



Northern Ireland Audit Office

# Managing the Central Government Office Estate



REPORT BY THE COMPTROLLER AND AUDITOR GENERAL  
30 November 2017





Northern Ireland Audit Office

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Comptroller and Auditor General

Northern Ireland Audit Office  
30 November 2017

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# Abbreviations

<b>ALBs</b>	Arm's Length Bodies
<b>AMU</b>	Asset Management Unit
<b>CAU</b>	Central Advisory Unit
<b>DoF</b>	Department of Finance (formerly the Department of Finance and Personnel)
<b>DoE</b>	Department of the Environment - DoE functions and services have been transferred to three new departments (Department for Communities, Department for Infrastructure and Department of Agriculture, Environment and Rural Affairs)
<b>ePIMS</b>	Electronic Property Information Mapping Service
<b>ESS</b>	Enterprise Shared Services
<b>FTE</b>	Full-Time Equivalent
<b>ITS</b>	Invest to Save
<b>LPS</b>	Land and Property Services
<b>NIAO</b>	Northern Ireland Audit Office
<b>NICS</b>	Northern Ireland Civil Service
<b>NIHE</b>	Northern Ireland Housing Executive
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>PAM</b>	Property Asset Management
<b>PPP</b>	Public Private Partnership
<b>RPM</b>	Reform of Property Management
<b>SMART</b>	Specific, Measurable, Attainable, Relevant and Time-bound
<b>SoFTE</b>	State of the Estate Report
<b>TEO</b>	The Executive Office (formerly the Office of the First Minister and Deputy First Minister)
<b>The Assembly</b>	Northern Ireland Assembly
<b>The Executive</b>	Northern Ireland Executive
<b>The Strategy</b>	Asset Management Strategy
<b>UK</b>	United Kingdom

# The Central Government Office Estate Key Facts: 2016-17

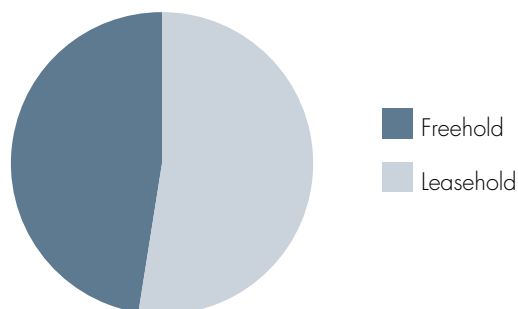


The number of buildings in the office estate has reduced by **10 per cent** (from 308 to 276) in the 3 years to 31 March 2015.

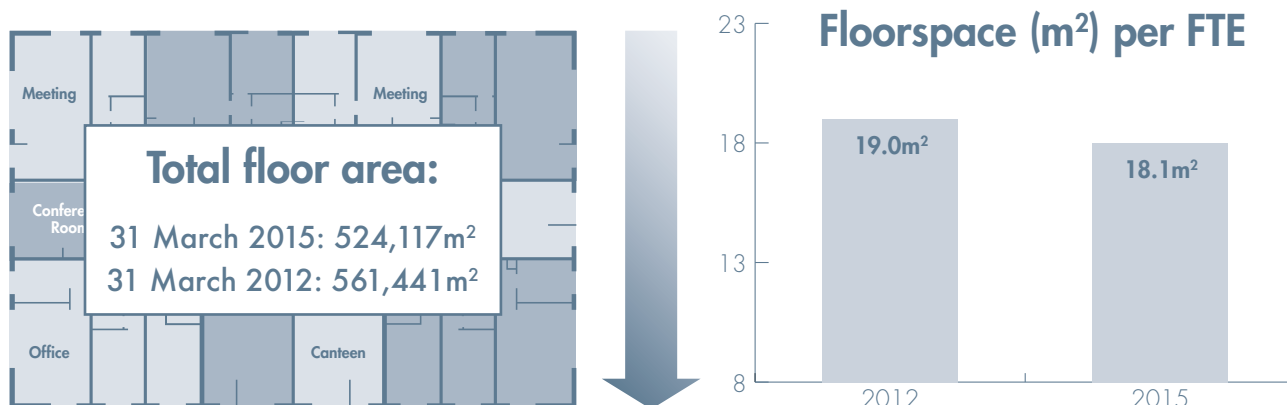
Estimated annual running costs **£96 million**.

Just over half of offices (or 144) are leasehold.

In the 3 years to 31 March 2015, the number of leasehold properties fell by **22 per cent** (40 buildings).



Cumulative savings of **£17.7 million** have been reported from exiting office accommodation leases since 2011-12.



At 31 March 2015, there were **6,382** free workstations within the office estate, an increase of **15 per cent** in three years.

The annual cost attributable to empty workstations is **£17.3 million**.

Properties Division manages almost half (**49 per cent**) of the central government office estate. This covers **63 per cent** of the total central government office estate floorspace.



# Executive Summary

1. The Northern Ireland Central Government office estate consists of 276 offices owned, or leased, by 100 different public sector organisations and covering a total net internal floor area of almost 525,000 square metres (m<sup>2</sup>). Over half of the office estate buildings are leasehold<sup>1</sup>. The remaining 48 per cent are freehold<sup>2</sup>. Each year, it costs around £100 million to run the office estate.
2. Properties Division, within the Enterprise Shared Services (ESS) Directorate of the Department of Finance (DoF) (formerly the Department of Finance and Personnel (DFP)), managed almost half of the central government office estate buildings, incurring running costs of over £56 million. The remaining offices were managed by individual departments or other public sector bodies.
3. While no financial savings target has been set specifically in relation to the office estate, over the period from 1 April 2011 to 31 March 2016<sup>3</sup>, through property exits and the introduction of mandatory property controls, cumulative savings of almost £18 million have been generated. Property controls include arrangements for acquiring and renewing leases and imposing mandatory space standards in new and refurbished buildings (**Appendix 1**).

## Key Findings

4. In this report, we welcome:
  - publication of the first region-wide Asset Management Strategy (the Strategy) in June 2013;
  - the generation of almost £18 million savings in the cost of managing the office estate over the five year period to 31 March 2016;
  - use of Invest to Save funding which is expected to generate annual savings of almost £5 million; and
  - Asset Management Unit (AMU) proposals to refresh engagement with departments over the two years to June 2018.
5. However, we highlight that various issues remain:
  - Although the Reform of Property Management (RPM) programme was established in December 2013 to support and deliver the recommendations of the Strategy, progress has been slow.
  - There is little evidence that public bodies are setting and reporting on performance against SMART targets or being challenged on their use of assets.

1 Leasehold: Method of owning property for a fixed term but not the land on which it stands. Possession of the property is subject to the payment of an annual ground rent. When the lease expires, ownership of the property reverts back to the freeholder.

2 Freehold: Outright ownership of the property and land on which it stands.

3 The Strategy anticipates that savings of £100 million will be generated across all property assets in the 10 years to 2021. This figure is not broken down across the various asset categories.

- The Department of Health (DoH) incurred irregular expenditure because, contrary to mandatory property controls, DoF approval for lease extensions was not sought in advance and not granted retrospectively.
- Properties Division has yet to introduce full cost recovery for government departments.

8. Opportunities exist to release significant, additional savings but these will only be maximised where more challenging and complex consolidation initiatives are considered and where public bodies explore alternative delivery models. In our view, DoF needs to take the lead and provide an effective 'Centre of Government' function for the office estate, while public sector bodies need to become much better at sharing asset-related information and embracing joined-up property management approaches.

### Overall conclusion on the extent to which Value for Money has been achieved

6. The current configuration of the office estate is not delivering value for money. The actions taken to improve management of the office estate are encouraging and we note that financial savings have been reported. In our view, however, progress has been too slow.
7. It is imperative that the projects promised under the Reform of Property Management Programme are now progressed without delay, in order that assurances can be provided that the estate is managed effectively. While departments produce annual Asset Management Plans, the absence of a single, comprehensive office property asset register and weaknesses in target setting and reporting make it difficult to establish how effectively the office estate is managed.
-





## Part One: Introduction and Background

### The central government office estate comprises 276 offices and costs around £96 million to run each year

- 1.1 The central government estate comprises 276 offices owned, or leased, by around 100 different public sector organisations. Approximately half of the offices are leasehold. Apart from one property (which was procured through the Public Finance Initiative)<sup>4</sup>, the remaining offices are freehold<sup>5</sup>. The direct running costs of the office estate are significant at an estimated £96 million each year. (**Appendix 2** illustrates

the size of the office estate relative to the overall central government estate).

### Many bodies are involved in managing the central government office estate

- 1.2 Under existing arrangements, several central government departments and public bodies are involved in the management of the office estate. **Figure 1.1** sets out the roles of the various bodies involved.

