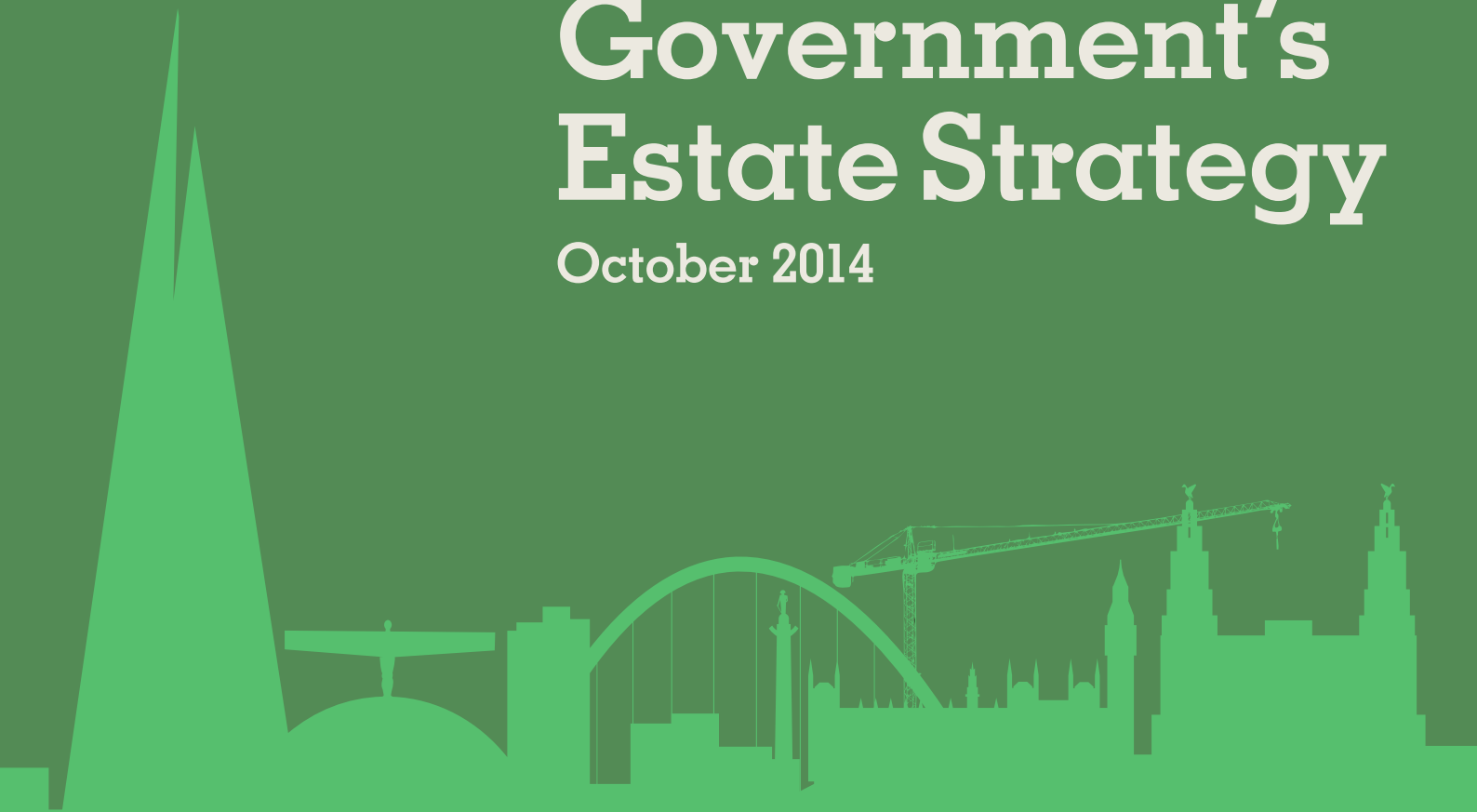


# Government's Estate Strategy

October 2014



Cabinet Office

## A new strategy

The Government's vision is to create an efficient, fit-for-purpose and sustainable estate whose performance matches the best of the private sector.

