CHANGE THE ESTATE, CHANGE THE BUSINESS

Stephen Foot

Stephen is a founder director of Concerto Consulting, a specialist consulting business that uses Capital programmes to act as levers to deliver radical business change. Stephen specialises in Workplace Transformation. He pioneered the flexible workspace in (what was) the DTI, which set the benchmark for the OGC occupation standards. Subsequently he led the team putting together the MoJ's far reaching Estate Strategy. Prior to setting up Concerto Consulting he was a director in PwC's Consulting practice – where he specialised in Finance & IT & led the Shared Service Centre Practice for the Telecommunications sector.

Extract

The Public are demanding ever more from their public services at the same time as the government has plans to cut the overall budgets by 25%. Whilst it is clear that a period of extreme austerity is ahead of us, following the last decade or relative growth in the Public Sector, such a major change presents an opportunity to deliver real long lasting benefit - and not just a simple cost cutting measure. We contend that the cuts are too deep to be achieved by further trimming of the current operation – now is the time to look hard at changing the way we work.

One of the largest items on any public authority's balance sheet is the property that it occupies. In this article we set out how property can be used as a lever for change and the steps that need to be implemented to make this really work.

The context

The capital value of the public sector estate is unknown. In his review for the last Chancellor Lord Carter used the figure of £370bn, which is the book value according to the Office of National Statistics. In that report he noted that Book Value does not give a good indication of true value – with much of the housing stock being significantly undervalued and some operational assets such as Courts and Hospitals being over valued - but almost not to the same extent!

To make control and tracking the estate more difficult it is currently managed by more than 1500 property managers – most of whom enjoy a high degree of freedom. As you will all know, the estate is made up of an aging stock – with a high proportion of heritage assets – and much is held either on a long lease hold basis or in PFI deals that lock the occupier in for a long period of time.

Every day we read more and more in the National Newspapers about the state of the Nation's finances and the deficit and debt that we have to deal with. It is clear that much of the shortfall between government income and expenditure will be made up by aggressive cuts in public sector spending. First step in this journey is elimination of any discretionary spend and that will be followed shortly thereafter by a marked reduction in any "invest to save" schemes – unless they can be shown to demonstrate in year payback. Relatively easy to achieve if the project is started in April – very much more difficult to deliver if the project starts in November.

The ambition

So where should we realistically set our ambition for delivering savings from the public sector? There are two areas to focus on – the space that we use and the way we manage that space.

Using the Space

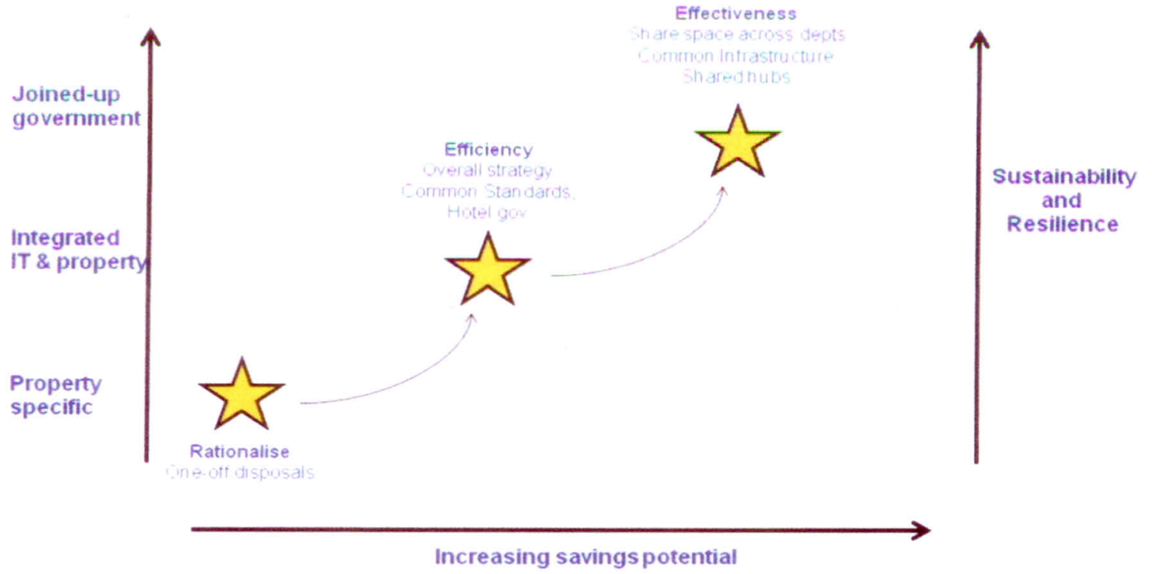
Looked at in the cold light of day there are two overall drivers behind space usage. The first is the amount of space that each individual uses and the second is the number of people. By adopting the OGC standards – pioneered in the DTI of 10 sq m per workstation and 8 desks for 10 people would yield savings of not less than 20% across the wider public sector. If you then factor in a possible reduction in public sector employment of 10-20%, one could imagine that space savings of the order of 40% should be achievable. By moving staff into cheaper locations, the costs could come down by more than 40%.