**Figure 1.1: Key Roles and Responsibilities in Managing the Office Estate**

<b>Properties Division</b>	<p>Properties Division is responsible for providing professional and technical property management and accommodation services to the NICS and the wider public sector. Some departments and public bodies own, lease or manage their own office accommodation; others use the services of Properties Division to manage their office accommodation. Properties Division manages almost half (49 per cent) of all office estate buildings. These properties account for 63 per cent of the overall office estate floor space, are occupied by over 18,000 Full Time Equivalent (FTE) staff and cost around £56 million to run each year.</p>
<b>Land and Property Services</b>	<p>Land &amp; Property Services (LPS) is part of DoF. LPS provides a full range of professional surveying services to Properties Division including the negotiation of new lease procurement, lease renewals, rent reviews and general commercial estate management advice. The LPS Central Advisory Unit (CAU) arranges for the disposal of surplus assets (office and other property) on behalf of departments and ALBs through its Clearing House system. CAU has no powers or authority over departments and/or ALBs to enforce the declaration of assets as surplus.</p>

4 Invest NI Headquarters.

5 See Footnotes 1 and 2.



<p><b>Asset Management Unit</b></p>	<p>The AMU (operated by the Strategic Investment Board) is a small team of asset management professionals (surveyors, engineers, architects and accountants) with private sector experience, which supports departments and their ALBs in delivering the Strategy's objectives.</p> <p>The AMU has no power over departments and/or ALBs and typically supports government by:</p> <ul style="list-style-type: none"> <li>• identifying strategic opportunities;</li> <li>• providing expert (technical and commercial) support and guidance;</li> <li>• providing constructive challenge;</li> <li>• asset management planning;</li> <li>• designing governance arrangements; and</li> <li>• encouraging delivery (for example by embedding AMU staff into departments).</li> </ul> <p>The Head of the AMU reports to the Northern Ireland Civil Service (NICS) Board<sup>6</sup> each quarter; prepares the annual Progress Report and Action Plan for Programme Board consideration; and maintains input into asset management projects through membership on project boards and/or assistance in the establishment of project teams.</p>
<p><b>Departments and other public sector bodies</b></p>	<p>Following full implementation of the Reform of Property Management Programme (RPM) (see <b>paragraph 1.7</b>) the management of the office estate will be centralised within a transformed Properties Division. From that point, departments and other public sector bodies will no longer be able to elect to manage their own office accommodation.</p> <p>In the meantime, where departments and other public sector bodies have not yet transferred responsibility for managing their office accommodation to Properties Division, they are responsible for the day-to-day management of those assets.</p>

<sup>6</sup> The NICS Board is the highest level of governance in the Northern Ireland Civil Service and its most senior collective leadership body.

## Part One: Introduction and Background

### In 2012, our report on property asset management highlighted that Northern Ireland lagged behind England and Wales

1.3 In 2012 we published a report on Property Asset Management in Central Government<sup>7</sup>. While some of the recommendations related specifically to the management of the office estate, many had a much wider application. Our recommendations focused on three main issues as follows:

- Central government bodies did not maintain key management information on their property assets.
- There was scope for generating efficiency savings through more effective management of assets.
- Fully effective governance arrangements were not in place.

1.4 **Appendix 3** to this report notes the progress made by departments but also highlights that much remains to be done. Over five years since publication, many of our recommendations have not been fully implemented. We found that:

- A suitable, fit-for-purpose central property asset register is not in place.
- Challenging targets have not been set across central government, benchmarking of performance is limited and performance reporting arrangements are inconsistent.

- There is limited evidence that the identification and disposal of surplus assets process is fully effective.
- Properties Division does not publish annual reports on the efficiency and sustainability of the properties it manages and has not introduced hard charging for departments.
- Despite the introduction of guidance on the preparation of Asset Management Plans, asset management is still not fully aligned into departmental business planning processes.

### The Reform of Property Management Programme (RPM) and Disposal Process Improvement Project aim to deliver the recommendations of the 2013 Strategy but full implementation is taking too long

1.5 The first regional Asset Management Strategy (the Strategy)<sup>8</sup> was approved by the Executive in June 2013. Designed to enable greater efficiency and generate savings, it was anticipated that adoption of the Strategy would reduce the net cost of managing the entire central government estate (including the office estate) by £100 million in the period to 2022 and promote effective asset management processes. Savings specific to the office estate were not separately identified within the Strategy, but it was noted that, by 2022, leases costing a total of £54 million were due to expire (**paragraphs 3.2 to 3.6** report on the actual level of savings generated following expiry of various office leases).

<sup>7</sup> Property Asset Management in Central Government, NIAO, 13 November 2012.

<sup>8</sup> The Northern Ireland Asset Management Strategy can be accessed at: Northern Ireland Asset Management Strategy - Strategic Investment Board.

- 1.6 The Strategy identified that office accommodation investments (and decisions) were generally made individually by over 100 different bodies, rather than following consideration of the accommodation requirements of the wider public sector. The Strategy concluded that the office estate contained accommodation of varying functional suitability and condition; provided sub-optimal accommodation; and excluded exploitation of the benefits of collaborative procurement. The Strategy recommended that the management of budgetary responsibility for office accommodation should be centralised within one dedicated unit (likely to be Properties Division within DoF).
- 1.7 The RPM programme was established in December 2013 to deliver many of the recommendations of the Strategy. Full implementation of the RPM programme should address many of the issues we highlighted in 2012 and deliver the associated recommendations from the 2013 Strategy. Centralising management of the office estate (including surplus property assets) within a transformed Properties Division (with access to improved management information) will allow for more effective management of the office estate.
- 1.8 LPS and AMU are currently progressing the Disposal Process Improvement Project (DPIP) which aims to address the disposal-related recommendations in the Strategy. It is anticipated that this project will be completed during 2018-19.

## Scope of this Report

- 1.9 This report considers the progress made in improving management of the central government office estate. Since we last looked at this area, cumulative savings of £17.7 million have been generated following the expiry of various office leases. However, the three issues identified in our 2012 report (**paragraph 1.3**) have not been fully addressed.
- 1.10 Our findings in this follow-up report are based on written submissions provided to us by departments, Properties Division, Land and Property Services (LPS) and the Asset Management Unit (AMU). In these submissions, among other things, we were supplied with:
- individual departmental Asset Management Plans;
  - details of public body arrangements to set challenging targets and manage, report and benchmark office estate management performance;
  - information on current mechanisms for gathering management information on office estate assets;
  - figures relating to the total savings generated since 2012-13;
  - summary details of asset disposals and changes to disposal arrangements;
  - an overview of governance arrangements across the public sector; and
  - detail on the remit and progress of the RPM programme.

## Part One: Introduction and Background

1.11 Figures used in this report relate primarily to 2015-16. These are the figures which will be used to plot progress and measure the success of the RPM programme. Properties Division advised us that it would be difficult to provide us with more up-to-date, verifiable figures. In this report:

- **Part 2** considers governance arrangements across the Northern Ireland public sector for managing the office estate.
- **Part 3** examines the level of savings reported by government departments over the period 1 April 2011 to 31 March 2017.
- **Part 4** examines the progress made in developing a suitable asset management information system and developing systems for reporting performance.



## Part Two:

### Developing fully effective Governance Arrangements

2.1 In our 2012 report we noted that fully effective governance arrangements were not in place for managing property assets (including the office estate). We highlighted that:

- property asset management arrangements were fragmented;
- centralising asset management was an essential first step in extracting value and efficiency from the government office estate;
- financial and asset planning should be linked, to ensure property estate management is embedded in budgetary and governance structures; and
- arrangements between departments and the public bodies they sponsor should be properly managed.

#### **Improvements introduced to budgetary and governance arrangements should encourage greater collaboration across the public sector**

2.2 Since 2012, there have been a number of improvements in governance arrangements. For example:

- The NICS Board provides a platform through which property asset management across departments can be considered and authorised.

- The cross-departmental Asset Management Forum (formed in 2012) and the Asset Management sub-group of the Northern Ireland Civil Service (NICS) Board<sup>9</sup> help provide strategic direction, encourage cross-departmental collaboration and shared use of assets to ensure opportunities are identified and exploited.

- The new joint working arrangements between the AMU and DoF's Public Spending Directorate ensure that budgetary planning is considered in developing collaborative asset-related projects. This ensures that funding streams (such as Invest to Save) are more fully utilised and capital receipts generated are planned and used appropriately.

2.3 The AMU carried out a review of the quality of 2015-16 Departmental Asset Management Plans. On the basis of the findings of that review, the AMU issued additional guidance to assist staff with the production of annual plans. The guidance, which took account of approaches in other UK jurisdictions, included templates to be used as guides by staff.

2.4 The inclusion of references to the Strategy and the Reform of Property Management Programme in the Fresh Start Agreement<sup>10</sup> in November 2015 demonstrates continued support and commitment from the Executive.

9 Permanent Secretaries are responsible for the day-to-day running of departments and their budgets. All NICS Permanent Secretaries sit on the NICS Board.

10 The Fresh Start Agreement details a set of actions agreed by the Northern Ireland Executive and the UK and Irish governments to address two key themes: to secure the full implementation of the Stormont House Agreement; and to deal with the impact of continued paramilitary activity.

## Full implementation of the RPM Programme will lead to central oversight of the office estate by DoF

- 2.5 In a 2016 report<sup>11</sup>, the Organisation for Economic Co-operation and Development (OECD)<sup>12</sup> highlighted the difference co-ordination can make to public sector effectiveness. In relation to Northern Ireland, the OECD identified a weakness in civil service collaboration and collective problem-solving and concluded that Northern Ireland did not appear to benefit from an effective Centre of Government function. It also highlighted that NICS departments guarded their information and shared as little as possible with The Executive Office (TEO) and DoF.
- 2.6 The Public Accounts Committee has also been critical of the lack of oversight of departmental activity. In a report in 2016<sup>13</sup>, it identified that *“while individual accounting officers remain accountable for their own department’s spending, the Department of Finance and Personnel must exercise a proportionate but robust role in setting objectives, monitoring progress, reporting to the Assembly, evaluating outcomes and disseminating lessons to be learnt”*.
- 2.7 Full implementation of the RPM Programme (**Figure 2.1**) will address many of the property-related oversight weaknesses identified. **Appendix 4** has been provided by the Properties Division. It provides details of the original RPM

Programme timescales, outlines progress against these timescales and highlights various lessons learned to date.

