NICS Reform Programme.

2007 Report Recommendations	2009 Report Recommendations
Recommendation 2 A Programme Management Structure to be established, to include a Programme Board Chaired by the Minister of Finance and Personnel, and a Central Assets Realisation Team (not to be confused with the Capital Realisation Taskforce which will have finished its work by the time the Team is established). These arrangements will clearly need to align with the arrangements currently being considered for the Programme for Government and the Investment Strategy.	*(Replaces Recommendation 2 of the First Report)* The concept of a central Programme Management Structure contained in the first report remains of fundamental importance. To take this forward, a central asset management function should be established. At the heart of this would be an Asset Management Leadership Group providing a strategic approach to asset management. It should be made up of senior Officials from DFP, OFMDFM, Strategic Investment Board, and chaired by a non-executive director of OFMDFM. The Asset Management Leadership Group should present to Ministers, for their consideration, alternative models for financing and delivering opportunity projects that arise through the asset management process that could attract external investors into the market. The Asset Management Leadership Group should be supported by a suitably resourced Asset Management Unit. This would work both directly with Departments and also through a cross-departmental Expert Group of property 'Champions'. The Expert Group would underpin the sharing of best practice and deliver 'joined up' outcomes.
Recommendation 3 An Asset Management Strategy for the public sector should be developed and agreed with the Executive. This would set out specific objectives for enhancing the value of the asset base, both capital and revenue, would include standards, benchmarks and best practice for asset management and realisation. Asset management should be mainstreamed into Departmental targets and cascaded to their agencies, NDPBs and arms- length bodies. The Strategy should include a decision path and specific milestone targets for each of the major assets to be realised and set out the specific benefits to be achieved in each case as well as any initial costs and delivery timescales. The asset management programme should assist the broader efficiency agenda which will be taken forward by the Performance and Efficiency Delivery Unit.	

Appendix 2:
(Paragraphs 1.6, 2.32 and 3.2)

2007 Report Recommendations	2009 Report Recommendations
Recommendation 4 A flexible and tailored incentivisation scheme should be developed which rewards Departments for realising underutilised assets with the ability to apply sanctions if necessary. This should include incentives and sanctions in terms of: capital - allowing Departments to retain a proportion of receipts and/or reducing baselines with a benchmark of 50 per cent assuming that the Department can utilise the monies in the relevant timeframe; revenue - applying additional revenue charges for underutilised assets and/or allowing Departments to retain a proportion of any reductions in capital costs as a result of realising an asset; and: reward and recognition - building the Executive's asset management objectives on a mandatory basis into the corporate and business plans of Departments, their Agencies and their NDPBs, and into the personal objectives of Permanent Secretaries and other key officials. (Also, within existing performance management arrangements, providing bonus rewards and recognition for officials who achieve the successful realisation of asset targets as set by the Executive).	
Recommendation 5 A comprehensive, mandatory Central Asset Register for all public bodies, including Departments, Agencies and NDPBs, should be developed as a tool to identify potential assets for realisation and to challenge barriers to progress. Existing data should be refined and brought together into the Register which would be made available on a controlled-access, web-based system. The Register should also include District Council assets. The Office of Government Commerce's electronic Property Information Mapping Service (ePIMS) should form the basis for the register. All land should also be formally registered with Land & Property Services to reduce future to avert future delays in clarifying titles.	

2007 Report Recommendations	2009 Report Recommendations
Recommendation 6 In implementing the Strategy, the impact of market conditions will need to be constantly assessed so that the Executive can 'turn on' or 'turn off' the tap in terms of releasing assets at a rate which will ensure the best possible response from the market, avoiding an unmanageable oversupply, and at a rate which reflects the ability of the public sector to utilise those assets. It is important to understand, in this context, that we do not control the market or the release of assets which are managed as Reserved Matters (e.g. Northern Ireland Office, Ministry of Defence) and the private sector, all of which could have a significant impact on our ability to realise optimal asset value.	
Recommendation 7 The Executive has committed in the Programme for Government to a programme of reform for the planning system by 2011 to ensure that it supports economic and social development and environmental sustainability. In the context of this review, the planning system should be examined to determine how it can better support the realisation of public sector assets, thereby enabling the optimal use of assets on behalf of the public. The review should also consider the case for selective de-zoning of land in cases where permissions have not been acted upon.	