This assumes that the same delivery model is maintained.

We would contend that savings in excess of these amounts can and should be targeted by all public sector bodies by taking the opportunity to review their delivery models and align them to the end customer service – working in much closer collaboration with delivery partners in private/ public and 3rd sectors and using the workspace to encourage these changes.

Achieving these savings will require a radical approach to changing the way the business operates and needs joined up thinking at every stage. We illustrate in the diagram below the relationship between ambition and the way to achieve change.

Level of ambition



In the chart on the next page we have mapped out three potential end points:

1. Rationalising Property. This seeks to optimise the property solution by making best use of the existing property assets without challenging how they are used. Common examples would be to dispose of leases when possible and rehousing the staff elsewhere on the estate. There is minimal disruption to the business, savings will accrue and there is minimal investment required.

2. Delivering Efficiency. This seeks to maximise the way that you currently use the estate to meet the needs of the business. It is based on a core solution of a flexible workspace, supported by additional swing space or at least access to swing space along the lines of Hotel.gov. [Hotel.gov is a concept whereby any public body could share space on a short term basis.] The core space would, normally, use commonly accepted standards – such as the OGC space utilisation standards – and support a flexible workforce where desk sharing according to need was the norm. To deliver this change requires an integrated programme of work bringing together a shared vision of how the organisation could use its space differently, a new approach to ICT to support the flexible space, potentially a different workspace (or at the very least a re-configured space) and a change programme to make the changes stick.

3. Effectiveness. This takes a process view of service and puts the customer at the heart of everything that we do and all of the resources that we consume. It builds on the ideas of Total Place, joining organisations together in service delivery using shared infrastructure. So, instead of looking at service as being a series of costs, it considers the value that a customer will place on the end outputs and requires real joined up government at its heart. Estates can and will form a key part of the change programme – even acting as a catalyst for the change. The end solution may then be a mix of flexible working HR policies focused on outputs not inputs, high performing property that is open to multiple organisations to use, and open access systems balanced by the right level of security.

Managing the space

There is an opportunity to build on the local successes of Total Place, by bringing together Property management on a Regional basis across different parts of the wider public sector – seeking to combine asset management capabilities of Local Authorities, Health agencies, Central Government, Police and Defence. By doing this you will be able to provide improved back office shared service centres and implement common standards across Facilities Management and drive out further costs. Property then becomes a service to the wider business of customer support – rather than just focusing on one aspect.