- 2.8 The RPM Programme includes three main projects as follows:

- **The Business Transformation Project:** Identifying and implementing a fit for purpose business model to ensure the effective operation and governance of Properties Division. DoF anticipates that the operating model will be implemented by 1 April 2018. Transferring management of the office estate to the reformed Properties Division by March 2019. Properties Division will become responsible for managing the estate and will strive to achieve the Strategy target of 9-11 m<sup>2</sup> per workstation by 2025.
- **Estate Rationalisation Projects:** Expected to require capital investment of up to £300 million, this project includes optimisation projects for Belfast City Centre, Stormont Estate and the regions. Provision of a modern ‘fit for purpose’ office estate (by, for example, improving utilisation of freehold office accommodation and imposing tighter management of leases) is expected to yield total savings of around £30 million by 2026.
- **The Asset Information Project:** Aiming to ensure delivery of reliable asset information from a trusted

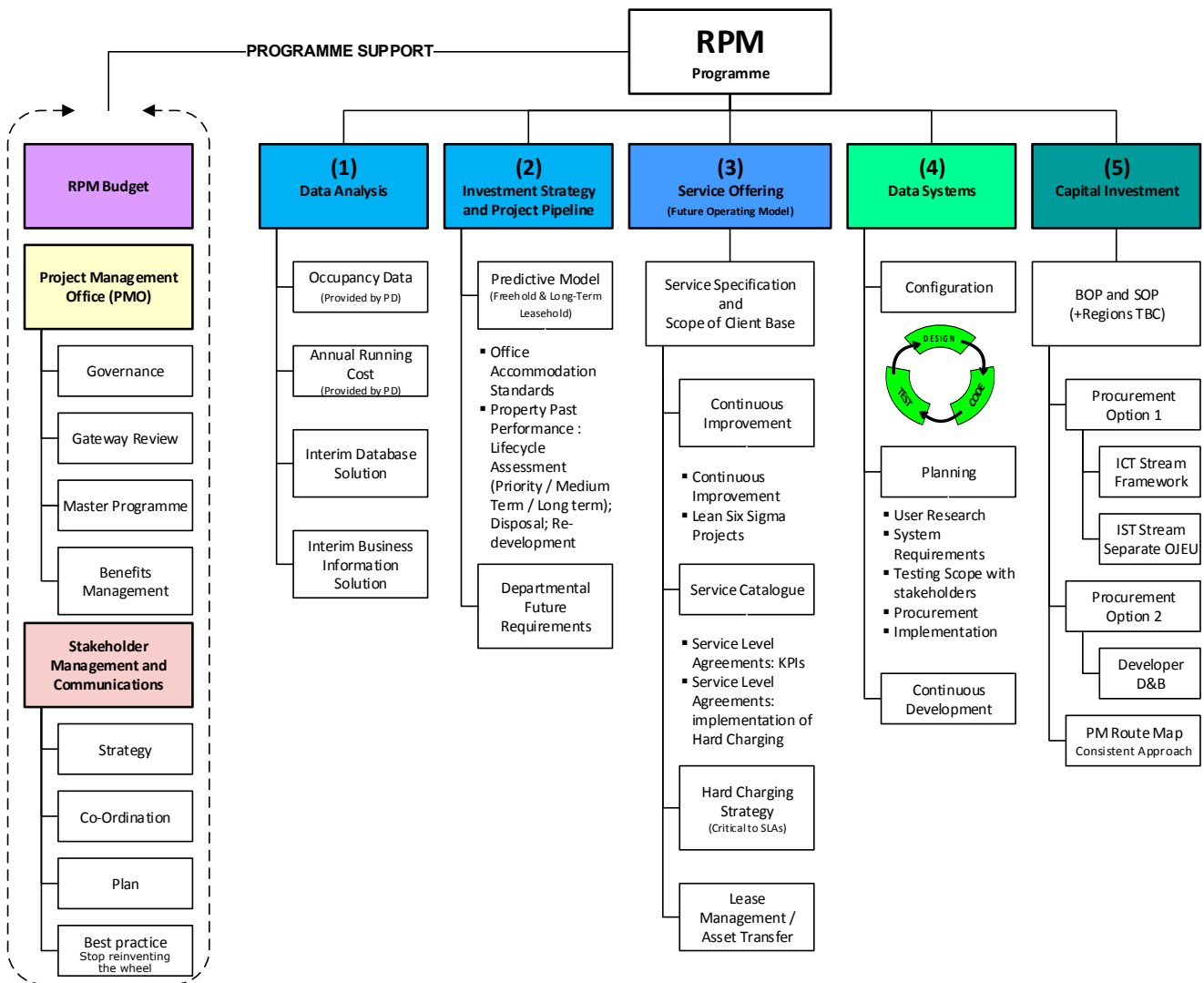
11 Northern Ireland (United Kingdom) : Implementing Joined-up Governance for a Common Purpose, 2016.

12 The Organisation for Economic Co-operation and Development (OECD) is a unique forum where the governments of 35 member countries work with each other to promote economic growth, prosperity and sustainable development. The Organisation provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and coordinate domestic and international policies.

13 Report on Invest to Save Funding in Northern Ireland, Public Accounts Committee, 2 March 2016.

# Part Two: Developing fully effective Governance Arrangements

Figure 2.1: Reform of Property Management Programme



Source: Properties Division



management information system. The new asset information system will assist Properties Division in the strategic planning and efficient management of the centralised office estate.

- 2.9 Progress against the programme has been disappointing and in May 2017, the RPM Programme Board was informed that the status of each of the individual projects was amber. RPM Programme revenue costs are currently being funded from the DoF baseline budget. DoF recognises that the programme will face considerable difficulties and delays if appropriate long-term capital funding cannot be secured.

### **Departments have struggled to embed asset planning into their financial and business planning process and there remains scope to improve the quality of Asset Management Plans**

- 2.10 We asked departments to explain how their financial and asset planning processes were linked. Based on responses<sup>14</sup>, we consider that this is an area which challenges departments, although progress has been made with, for example, the production and annual approval of departmental Asset Management Plans by Accounting Officers and Departmental Boards.

- 2.11 Five departments confirmed that their Asset Management Plans were developed as part of the annual business, investment and savings process. While the remaining departments told us that their asset management planning was integrated into their other corporate planning process, we believe that the extent of integration could be further improved. For example, Asset Management Plans did not always include SMART targets or benchmarking data. Asset Management Plans are not always available on departmental websites and reporting on performance against targets remains limited (**paragraphs 4.8 to 4.17**).

- 2.12 Some departments, such as Health and Education, benefit from having specialist property asset management professionals. However, specialist property asset skills, experience and knowledge are limited across departments.

### **The NICS Board and the AMU accept that there is a need to refresh engagement with departments**

- 2.13 In recognition of the need to strengthen links between asset management, financial and business planning, the NICS Board agreed proposals put forward by the AMU in June 2016 to refresh engagement with departments over the following 12-24 months. Given the restructuring of departments this is timely and is welcomed. The proposals

14 Based on a 100 per cent response rate to our departmental information request.

## Part Two:

### Developing fully effective Governance Arrangements

aim to address various challenges with existing property asset management. For example:

- Concerns over data quality and availability for individuals involved in preparing Asset Management Plans;
- Insufficient integration between planning, investment and savings within departments;
- Limitations of existing arrangements for engaging with, and driving property efficiencies within, ALBs;
- A need for increased collaboration if savings and efficiencies are to be maximised; and
- A view within departments that there is a lack of specialised resource to deliver against Asset Management Plans.

#### Conclusion and Recommendation

2.14 We welcome recent initiatives by the NICS Board, through the AMU, to re-engage with departments and provide further guidance and training. Progress delivering the objectives of the Strategy will be limited if asset management is not fully established as a central role within the business planning process. Implementation of the RPM Programme will provide DoF with a clearer role in overseeing management of the office estate but the programme has, and will continue to, suffer delays if upfront funding is not invested to release savings. This is particularly important with regard to multiple year capital funding commitments.

#### Recommendation 1

**We recommend that the resources required to progress the RPM Programme are secured as a matter of priority so that implementation can be achieved without further delays.**



## Part Three: Generating Efficiency Savings

### We previously highlighted that adopting more collaborative approaches would generate significant savings

- 3.1 Our 2012 report highlighted the scope to generate significant efficiency savings (**paragraph 1.3**). To achieve these savings, we identified the need for public bodies to take a more co-ordinated approach to managing assets and to work more closely together to plan future needs, promote co-location and maximise efficiency. To address these issues, we identified that:
- central property controls should be put in place;
  - procedures for ensuring the timely and effective disposal of assets should be improved;
  - further work should be done to identify 'Invest to Save' opportunities for rationalising the office estate; and
  - all departments should be charged for the resources they use.

### Leases exited and the introduction of mandatory central property controls has generated savings of almost £18 million

- 3.2 Property controls include arrangements for acquiring and exiting leases and imposing mandatory space standards in new and refurbished buildings (see details in **Appendix 1**). In 2014, DoF,

with support from AMU, issued guidance in line with proposals in the Strategy, to prevent departments and ALBs renewing leased office accommodation without specific approval<sup>15</sup>.

- 3.3 The exiting of leases supported by the introduction of property controls has realised savings of almost £18 million (**Figure 3.1**). Approximately £3.5 million of savings related to leases managed by Properties Division. Case Examples 1 and 2 illustrate how property controls can generate savings.

**Figure 3.1: Estimated Savings from exited leases between April 2011 and March 2016**

Year	Annual Savings (rent, rates and service charges) £ million
2011-12	3.0
2012-13	2.5
2013-14	2.8
2014-15	2.6
2015-16	6.8
<b>Total</b>	<b>17.7</b>

Source: *Departmental Asset Plans*

### In a number of cases, the Department of Health extended leases without DoF approval and incurred irregular expenditure

- 3.4 Following the introduction of DoF's property control guidance in 2014, all departments were required to secure approval prior to extending or taking up new leases for office accommodation.

### Case Example 1: Adelaide House

Adelaide House is owned by DoF and managed by Properties Division. It provides office accommodation in Belfast City Centre. The building was constructed in the mid-1990s and has a net internal area of just over 7,000m<sup>2</sup> over eight floors.

In November 2014, work began to refurbish the building. The project was completed in August 2016 at a cost of £3.7 million.

The refurbishment undertaken was in accordance with the Workplace NI office standards and increased workstation numbers from 371 to 581 (57 per cent). The number of staff occupying the building increased by over 60 per cent, from 371 to 606.

Staff occupying leased accommodation in Waterfront Plaza were relocated to Adelaide House. That property (over 1,100m<sup>2</sup>) was vacated in August 2016 but has since been re-occupied by other staff to accommodate a short term business need. Cost savings of £550,000 relating to rent, rates and other costs at Waterfront Plaza will be realised once the lease expires in February 2019.