Appendix 3:
(Paragraph 1.12)

Background to Workplace 2010

During 2004 the Department of Finance and Personnel and the Strategic Investment Board commissioned a Strategic Development Plan and Outline Business Case for a major programme of work to transform the Northern Ireland Civil Service office estate. The "Workplace 2010" programme was being procured through the Private Finance Initiative, with an estimated value of £1.5 billion over 20 years, and was endorsed by the Executive in 2007. The key feature of the procurement was the transfer of 65 buildings to a private sector partner. These buildings comprise approximately 70 per cent of the area of the NICS office estate, occupied by 16,700 staff. It aimed to develop a strategic and affordable solution to the urgent accommodation problems facing the NICS office estate. Over half of the buildings in the planned procurement were in the Greater Belfast area.

We provided a position report on the Workplace 2010 procurement as part of our Shared Services for Efficiency report published in 2008[61]. However, the procurement was suspended in October 2008 pending discussions about the acquisition of the two remaining bidders in the procurement, and in light of the prevailing financial turmoil. Following discussions with the now combined bidders, all parties decided that it was not possible to conclude the procurement process. Consequently it was terminated.

Key Workplace Northern Ireland (WPNI) Principles

- Workspace to be predominantly open-plan in nature with good access to daylight;
- Modular furniture and storage solutions to be used to aid flexibility and optimum use of space. Normal workstations will be sized at 1600mm x 800mm;
- Average space standard in general office environments of 10 to 12m^2 per workstation (defined as the area devoted to a desk, chair, personal and team storage, local circulation space and proportional allocation of support spaces). Space standard in processing centre-style environments to be 8 to 10m^2 per workstation, measured in the same way;
- Team file storage to be provided at an average of two linear meters shelf space per person. Additionally one linear metre of personal storage normally provided by means of an under-desk pedestal or nearby drawer. Offsite storage to be utilised for any additional storage requirements;
- Support spaces to be provided, including the provision of reception areas, tea points, service areas (printing, copying, vending etc.), touchdown areas and breakout spaces. These may be semi-enclosed to aid functionality;
- Other cellular support spaces, including meeting rooms, conference rooms, store rooms, first aid rooms and information technology communications rooms to be provided. The number and size of meeting

61 Shared Services for Efficiency – A Progress Report; Report by the Comptroller and Auditor General July 2008 NIA 206/07-08.

rooms will be proportionate to the number of staff in a building. The role of smaller rooms will be particularly key in complementing the open workspace, providing opportunities for privacy;

- Printing and copying to be achieved through centralised, high quality multi-functional devices (printer/copier/scanner) to reduce the inefficiencies and environmental impacts of existing arrangements;

- Provision of connectivity for specialist communications equipment (e.g. tele-conferencing, video-conferencing) within specific meeting rooms;

- Specialist facilities to be provided as necessary outside the average space standard. These include provision of ministerial suites, emergency planning rooms, public offices, necessary specialist on-site storage, showers and catering. The level of catering will be dependent on location and size of building and the level of departmental subsidy provided. Provision will typically be along the following lines:

  - o 'Deli'/coffee bar type facilities where there are 250-699 occupants;

  - o Full restaurant facilities where there are 700+ occupants; and

  - o Accommodation to be configured in a manner which allows Departments to allocate desks to staff on a 1:1 basis or in a desk-sharing arrangement as required by evolving workplace policies.