In June 2013 we published our first strategy; we are now publishing a more ambitious, more modern, and more comprehensive update to reflect good progress so far, an expansion of the scope of our work, and a leap in the scale of our ambition as we start to use the estate to deliver better integrated public services and as an enabler for growth.

Between now and 2020 we will reform how the state uses property, so that we:

- Remove artificial boundaries between departments, local authorities and other public bodies
- Work in ways that minimise our need for office space
- Use what we have more efficiently, and
- Get rid of surplus in a way that maximises receipts and boosts growth and creates new homes

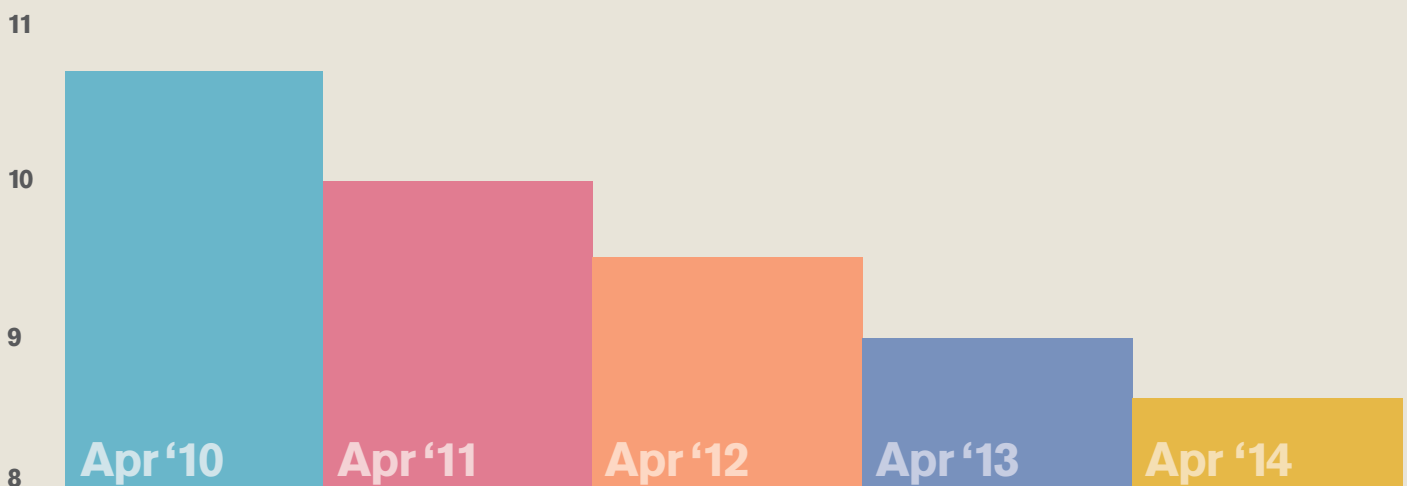
As a first step, and to reduce our need for office space, we are planning a smarter working revolution to transform how and where civil servants work. In line with what many private sector organisations have achieved, we expect this to increase productivity, reduce costs, improve wellbeing, and contribute to wider objectives such as localism, sustainability, and reducing pressure on the transport system. This programme, called *The Way We Work*, or *TW3* for short, is a cornerstone of civil service reform and will be in place by the end of 2015.

We are planning a smarter working revolution to transform how and where civil servants work.

## A shrinking estate

Since 2010 departments have shrunk the central Government estate by over two million square metres just as civil service numbers have also reduced by 17%.