### Case Example 2: Historic Environment Division

The Northern Ireland Environment Agency (NIEA) Historic Environment Division<sup>16</sup> was located in Waterman House, Hill Street, Belfast, which was leased since 1990.

Waterman House had a total net internal area of 2,539m<sup>2</sup> across four floors and accommodated 94 members of staff. It provided specialist laboratories, loading facilities and a secure vault which stored various Northern Ireland artefacts and documents.

There were two leases operational at Waterman House, one lease was paid by DoF (1,962m<sup>2</sup>) and the other by the Department of the Environment (DoE) (577m<sup>2</sup>). Neither lease was renewed and staff and materials were relocated within the existing estate.

Following investigations, Properties Division concluded that there was not sufficient space within the office estate to deliver a single location solution. A split location solution was decided as the best option:

1. relocate the majority of the administrative staff to one location, Causeway Exchange, Belfast, a building owned by DoF;
2. relocate the archive documents and those staff who required regular access to them, to Klondyde, Belfast, a building leased by DoF; and
3. locate those artefacts which are accessed on an infrequent basis from Lester House to a leased warehouse building in Antrim.

The relocation project was completed in August 2016 and incurred project costs of £603,000.

The leases on Waterman House expired on 26 December 2015 realising savings of £455,000 per annum.

<sup>16</sup> The Historic Environment Division records Northern Ireland's built heritage and commissions archaeological surveys and excavations to protect, conserve and promote all elements of Northern Ireland's historic environment and archaeological heritage.

## Part Three:

### Generating Efficiency Savings

**Figure 3.2: Cases where DoF approval was not secured to extend office accommodation leases**

Department	Building	Total Irregular Expenditure Incurred £s
Health (Business Services Organisation)	Lesley House, Belfast	£104,000
Health (Health and Social Care Board)	County Hall, Ballymena	£186,000
Health (NI Fire and Rescue Service)	Henry Street, Ballymena	£75,000
Health (NI Fire and Rescue Service)	Cookstown District	£49,000
Health (NI Fire and Rescue Service)	Downpatrick	£27,000
<b>Total</b>		<b>£441,000</b>

Source: DoF Supply

3.5 Despite this requirement, DoF Supply Division alerted us to a number of Department of Health (DoH) cases where DoF approval was not sought in advance, was subsequently not granted retrospectively and where, as a result, irregular expenditure was incurred. **Figure 3.2** provides detail of individual cases. We welcome DoH's assurances that it fully engages with its ALBs and with DoF colleagues to ensure management of critical lease dates, in compliance with the revised office property controls.

### Over the four years to 31 March 2015, while the overall size of the office estate reduced, the number of vacant workstations increased

3.6 **Appendix 5**<sup>17</sup> shows the change in size, cost and performance of the office estate over the four years to 31 March 2015. In summary, the figures show that:

- The overall size of the office estate reduced by 32 buildings (or over 37,000 square metres).
- The space provided per FTE decreased slightly over the period from 19m<sup>2</sup> to 18.1m<sup>2</sup> (still considerably more than the latest

<sup>17</sup> Due to the restructuring of NI departments, savings generated after 2014-15 have been shown separately.

target of 9m<sup>2</sup> to 11m<sup>2</sup> per FTE<sup>18</sup>). In England, the space for 2014 to 2015 was quoted as 10.4m<sup>2</sup> per FTE<sup>19</sup>. However, DoF advised us that the calculation in England contains significant exclusions from relevant floorspace compared with the NI calculation and the two are not therefore directly comparable.

- Despite this reduction, and a reduction in the number of full-

time employees (FTEs) occupying properties<sup>20</sup>, the number of workstations provided by the estate increased slightly to 35,306.

- The number of vacant workstations has increased by 15 per cent. The cost of providing vacant workstations increased by 12 per cent (or £1.9 million) to £17.3 million.

## Conclusion and Recommendation

- 3.7 We welcome the introduction of various initiatives, such as enforcing property controls and applying Invest to Save principles, and note their success in reducing the overall cost of managing the office estate. It is unacceptable that in the period since mandatory property controls were introduced, irregular expenditure has been incurred because departments failed to secure DoF approval to extend various office accommodation leases.
- 3.8 In our view, further opportunities to generate savings exist, for example, by reducing the number of vacant workstations. These opportunities will only be exploited where more challenging or complex consolidation initiatives are considered and where public bodies explore alternative delivery models.

### Recommendation 2

**We recommend that DoF, with support from AMU, works more closely with departments to encourage increased collaboration to generate office accommodation related savings.**

## The time taken to dispose of surplus assets has remained relatively static since 2012

3.9 Departments, ALBs and other public sector organisations are responsible for identifying surplus assets having regard to their operational needs. The Central

Advisory Unit within LPS arranges for the disposal of surplus assets (office and other property) on behalf of departments and ALBs through its Clearing House

18 Target space is 9-11m<sup>2</sup> per workstation/8-10 workstations/FTE.

19 Cabinet Office, State of the Estate Report 2014 to 2015 <https://www.gov.uk/government/publications/state-of-the-estate-2014-to-2015>

20 In 2015-16, a total of 4,383 staff were released from the Northern Ireland public sector through 23 voluntary exit schemes, at an estimated total cost of £170.7 million. NIAO Report: Northern Ireland Public Sector Voluntary Exit Schemes (11 October 2016).

## Part Three:

### Generating Efficiency Savings

service (the Clearing House). To be fully effective, departments and ALBs and the Clearing House must ensure that surplus assets are sold (or transferred) in a timely manner. This ensures the costs associated with the retention of surplus assets are minimised.

- 3.10 In 2012, we recommended (**Appendix 3**) that the AMU continued to work with LPS, introducing improvements to the Clearing House system given that:
- surplus assets were being held in the Clearing House system for long periods;
  - the process from identification to sale or transfer of surplus assets needed to be managed efficiently and effectively (including ensuring that properties were prepared for sale or transfer and that business cases are prepared and approved in a prompt manner); and
  - costs associated with the retention of surplus assets needed to be reduced and revenue from sales needed to be maximised.
- 3.11 Originally the RPM Programme included the Surplus Asset Transfer Project. That project was to consider the feasibility of creating a centralised asset disposal unit within Properties Division by April 2015. Since March 2016, the project, renamed the Disposal Process Improvement Project (DPIP) has been taken forward by LPS and AMU. As part of the project, inefficiencies with the current end to end disposal process will

be addressed prior to moving forward on the long term solution of centralisation.

- 3.12 While data on individual stages of the disposal process is not maintained, information held by the AMU indicates that the average disposal timescale (from an asset being declared to LPS as surplus to a receipt being banked) has not improved and remains at around 30 months. LPS advised us that timescales can vary considerably depending on the disposal route involved and can be affected by, for example, complex title issues.

#### Conclusion and Recommendation

- 3.13 Retaining surplus assets imposes additional maintenance costs on the public purse and delays the realisation of receipts. The process from identification to sale (or transfer) of a surplus asset must be managed efficiently. We recognise that existing guidance requires many public bodies undertake an assessment of their assets and to identify and declare surplus assets promptly, however, we have concerns that delays occur. We note that the time taken to dispose of declared surplus assets is not improving.

#### Recommendation 3

**We recommend that DoF monitors compliance of all public bodies with the disposal guidance and challenges bodies where delays in identifying or transferring a surplus asset occur.**



## DoF anticipates that properties procured using Invest to Save principles will generate annual savings of £4.6 million

- 3.14 We previously recommended that DoF, in consultation with the AMU, examined the scope for increased use of investment schemes and funding arrangements to rationalise the central government estate and deliver efficiency savings/capital receipts.
- 3.15 In December 2015, we reported separately on Invest to Save (ITS) funding in Northern Ireland<sup>21</sup> through which the Executive made available some £330 million ring-fenced funding as part of the 2011-15 Budget. Although available funding was targeted at current expenditure, there was scope for departments to put forward proposals involving capital investment.
- 3.16 While none of the available ring-fenced ITS funding was allocated to property projects, DoF separately secured £50 million capital funding to acquire seven buildings between 2013-14 and 2014-15, applying invest to save principles. These investments are expected to deliver approximately £4.6 million annual rental savings when the space becomes fully utilised<sup>22</sup>.
- 3.17 DoF told us that future opportunities for acquisitions of public sector occupied office space may become less frequent. While DoF will continue to explore

the potential for further Invest to Save acquisitions, it anticipates that Invest to Save projects proposed in the next spending review will focus on developing (or refurbishing) freehold office property and energy efficiency/generation projects designed to minimise long-term operating costs. In 2016-17, £1.5 million was allocated from the Cross Cutting Review Programme<sup>23</sup> to identify and scope various cross-cutting savings opportunities. Planned projects include:

- Piloting 'smart building technology' which will facilitate Agile working<sup>24</sup> and incur lower running costs per FTE and a study to assess the feasibility of consolidating accommodation; and
- Combining public facing services in hubs (rather than various individual locations) for more efficient delivery of public services and providing access to new office accommodation for staff.

## The introduction of hard-charging for office accommodation should generate further efficiencies

- 3.18 In our 2012 report we identified that charging departments and public bodies for the resources they use (rather than applying notional charges) would encourage greater efficiency (**Appendix 3**). We recommended that Properties Division should calculate the actual cost

21 Invest to Save, NIAO, 1 December 2015.

22 The scope of this report did not extend to examining the extent to which value for money was achieved as a result of the Invest to Save projects.

23 The Executive Paper on the Cross-Cutting Reform Programme, endorsed on the 25 November 2015, listed 30 proposed cross-cutting reform projects.

24 Agile working empowers employees to work where, when and how they choose – with maximum flexibility and minimum constraints – to optimise their performance.

## Part Three:

### Generating Efficiency Savings

of each property they manage and charge departments and public bodies accordingly.