Appendix 4:
(Paragraphs 1.18 and 2.10)

NI Public Sector Benchmarked Office Estate based on 2010-2011 data*

		DFP Properties Division	Other Departments			TOTAL
			Core	ALBs/NDPBs/ Agencies etc	Total	
FREEHOLD	Area (NIA m²)	**217,078**	13,695	102,128	**115,823**	**332,901**
	Number of Buildings	**83**	3	74	**77**	**160**
LEASEHOLD	Area (NIA m²)	**127,347**	41,221	111,233	**152,454**	**279,801**
	Number of Buildings	**70**	24	158	**182**	**252**
TOTAL AREA		**344,425**	**54,916**	**213,361**	**268,277**	**612,702**
Properties Division as a percentage of total area		**56%**				
TOTAL NO OF BUILDINGS		**153**	**27**	**232**	**259**	**412**
Properties Division number of buildings as a percentage of total buildings		**37%**				

Source: Asset Management Unit

* The total number of offices is the number agreed for benchmarking in the State of the Estate Report NI 2012. It is based on 2010 -2011 data collected on buildings that are wholly or substantially used for administrative purposes, on which there was the essential data available for benchmarking. At time of printing, this data was undergoing final validation with departments. DFP lease an additional two buildings. DFP do not manage the costs associated with these buildings and this information was not available for inclusion. The area used for benchmarking purposes is Net Internal Area (NIA). DHSSPS buildings are included.

Appendix 5:
(Paragraph 2.1)

12 Steps in implementing value for money in property asset management

1. Collect data to ensure that the cost of occupying property can be compared against the benefits or outcomes being delivered.
2. Ensure that there is a robust programme for asset challenge in place.
3. Make sure there is good quality data on office and other accommodation, enabling efficiency and effectiveness to be demonstrated.
4. Explore potential for introducing modern ways of office provision including potential for 'hot desking' and a more flexible working environment.
5. Question the way information is stored; is it taking up valuable space that could be more usefully utilised?
6. Test how regularly assets are used; can more use be made of them?
7. Develop a strategic approach toward collaboration and identifying potential opportunities for sharing asset use.
8. Explore opportunities for sharing professional expertise with other councils or partners.
9. Challenge procurement practices to ensure they are economic, efficient, effective and sustainable.
10. Find out how much the running costs are and compare with others.
11. Develop a strategy for managing the environmental performance of the buildings.
12. Develop an approach for working with local community and voluntary sector organisations, exploring potential for joint use in assets, or asset transfer.

Source: Adapted from local authority asset management best practice 03: Value for Money Royal Institute of Chartered Surveyors 2009

Appendix 6:
(Paragraph 2.28)

Office hubs across NI showing breakdown for Departmental and DFP offices*

Office Hubs

Based on the total floor area in square metres for all offices in each town

Breakdown shown for DFP and Departmental Offices

Town	DFP	Departmental	Total
Belfast	234,399	166,131	400,530
Ballymena	17,471	7,185	24,656
Londonderry	19,710	693	20,403
Omagh	7,598	9,820	17,418
Craigavon	12,447	4,879	17,326
Newry	4,182	9,246	13,428
Bangor	12,670	726	13,396
Coleraine	9,300	1,811	11,111
Lisburn	2,872	6,693	9,565
Enniskillen	5,640	576	6,216
Armagh	3,059	2,795	5,854
Downpatrick	4,298	648	4,946
Newtownards	1,481	2,932	4,413
Antrim	2,193	1,451	3,644
Newtownabbey	1,896	898	2,794
Dungannon	1,982	720	2,702
Strabane	2,233	421	2,654
Magherafelt	2,195	370	2,565
Cookstown	1,137	370	1,507

Total Office Floor Area

Total

DFP

Departmental

0 10 20 Miles

SIB

Source: *Strategic Investment Board - Asset Management Unit*

** This map excludes DHSSPS properties*

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Title	Date Published
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Printed in the UK for the Stationery Office on behalf of the Northern Ireland Audit Office
PC3165 11/12

TSO
information & publishing solutions

Published by TSO (The Stationery Office) and available from:

Online
www.tsoshop.co.uk

Mail, Telephone, Fax & E-mail
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ISBN 978-0-337-09852-9