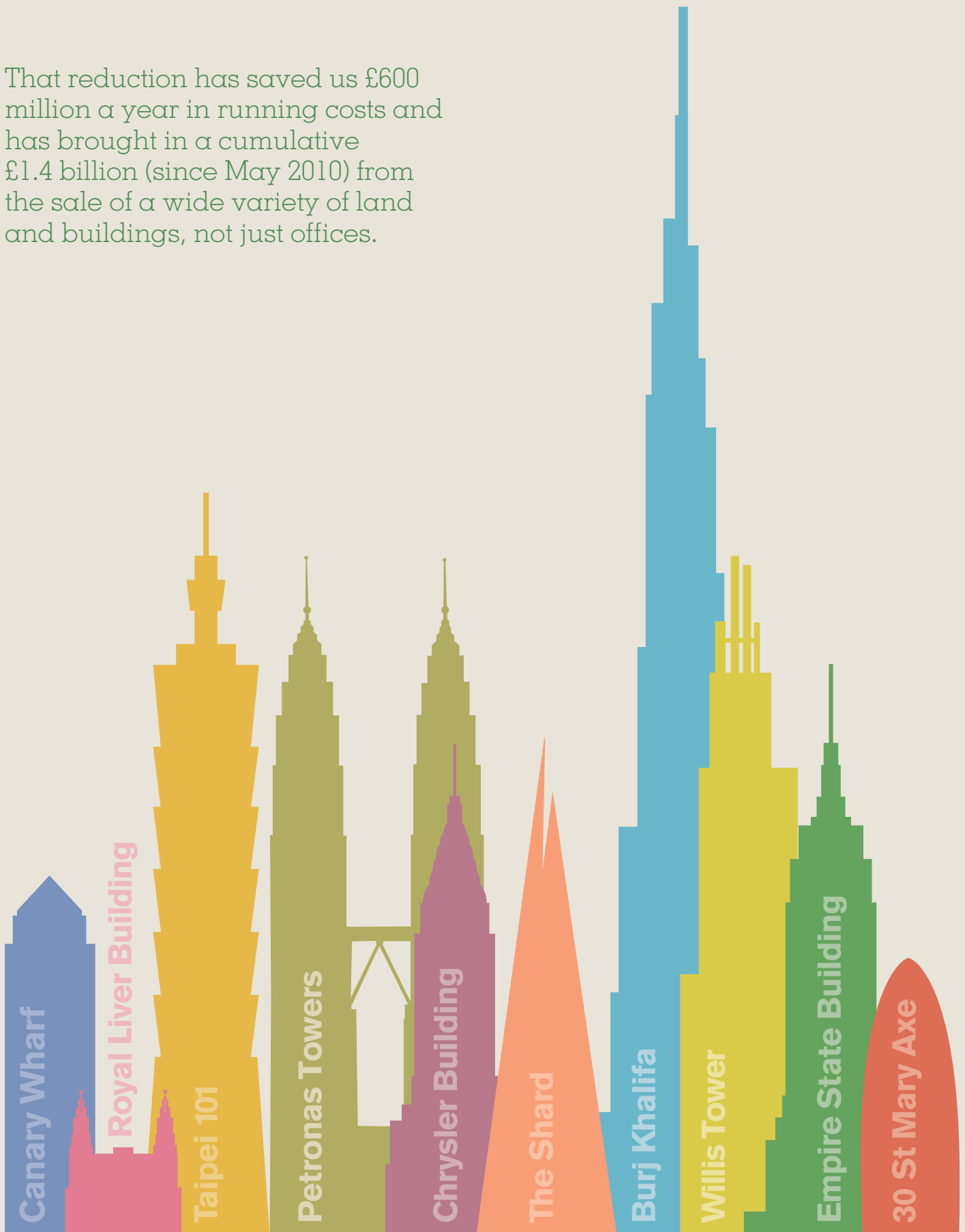
**Total Floorspace**  
(million sq m Net Internal Area\*)



\*Net internal area is the usable floor space in a building excluding common areas like entrances, stairwells and washrooms.

This is equivalent to the space in all the buildings below, combined.

That reduction has saved us £600 million a year in running costs and has brought in a cumulative £1.4 billion (since May 2010) from the sale of a wide variety of land and buildings, not just offices.