- 3.19 At the time, DoF did not accept our recommendation. However, the issue is now being taken forward as part of the Reform of Property Management Programme. Currently all ALBs are hard charged for the accommodation they use while departments pay a notional charge based on an average cost (per m<sup>2</sup>). DoF told us that the principle of hard charging for office accommodation has been accepted and agreed by the NICS Board and the RPM Programme is planning the roll out of hard charging by April 2019.

#### Conclusion and Recommendation

- 3.20 Charging departments for the assets they use is likely to encourage greater efficiency. Under existing arrangements, Properties Division charge ALBs for the accommodation they occupy but apply a notional charge to departments. This results in a shortfall in income.

#### Recommendation 4

**We recommend that Properties Division introduces new charging for departments as a matter of urgency to ensure full costs are recovered.**



## Part Four:

### Improving Management Information and Reporting Performance

4.1 Our 2012 report identified that most central government bodies were not maintaining key management information on their property assets. In order to address this issue, we considered that the public sector needed to:

- develop a single, comprehensive property asset register;
- set challenging property asset management targets and key performance indicators; and
- report to their Boards, and to the Assembly, on property asset management performance.

#### **Despite a widespread recognition that a central asset register across the public sector is required, no such register is in place**

4.2 We previously noted that robust systems were needed to ensure the collection of timely and accurate information on property assets at a departmental and strategic (or regional) level. To address this, the AMU took steps to fully implement the Electronic Property Information Mapping Service (ePIMS) property asset register.

4.3 As an initial step, information on the office estate (such as property name, address, property type, size and mapping information) was entered onto ePIMS. That information was then used by the AMU, to produce the December 2013 'State of the Estate' (SoFTE report)<sup>25</sup> report which provided

a snapshot of the central government office estate at March 2012. The report provided baseline information on the office estate and was to be updated annually to assess performance and provide information which would inform Asset Management Plans and support the Strategy.

4.4 Since commencement of the RPM Programme, while departments and ALBs continued to supply office estate property information annually, no further SoFTE reports have been produced. In addition, the population of ePIMS with information on all other property asset classes has not been completed.

4.5 We asked departments about the extent to which they found ePIMS useful in helping them manage their property assets. Departments told us that while they record information about their office estate on ePIMS, they were unsure whether each of their ALBs used ePIMS. In addition, departments told us that ePIMS has various limitations:

- the system does not capture the diversity of estate functions;
- access is intermittent and limited (many ALBs do not have direct access to the system);
- resources to populate and maintain data in the system are limited;
- there are issues regarding the accuracy and timeliness of information such as utilisation and occupancy rates;

25 A copy of the SoFTE report can be accessed at: [softe\\_report\\_2012](#) - Strategic Investment Board

- information is difficult to extract; and
- other separate systems are used where 'specialist assets' are held (for example, Health and Education).

4.6 The issue of maintaining reliable, comprehensive asset information on a suitable asset management system for office accommodation (rather than for all public sector assets) is now being taken forward as part of the RPM Programme. The Asset Information Project (**paragraph 2.8**) aims to go live in April 2018 and ensure:

- the provision of accurate and consistent data that will inform strategy, asset performance management, benchmarking and investment decision-making across Properties Division;
- the consolidation of existing data sources across Properties Division into a single comprehensive register; and
- the creation of a management information system for the office estate which has potential to be extended to the wider government estate, if required in the future.

## Conclusion

4.7 In order to capture the full value associated with actively managing assets, departments and public bodies need to attach a higher priority to gathering and maintaining data to measure performance. Relying on up-to-date, accurate data will help ensure production of robust Asset Management Plans and lead to fully informed asset management decisions. It is important that the Asset Information Project is advanced without delay.

## Property Asset Management targets are not always SMART

4.8 In 2012, we recommended that all departments and public bodies should set challenging property asset targets, collate baseline data and develop key performance indicators in relation to their property assets (**Appendix 3**). We considered that these indicators should cover aspects such as cost, space efficiency and utilisation, functional suitability and condition. We noted that such data should be in a consistent format and enable benchmarking of performance:

- across departments;
- regionally against other UK regions; and
- against private sector benchmarks.

## Part Four:

### Improving Management Information and Reporting Performance

- 4.9 The AMU anticipated that, when fully populated, ePIMS would be capable of generating the information required to develop annual Asset Management Plans, set performance targets, develop proposals for delivering efficiencies and benchmark performance. However, this has not proven to be the case as updating and maintaining data has proven difficult to resource.
- 4.10 On the basis of information provided to us by departments, there is little evidence that departments are setting and reporting against SMART<sup>26</sup> targets. While all departments told us that mechanisms are in place to monitor and report on performance, only four departments confirmed that they had developed targets and indicators and regularly monitored and reported on performance against them. Only three departments could confirm that their ALBs had targets and indicators in place.
- 4.11 Formal benchmarking across other UK jurisdictions, departments and the private sector has not been undertaken consistently across the estate. Some informal internal benchmarking is undertaken by individual departments as part of the process of producing their Asset Management Plans and some limited benchmarking of the office estate has been undertaken using ePIMS. Properties Division told us that the methods of measurement in England, Wales and Scotland vary and, as a result, meaningful comparisons have not yet been possible. The issue of future benchmarking is to be taken forward as part of the RPM Programme.

#### Conclusion and Recommendations

- 4.12 We found little evidence that departments are setting and reporting against SMART targets. As a result, it is difficult to assess whether the office estate is being effectively managed and to benchmark performance across departments and externally.

#### Recommendation 6

**We recommend that all departments and public bodies develop SMART property asset action plans, set property asset targets, develop key performance indicators and be required to review and report on an ongoing basis against these. This would allow for comparison of performance from year to year and across departments and ALBs, as recommended in the Asset Management Plan guidance.**

#### Recommendation 7

**We recommend that the work being taken forward as part of the RPM Programme includes identifying those measures which will allow for comparison against departments in England, Scotland and Wales.**

#### Performance Reporting to Departmental Boards and to the NI Assembly is not sufficient

- 4.13 Our 2012 report highlighted the need for public and transparent reporting of performance. In relation to the office estate, we recommended that Properties Division should provide an annual report to DoF's Management Board,

26 SMART refers to targets which are Specific, Measurable, Attainable, Relevant and Time-bound.

and to its client bodies, on the efficiency and sustainability of its administrative office estate (**Appendix 3**). In addition, information on the relative performance of individual buildings was to be made available to departments and public bodies occupying accommodation managed by Properties Division on their behalf, together with recommendations on how individual building performance may be improved. More generally, we recommended that departments and public bodies raise the issue of property asset management to Board level.

- 4.14 We also recommended that, at a strategic level, the transparency of departmental performance should be improved and reported to the Assembly. We considered that one means of achieving this was to produce an annual State of the Estate report (SoFTE report) on the efficiency and sustainability of the central government office estate. Prior to the establishment of the RPM Programme, the SoFTE report was produced once by the Asset Management Unit (see footnote 25) and provided a snapshot of the entire office estate as at March 2012. No further reports were produced.
- 4.15 Monitoring and reporting occurred at senior levels within DoF's Properties Division in relation to corporate targets (such as reducing office floor space, fit-out targets) and energy efficiency targets. However, in the absence of annual SoFTE reports, no benchmarking of individual buildings has been undertaken

and no reports are provided to either the DoF Management Board or to client bodies on performance against property asset key performance indicators or targets (with the exception of energy performance).

- 4.16 We asked departments to summarise the mechanisms for reporting performance on property assets. Asset Management Plans have been approved annually by all Accounting Officers and Departmental Boards since 2012-13 but most departments told us that they do not report directly, or regularly, to their departmental Board on the overall performance of their property assets. No department reports asset management performance to the Assembly or on its website. Only one department confirmed that its ALBs regularly provided property asset management information to their Board. In addition only three departments verified that each of its ALBs had property asset management targets in place and that they were benchmarking their management of property assets.
- 4.17 In 2016, the NICS Board approved an AMU proposal to introduce Asset Management Plan Guidance which requires nomination of a Senior Responsible Officer within each department. This has been introduced to improve the consistency and quality of Asset Management Plans across departments and provide a single point of contact within departments.

## Part Four:

### Improving Management Information and Reporting Performance

#### Conclusion and Recommendations

4.18 The SoFTE report provided a snapshot of the entire office estate as at March 2012. Annual updating of the report would have been useful in assessing the adequacy of office estate management. However, no further SoFTE reports were produced. Departmental Boards have approved annual Asset Management Plans but we found that most departments were not reporting the performance of their assets to their Boards and the Assembly.