Barriers to Implementation

There are many immediate barriers to achieving the holy grail of cross organisational effectiveness. Some of them are:

1. Lack of shared vision/ objectives for the initiative. It is hard enough to get a single organisation to align to single strategic direction – much more difficult to do this across different organisations. Effort spent in getting buy in is rarely wasted – part of the trick is to ensure it is maintained and not seen as a one off;

2. Identifying where the benefits will come from. Early sight of benefit streams is key and an ability to realise some of these benefits early in the life of the programme is essential – partly to pay for any necessary investment, but also to cement commitment to the end goals;

3. Funding the programme and sharing the benefit. It is likely that the short term, cashable, benefits will come from the disposal of surplus buildings – whether that be from a lease break or freehold disposal which would have been held by one organisations. Early consideration over how to share this benefit is required.

4. Getting started. With an agenda as broad as this and with such pressures on budgets, setting the vision and selecting the right pilot will be critical to the long term success.

First Steps

We believe that there are a series of steps that organisations can take to start this journey:

1. Set the vision and agree it at the highest level (the concept Case)

We have used a short sharp, cut down, business case to help organisations agree their strategies. This document should be as short as possible – preferably no more than two sides of A4 and set out exactly what the organisation is seeking to achieve. The content is set out below:

Section	Rationale
Problem statement	Provides focus to the initiative
Solution	Gives indication of level of change
Costs & Benefits	Sets out expected funding & provides basis for decision on whether to invest further
Risks & Issues	Sets out at earliest point what barriers need to be tackled
Ownership	Identifies who will lead the change and level of commitment from the organisation
Change Strategy	Indicates how change will be achieved and likely phasing of the programme

2. Agree a set of principles that organisations will use when working together. These principles should cover governance arrangements as well as the more practical issues about benefit share and the "rules" that will be applied to joint working on a long term basis.

3. Identify a suitable Pilot and map out how that will work. The Pilot needs careful selection – it needs to be large enough to be representative of the overall challenge, but small enough to be delivered as a pilot. It should be used as a "test bed" to check that the Change Strategy is right and not to check the overall vision.

4. Baseline your current infrastructure. Getting the right starting point is essential and data is key. Data quality is getting better in the wider public sector, but it is still very patchy. Knowing where the assets are, the details about leases/ freeholds and the occupancy data will be essential to putting together any form of strategy. We believe this can and should be done in parallel with Setting the Vision.

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CHOICE AND GUIDANCE

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Local Authorities, like all public sector entities will have to plan for a future in an ever more challenging financial landscape.

There will be ever increasing pressure to keep continuing to deliver high quality front line services and to deliver these in an increasingly efficient manner to meet Budget constraints.

Whether services are procured or delivered directly by the public sector, in a public-public partnership, in partnership with the third sector or with the private sector, will cease to be of any great significance as long as outcomes are achieved and efficiencies delivered.

Local Authorities are no strangers to partnering with the private sector to deliver services, and facilities to their customers. In the last decade Local Authorities have been at the vanguard of various forms of public-private partnerships across a range of sectors - education, housing, leisure, waste, highways and regeneration. Whilst many have followed a contractual joint venture route or Private Finance Initiative route, some have been more ambitious in establishing new vehicles such as partnerships or corporate entities.

It is likely that many schemes will still have to await the outcome of the full public spending review or be subject to further interrogation and scrutiny before proceeding. It does seem that capital investment in key infrastructure, that demonstrates proper value for money and addresses efficiency challenges, will still be supported by the Coalition Government. Local Authorities will still be able to utilise their skills and assets to procure investment and services through joint ventures with the private sector.

With this in mind it is opportune that HM Treasury has published its guidance on Joint Ventures. This represents a valuable tool to assist Local Authorities and their advisors on collaboration with the private sector.

Subject to consultation in October 2009, the HM Treasury guidance, the "Guidance Note for Public Sector Bodies forming Joint Venture Companies with the Private Sector" was published in March 2010.

The document replaces the Guidance document issued in December 2001. The key difference between the new Guidance and the predecessor document is that the previous Guidance focused entirely on the creation of corporate joint ventures under the so-called Wider Markets Initiative. The