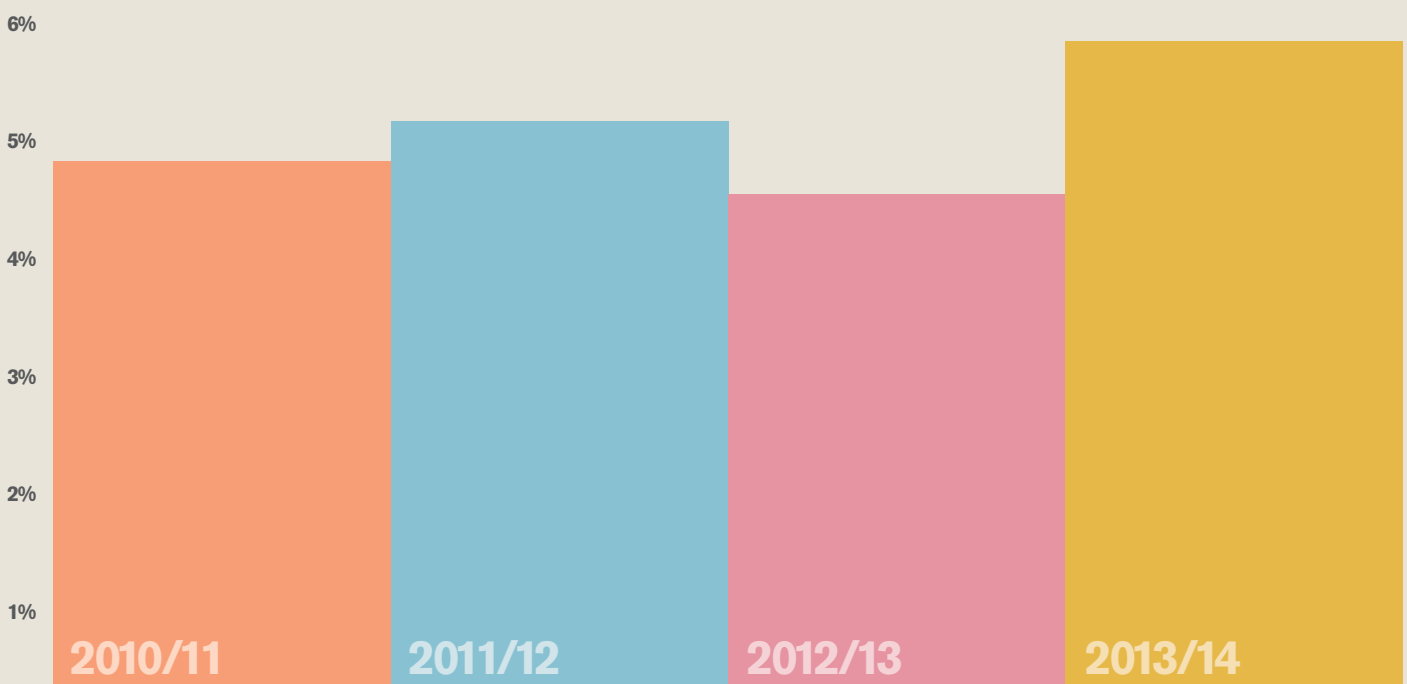
That reduction has saved £600 million a year in running costs and has brought in a cumulative £1.4 billion (since May 2010) from the sale of a wide variety of land and buildings, not just offices. Some of that money has been recycled to fund further savings. For example, the proceeds of the sale of a lease on Admiralty Arch will be used to renovate and expand the capacity of the Old Admiralty Building, allowing the Department for Education to move its headquarters from Sanctuary Buildings in Great Smith Street. The saving to the Government there alone is some £19 million a year. At the same time, the Foreign and Commonwealth Office will move out of Old Admiralty Buildings and create a single headquarters, saving them £5 million a year.

Not only is our estate shrinking, but we are getting quicker at disposing of property, too.

The amount of space we use per person is also decreasing, even at a time when civil service numbers have been falling at a record rate. In the year to March 2012, the average space per Full Time Equivalent (FTE) was 13 sq m. One year later, that figure was just 11.9 sq m.

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**Rate of Reduction in floorspace  
% per annum**



## Stronger economy, stronger market



The latest analysis from consultant JLL shows that the economic recovery has been reflected in an improved commercial property market. After several years of lacklustre performance, particularly in the regional markets outside London, rising confidence has led to the release of pent up demand in the leasing market, which in turn has underpinned improved investor sentiment.