#### Recommendation 8

**We recommend introduction of an annual State of the Estate report on the efficiency and sustainability of the central government office estate. Such a report would analyse performance across departments, compare performance regionally against other UK regions and against private sector benchmarks.**

#### Recommendation 9

**We recommend that mechanisms are devised to measure, validate and report performance to Departmental Boards and the Assembly.**





## Appendix 1: Property Controls

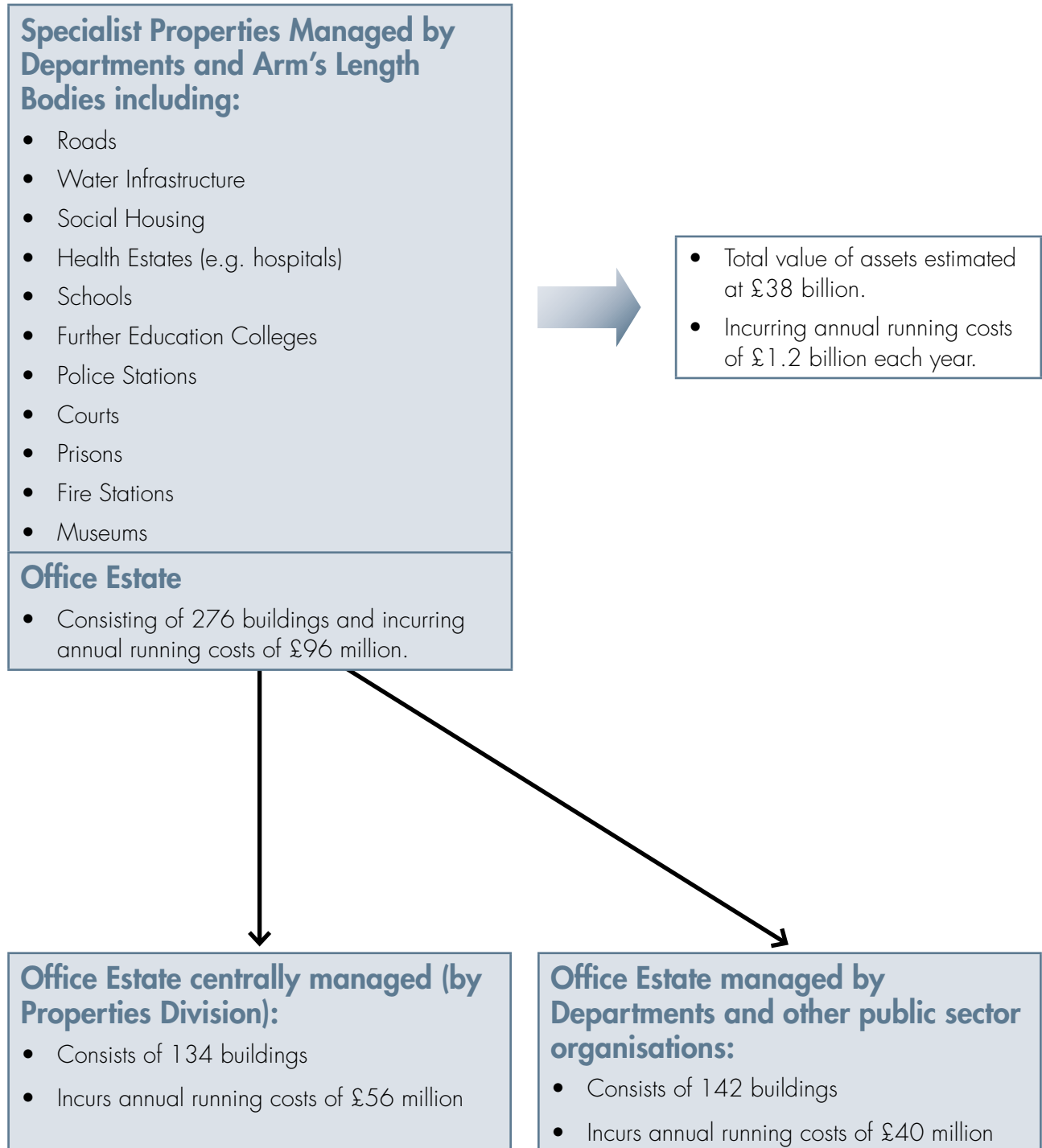
*(Paragraph 3.2)*

Property Controls ensure that:

1. No office accommodation leases will be renewed and all lease breaks will be subject to a thorough value for money test considering all other accommodation options available – any exceptions require DoF approval.
  2. Departments produce a commensurate business case in advance of lease end or lease break containing appraisal of options for relocation within the freehold estate; renewal or re-negotiation of existing leases.
  3. The centralised estate management unit approves all relocation and lease renewal business cases.
  4. Average space utilisation targets apply:
    - 9-11 m<sup>2</sup> per workstation/8-10 workstations per FTE for all administrative buildings (owned and leased); and
    - 7-9 m<sup>2</sup> per workstation in contact centres.
  5. Property occupation costs are reported annually to determine the most and least efficient assets within Central Government. Assets performing below average are to be targeted for a time-bound action within the appropriate department's Asset Management Plan.
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# Appendix 2: Overview of the Central Government Estate

(Paragraph 1.1)



## Appendix 3: *(paragraphs 1.4, 3.10, 3.18, 4.8, 4.13)*

### Progress against individual recommendations contained in our 2012 Property Asset Management in Central Government report

	<b>2012 Recommendation</b>	<b>Status</b>	<b>Details of Progress</b>
1.	We recommend that The Executive Office (TEO) (formerly the Office of the First Minister and Deputy First Minister), through the AMU, ensures that the Electronic Property Information Mapping Service (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.	Not Achieved.	<p>In 2011, use of ePIMS for the office estate was made mandatory across the public sector by the NI Executive. Information held on ePIMS was used to produce baseline information on the central government office estate, in a 'State of the Estate' (SoFTE) report, in December 2013. No further SoFTE reports were produced.</p> <p>Departments told us that although they record details of their office estate on ePIMS, they do not find the system easy to use or suitable for managing their assets. Most departments were unable to confirm whether their ALBs used ePIMS.</p> <p>Access to the system is largely limited to updating occupation and cost information. The system has limited functionality; there is a lack of (or limited) resource dedicated to sourcing and maintaining data in the system.</p> <p>Departments such as Health, Education and Infrastructure use separate systems to manage specialist assets.</p> <p>The suitability of ePIMS is to be examined as part of the RPM Programme's Asset Information project.</p>

Appendix 3 *(continued)*:

	<b>2012 Recommendation</b>	<b>Status</b>	<b>Details of Progress</b>
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.	Not Achieved.	<p>Four departments reported that they had Property Asset Management targets in place and regularly monitored performance against these.</p> <p>Properties Division told us it has undertaken some limited formal internal and external benchmarking in relation to the office estate using ePIMS. It told us that the varying methods of measurement in England, Scotland and Wales prevent meaningful comparisons.</p> <p>The Strategy includes FTE and workstation targets in relation to the office estate. All departments report on energy consumption: energy efficiency and environmental targets are reported in Annual Report and Accounts.</p> <p>The RPM Programme will establish KPIs and a benchmarking framework for the management of the office estate.</p>
3.	We recommend that the AMU 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.	Partially Achieved.	<p>TEO advised that in the five years to 31 March, Capital Realisations of £179 million have been achieved across the government estate (this includes office and other property assets).</p> <p>While some progress has been made in reforming the Clearing House system, there has been little improvement in reducing the time taken to secure disposals.</p>

## Appendix 3: *(paragraphs 1.4, 3.10, 3.18, 4.8, 4.13)*

### Progress against individual recommendations contained in our 2012 Property Asset Management in Central Government report

	2012 Recommendation	Status	Details of Progress
3.			<p>Guidelines on the Disposal of Public Sector Property in NI were updated in March 2013. Section 2.8 sets out a requirement for departments to actively monitor the disposal process.</p> <p>For the office estate, the AMU supports and oversees the disposal process from identification through to disposal.</p> <p>Departments reported monitoring the disposal process via Estate Frameworks, Disposal Plans, Estate Teams, project boards, formal project management tools and reviews at asset management meetings.</p> <p>The proposal to centralise surplus asset disposals as part of the RPM Programme was postponed. LPS and AMU are currently progressing the Disposal Process Improvement Project (DPIP) which aims to address the disposal-related recommendations in the Strategy. It is anticipated that this project will be completed during 2018-19.</p>
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.	Partially Achieved.	<p>Four departments reported that they produced cyclical, staged reviews of property assets every one to four years.</p> <p>For some departments the process entailed agreeing AMPs and discussions at Asset Management Forum meetings, whilst in others more rigour was applied and the process actively incorporated ALBs and considered current and future years.</p>

Appendix 3 *(continued)*:

	2012 Recommendation	Status	Details of Progress
4.			<p>Five departments reported that their asset management plans or asset management objectives formed part of their business plans.</p> <p>However, concern was reported (among staff involved in preparing AMPs) that AMPs are not sufficiently integrated into the business planning, investment planning and savings planning process.</p> <p>The AMU recommended a new standardised structure for departmental AMPs for 2016-17; guidance has been issued along with a series of templates. Part of the revised process will involve ensuring that AMP actions are carried forward into the departments' /ALBs' business plan(s).</p> <p>The new Asset Management Plan guidance requires individual departments to nominate a Senior Responsible Officer. This measure has been introduced to improve the consistency and quality of plans, provide a single point of contact and ensure critical challenge of property assets.</p>
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.	Not Achieved.	<p>A Property Asset Management Plan is presented each year to the DoF Board.</p> <p>Annual Departmental Accommodation Officer meetings are used by Properties Division to present energy consumption figures, planned maintenance and capital works.</p>

## Appendix 3: *(paragraphs 1.4, 3.10, 3.18, 4.8, 4.13)*

### Progress against individual recommendations contained in our 2012 Property Asset Management in Central Government report

	2012 Recommendation	Status	Details of Progress
5.			<p>While Properties Division prepares a report for each annual meeting, it does not publish a single annual report on the efficiency and sustainability of the office estate managed on behalf of departments.</p> <p>Properties Division told us it has undertaken some limited formal internal and external benchmarking in relation to the office estate using ePIMS. It told us that the varying methods of measurement in England, Scotland and Wales prevent meaningful comparisons.</p>
6.	We recommend that DFP, in consultation with the AMU, 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.	Achieved.	<p>While none of the available ring-fenced ITS funding was allocated to property projects, DoF separately secured £50 million capital funding to acquire seven buildings between 2013-14 and 2014-15, on the basis that the investments were expected to deliver approximately £4.6 million annual rental savings when the space becomes fully utilised.</p> <p>DoF considers that, due to current market projections, future acquisitions of public sector occupied office space would be unlikely to generate similar levels of savings. As a result, it is likely that ITS projects proposed in the next spending review will focus on developing or refurbishing freehold office property.</p> <p>In 2016-17, £1.5 million was allocated from the Cross Cutting Review Programme<sup>27</sup> to identify and scope various refurbishment (or Estate Rationalisation) projects.</p>

27 The Executive Paper on the Cross-Cutting Reform Programme, endorsed on the 25th November 2015, listed 30 proposed cross-cutting reform projects.



## Appendix 3 *(continued)*:

	<b>2012 Recommendation</b>	<b>Status</b>	<b>Details of Progress</b>
7.	In line with the Committee of Public Accounts at Westminster, 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.	Not Achieved.	DoF is reviewing its position on hard charging as part of the RPM Programme.  All ALBs are hard-charged for accommodation they occupy.  Notional charges are applied to departments based on an average cost per metre squared.
8.	We recommend that DFP, in consultation with the AMU, should examine current budgetary and governance arrangements with a view to ensuring that they encourage more effective collaboration between departments and public bodies.	Partially Achieved.	The NICS Board oversees Property Asset Management across the estate while the AMU and the Public Spending Directorate engage to consider the scope for, and development of, collaborative initiatives such as Invest to Save.  The AMU identified a need for greater alignment between asset management planning, financial planning and business planning.
9.	We recommend that, at a strategic level, mechanisms are introduced to enable departmental performance to be transparent and reported to the Assembly.	Not Achieved.	The Asset Management Forum (in place since April 2012) was refreshed and re-launched in July 2016.  Departments' asset management plans are approved by their boards and may be available to the NI Assembly.  Whilst there has not been a formally published 'State of the Estate' report since December 2013, departments have continued to update ePIMS with information on the office estate. The quality of information provided has not been verified.

## Appendix 3: *(paragraphs 1.4, 3.10, 3.18, 4.8, 4.13)*

### Progress against individual recommendations contained in our 2012 Property Asset Management in Central Government report

	<b>2012 Recommendation</b>	<b>Status</b>	<b>Details of Progress</b>
9.			The AMU reports annual Capital Realisations and Resource Efficiency savings across all Central Government asset types to the NICS Board and TEO Programme Board.
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.	Achieved.	<p>The introduction of AMP Guidance and the nomination of an AMP Senior Responsible Officer within each department is intended to raise the profile of property asset management within departments.</p> <p>Departmental Boards have sight of asset management proposals when approving Asset Management Plans and Annual Reports.</p> <p>Savings generated are included in the Asset Management Plans.</p> <p>Benchmarking has been limited and there is a need for greater use of performance indicators to measure improvements.</p> <p>Five departments reported that ALBs provide property asset management information to their Boards.</p>

## Appendix 4: (paragraph 2.7) RPM Programme Progress at 31 August 2017 – Extract from RPM Programme Blueprint

The RPM Programme has been operating in an environment of uncertainty. In particular the lack of a formal 4 year capital spending review and the subsequent single year revenue budgets, coupled with the turbulent political climate in the region from January 2017 through to present day, has impacted on progress, and RPM's ability to plan and budget to realise the programme benefits.

As a result of the uncertainty faced by the programme, the RPM Programme Board requested a stock take be done to ensure the Programme's mandate and strategic objectives were still both relevant and remained the primary focus of the Programme delivery. The outcome of the review resulted in agreement on the 27 January 2017 (between the Finance Minister, Programme Senior Responsible Officer, the Programme Sponsor, the Programme Transformation Director and the Permanent Secretary for Finance) that despite the current period of uncertainty, the benefits of the programme were still required and that work should continue to develop and deliver the programme to realise the potential benefits, in order to ensure that the programme was well positioned to realise the Programme's benefits when the current environment changes.

To further support the programme, the Senior Responsible Officer requested a governance review complete with a review of Programme Board membership. This review resulted in a change of membership of the Programme Board and a shift from project silos to a cross-cutting work stream approach to the programme management. This new approach was endorsed by the RPM Board in June 2017, realising a positive impact on both team ethos and progress on deliverables since its implementation.





### The Transformation Journey

The table below illustrates the "Transformation Journey" to be undertaken by Properties Division that was **initially envisaged** by the Programme Transformation Director within the approved blueprint:

Intermediate (June 2015 to April 2017)	Moving Towards	Future (April 2017 and beyond)
<ul style="list-style-type: none"> <li>New Strategic Delivery Model Agreed (June 2017)</li> </ul>	➔	<ul style="list-style-type: none"> <li>New Strategic Delivery Model implemented</li> </ul>
<ul style="list-style-type: none"> <li>Introduction of additional services. (New services identified within the Royal Institution of Chartered Surveyors Property Management Model, September 2016)</li> </ul>	➔	<ul style="list-style-type: none"> <li>Identified VFM additional services in operation</li> </ul>
<ul style="list-style-type: none"> <li>Continuous Improvement Model chosen, developed and implemented (Implemented March 2016)</li> </ul>	➔	<ul style="list-style-type: none"> <li>Continuous Improvement Model embedded into Organisation as Business as Usual.</li> </ul>



## Appendix 4 (continued):

Intermediate (June 2015 to April 2017)	Moving Towards	Future (April 2017 and beyond)
<p>(Procurement approach agreed with Central Procurement Directorate in October 2016, and revisited in July 2017)</p> <ul style="list-style-type: none"> <li>Achieve approval of Outline business cases for Belfast and Stormont projects.</li> </ul>		<ul style="list-style-type: none"> <li>(Belfast- Approval by 25/04/18)</li> <li>(Stormont –Approval by 02/03/18)</li> </ul>
<ul style="list-style-type: none"> <li>Development of KPI and Performance Management Framework</li> </ul> <p>(Draft SLA complete with KPIs to be developed by 30/09/17)</p>		<ul style="list-style-type: none"> <li>Performance benchmarking exercise undertaken against other regional estates</li> </ul>
<ul style="list-style-type: none"> <li>Transfer of additional key estate and property management skills set to Business as Usual staff.</li> </ul> <p>(Skills analysis to be completed by March 2018)</p>	 	<ul style="list-style-type: none"> <li>Personal professional development programme introduced to enhance expertise within the division</li> <li>Skills and knowledge transferred in (Business as Usual).</li> </ul>

### Other key progress milestones include:

- Appointment of full time Programme Transformation Director in early 2016.
- Adoption of Lean Six Sigma as the business improvement methodology for Properties Division in March 2016.
- Approval of an Estate Rationalisation Strategy in June 2016.
- Approval of the Royal Institution of Chartered Surveyors Property and Asset management model as the preferred model for future operations of Property Division in September 2016.
- First Lean Six Sigma Project started in November 2016.
- Hard charging principle endorsed by NICS Board in November 2016.
- Development of new Asset Information system requirements through the agile discovery process (December 2016).
- New Accommodation Standards Agreed (December 2016).
- Capital Investment approach agreed in February 2017.
- Strategic Delivery Model Agreed in June 2017.

## Appendix 4:

### RPM Programme Progress at 31 August 2017 – Extract from RPM Programme Blueprint

- An initial dispose, retain and review register from Properties Division owned assets compiled in June 2017 informing and directing capital investment in assets based on the principles of the Royal Institution of Chartered Surveyors and Institute of asset management principles.
- Belfast property strategy to address forthcoming lease exits developed in June 2017.
- Master planning for the rationalisation of the Stormont Estate commenced in July 2017.
- OJEU published for procurement of Integrated Consultant Team for Belfast Optimisation Project in July 2017.

### Outcomes

It is important to recognise the outcomes delivered by Properties Division as a result of the programme. Through the management of the property controls introduced through the programme the following outcomes have been achieved since the programme's inception:

- The generation of £18 million savings in the cost of managing the office estate over the five year period to 31 March 2016;
- The number of buildings in the office estate has reduced by 10 per cent (from 308 to 276) in the 3 years to 31 March 2015; and
- In the 3 years to 31 March 2015, the number of leasehold properties fell by 22 per cent (40 buildings).

As the programme enters the next period the delivery of cash releasing savings becomes more reliant on;

1. The availability of capital for investment in rationalisation activities; and
2. The continued commitment and support of the senior leadership within Properties Division and the Department of Finance to realise the business transformation objectives.

### Challenges and Lessons Learned

#### Budget Challenge

As stated, the budget environment that the programme has been operating in has been challenging. In particular the lack of a formal 4 year capital spending review and the subsequent single year budgets coupled with the turbulent political climate in the region from January 2017 through to present day has impacted on progress, limiting both the level of planning and budget to realise the programme benefits. Notwithstanding, the programme has continued to manage on a year to year basis and achieved the

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## Appendix 4 *(continued)*:

notable progress outlined above. However the primary consequence of this is that progress against the cash releasing benefits on offer by the programme has been slow, ultimately resulting in the original timescales of the programme slipping.

The Budget situation has had a knock on effect on all aspects of the programme deliverables from the availability of resource and capital funding to fund projects as well as limiting the ability to staff the programme effectively. This has led to the Programme Transformation Director spending a considerable amount of time seeking support for funding a programme that is clearly supported from the Executive, Department of Finance and indeed the NICS Board, constrained by the realities of managing public money in the uncertainty of the larger political environment faced in the region.

### **Lesson Learned from the Budget Challenge**

Ensuring continued support for the programme mandate was the primary lesson learned as a result of the financial environment faced by the programme. The review of the mandate and the potential benefits supported by the Department's Permanent Secretary and the NICS Board was critical to facilitate progress and maintain a degree of momentum in the programme and as a result further motivated the programme team to deliver in the face of uncertainty.

### **Governance Structure Challenge**

The importance of effective and strong governance in a programme of this size cannot be overstated. However in an effort to ensure the governance of the Programme was without reproach, the progress of deliverables became constrained by the structure, and organisation of governance arrangements. A detailed review of the programme, associated project structures and governance arrangements was undertaken by the Programme Transformation Director and the Programme Senior Responsible Officer. Lessons learned from programmes of similar scale and complexity were examined from across the UK, including workshops with other programme directors who shared their experiences with the RPM Programme. Ultimately this review resulted in a change of membership of the programme and project boards. The focus of the RPM Board changed from the tactical delivery of programme deliverables to the strategic oversight of the realisation of the programme goal and objectives with its membership reflecting this. The Programme adopted a work stream approach and shifted from project silos to cross cutting approach to the programme management. As stated this new approach was endorsed by the RPM Board in June 2017, realising a positive impact on both team ethos and progress on deliverables since its implementation.

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## Appendix 4:

### RPM Programme Progress at 31 August 2017 – Extract from RPM Programme Blueprint

#### Lesson Learned Governance Structure Challenge

One size does not fit all is the primary lesson learned as a result of the governance structure within the RPM Programme. Good governance promotes and assists in delivering efficient programmes. While there is no room for complacency in the effective implementation and management of governance, Programme Directors and Senior Responsible Officers should not be reluctant to constructively and continually review and challenge governance arrangements to ensure they remain an effective tool in the delivery of programme objectives.

#### Asset Transfer Challenge

The centralising of the management of the office estate within a transformed Properties Division is a key deliverable within the programme. Considerable work has been done to drive the centralisation of the estate forward, however no assets have transferred into Properties Division. While the centralisation of assets was a recommendation of both the 2012 NIAO report and the 2013 Northern Ireland Asset Management Strategy, the implementation of the recommendations has proved to be considerably more challenging.

Upon the identification of the asset transfer process it was found that the transfer of assets across government departments and ALBs was not as straightforward as was originally envisaged. Challenges around the centralisation of assets focus on issues such as budget transfer, liability of assets transferred, potential future services of a reformed Properties Division, and the future hard charging arrangements. Notwithstanding the above, asset and property management principles also demand that when acquiring an asset into a portfolio the asset should bring an inherent value to the portfolio. While the value of centralisation lay in the undisputed efficiency gained through a single organisation preventing a fragmented and disparate approach to property management at the macro level, when we examined at the micro level, the value of transferring assets on an individual basis can become less clear.

#### Lessons Learned from the Asset Transfer Challenge

The primary lesson learned is that the transfer of assets must sit within the framework of the Benchmarked Office Estate investment plan. There is little value in transferring an asset into the estate where the asset is to be disposed of in the short to medium term. Hence the completion of the investment plan across the Benchmarked Office Estate will logically prioritise assets to be disposed of and ultimately retained and centralised into the Properties Division portfolio.

The other key lesson learned is that the transformation of Properties Division must reach a further degree of maturity prior to asset transfer. In particular the operating model, framework of the future services and future hard charging arrangements must be suitably developed. This will provide context and assurance to customers as to how the asset will be managed upon transfer, ensuring that the transfer process will add value and not disrupt their daily operations.



## Appendix 4 *(continued)*:

### Staff Resourcing Challenge

Adequately resourcing the programme has been a significant challenge. Previous programmes of similar size have had the benefit of substantially more staff to meet deliverables. The programme also faces another unique challenge in staff resourcing insofar as the NICS Voluntary Exit Scheme and the NICS departmental restructuring was running in parallel during this period of the programme. This resulted in challenges associated with the movement of staff across business areas as departments were effectively rebalancing and evaluating the impact of their resourcing levels as a result of both initiatives.




The constraints of the existing budget environment has also understandably impacted on the ability to resource the programme. In 2016, the programme introduced 10 new team members, and since they took up post there has been marked progress across key deliverables. However, the need for more support is still evident.

### Lesson Learned from the Staff Resourcing Challenge

Continual resource planning and engagement with the HR function is required to ensure that progress is not delayed as a result of lack of staffing resource. The processes for recruitment must be adequately captured in programme activity planning to manage deliverables and expectations as to how quickly new team members are likely to be on boarded.











### The Transformation Journey (Progress as at August 2017)

The table below reflects the progress to date and determines both the intermediate and future state in light of progress.

Intermediate (August 2017 to April 2019)	Moving Towards	Future (April 2019 and beyond)
<ul style="list-style-type: none"> <li>Implement new Strategic Delivery Model</li> </ul>		<ul style="list-style-type: none"> <li>New Strategic Delivery Model implemented</li> </ul>
<ul style="list-style-type: none"> <li>Skills Analysis associated with new services</li> </ul>	 	<ul style="list-style-type: none"> <li>Personal professional development programme introduced to enhance expertise within the organisation.</li> <li>Property/Asset Management skills embedded into organisation.</li> </ul>

## Appendix 4:

### RPM Programme Progress at 31 August 2017 – Extract from RPM Programme Blueprint

Intermediate (August 2017 to April 2019)	Moving Towards	Future (April 2019 and beyond)
<ul style="list-style-type: none"> <li>New business process associated with new services identified and developed.</li> </ul>		<ul style="list-style-type: none"> <li>New processes embedded into organisation.</li> </ul>
<ul style="list-style-type: none"> <li>New Asset Information Management system Go Live</li> </ul>	 	<ul style="list-style-type: none"> <li>Agile decision making based on real time data</li> <li>New Estate Information Management system fully operation</li> </ul>
<ul style="list-style-type: none"> <li>Strategy and Rationale for property Transfer being assessed and implemented</li> </ul>	 	<ul style="list-style-type: none"> <li>Robust Estate Transfer model embedded into Properties Division Business as Usual</li> <li>Planning commenced for centralisation of other property related assets</li> </ul>
<ul style="list-style-type: none"> <li>Benchmarked Office Estate Investment plan approved by RPM Board</li> <li>Accommodation Standards tested.</li> <li>Belfast Optimisation Project &amp; Stormont Estate Optimisation Project OBC 1&amp;2 Approved.</li> </ul>	    	<ul style="list-style-type: none"> <li>Achieve the AMS target of 9 – 11m<sup>2</sup> per workstation across the office estate. The RPM Programme aims to reduce the deficit between the annual running costs of the Central Government property Estate and budgetary forecasts</li> <li>Deliver a modern ‘fit for purpose’ working environment across the office estate.</li> <li>Project with approved business cases moved into project delivery</li> </ul>
<ul style="list-style-type: none"> <li>Development of SLA's inclusive of KPI and Performance Management Framework</li> <li>Implementation of Hard Charging shadow arrangements.</li> </ul>	  	<ul style="list-style-type: none"> <li>Asset performance benchmarking exercise undertaken against other regional estates</li> <li>Implementation of Hard Charging across entire Benchmarked Office Estate.</li> </ul>

## Appendix 4 *(continued)*:

### **Conclusion**

This addendum serves to maintain the focus of the Programme on delivering the necessary change to enable the realisation of the goal statement and the Programme's benefits as outlined in the Blueprint. Recognising that the RPM Programme Blueprint is a living document which should be regularly updated, this document is a means to update the original programme blueprint as a result of progress and outcomes realised since its initial approval in the context of the operational environment the programme has been facing. This addendum reviews the journey of the programme from the initial approval of the Blueprint reviewing progress against objectives, challenges faced and lessons learned up to August 2017.

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## Appendix 5: (paragraph 3.6) Changes in the size, cost and performance of the Office Estate

### A: Changes in the size of the Office Estate over the four year period to 31 March 2015

	Freehold Property		Leasehold Property		PFI Property		Total	
	Area (m <sup>2</sup> )	Number of Buildings	Area (m <sup>2</sup> )	Number of Buildings	Area (m <sup>2</sup> )	Number of Buildings	Area (m <sup>2</sup> )	Number of Buildings
<b>2011-12</b>	306,205	123	245,765	184	9,471	1	561,441	308
<b>2014-15</b>	312,294	131	203,932	144	7,891	1	524,117	276
<b>Increase/ (Decrease)</b>	<b>6,089</b>	<b>8</b>	<b>(41,833)</b>	<b>(40)</b>	<b>(1,580)</b>	<b>0</b>	<b>(37,324)</b>	<b>(32)</b>
<b>% Change</b>		<b>7%</b>		<b>(22%)</b>		<b>0%</b>		<b>(10%)</b>

Source: Properties Division and Asset Management Unit

### B: Changes in the cost of the Office Estate over the four year period to 31 March 2015

	2011-12	2014-15	Increase/(Decrease)	% Change
<b>Annual Property Cost</b>	£97.4 million	£95.7 million	<b>(£1.7 million)</b>	<b>(2%)</b>
<b>Vacant Workstations</b>	5,538	6,382	<b>844</b>	<b>15%</b>
<b>Cost of Vacant Workstations</b>	£15.4 million	£17.3 million	<b>£1.9 million</b>	<b>12%</b>

Source: Properties Division and Asset Management Unit

### C: Changes in Performance against Key Performance Indicators over the four year period to 31 March 2015

	2011-12	2014-15	Increase/(Decrease)	% Change
<b>Cost per FTE</b>	£3,298	£3,307	<b>£9</b>	<b>&lt; 1%</b>
<b>Cost/m<sup>2</sup></b>	£173	£182	<b>£9</b>	<b>5%</b>
<b>Cost/Workstation</b>	£2,777	£2,709	<b>(£68)</b>	<b>(2%)</b>
<b>Space (m<sup>2</sup>/FTE)</b>	19.0m <sup>2</sup>	18.1m <sup>2</sup>	<b>(0.9m<sup>2</sup>)</b>	<b>(5%)</b>
<b>Workstation: FTE Ratio</b>	1.19:1	1.22:1	<b>0.03:1</b>	<b>3%</b>
<b>m<sup>2</sup>/Workstation</b>	16.0	14.8	<b>(1.2)</b>	<b>(8%)</b>

Source: Properties Division and Asset Management Unit

# NIAO Reports 2016 and 2017

Title	Date Published
<b>2016</b>	
Governance of Land and Property in the NI Housing Executive	07 January 2016
Continuous Improvement Arrangements in Policing	08 March 2016
Local Government Code of Audit Practice	31 March 2016
Managing Legal Aid	21 June 2016
Contracted Training Programmes	28 June 2016
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The National Fraud Initiative: Northern Ireland	07 July 2016
The Rivers Agency: Flood Prevention and Management	13 September 2016
Local Government Auditor's Report 2016	20 September 2016
Northern Ireland Public Sector Voluntary Exit Schemes	11 October 2016
Managing Emergency Hospital Admissions	08 November 2016
Financial Auditing and Reporting: General Report by the Comptroller and Auditor General for Northern Ireland – 2016	06 December 2016
<b>2017</b>	
Continuous Improvement Arrangements in Policing	04 April 2017
Management of the Transforming Your Care Reform Programme	11 April 2017
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