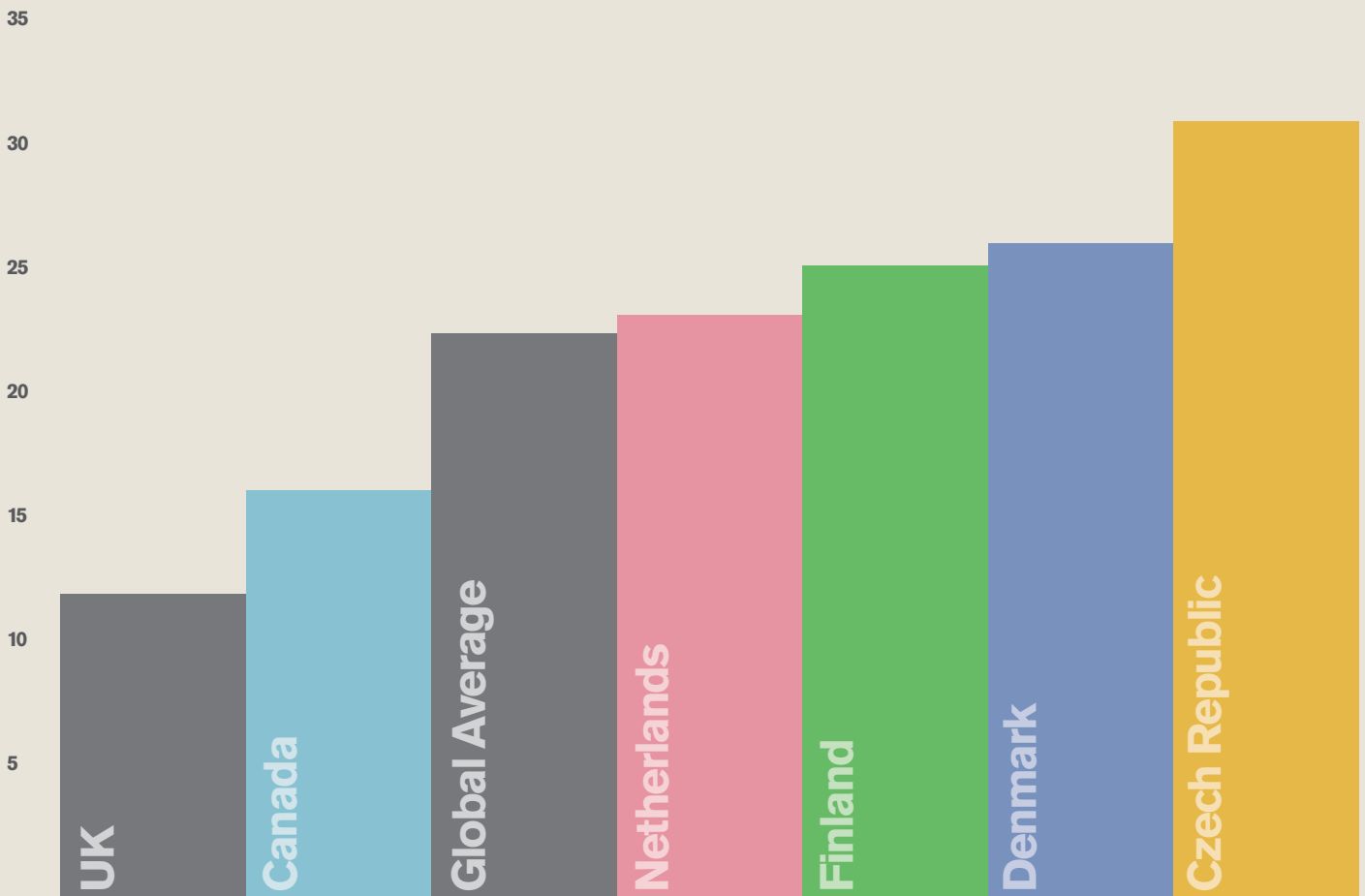
In central London, office take-up accelerated rapidly in 2013, rising by 54% on the 2012 level, while in the major regional markets activity was also up by 35%. Occupier demand has continued to be very strong in 2014 across a broad sectoral base.

The improvement in the leasing market has led to increased investor confidence and to a narrowing of the divergence in yields and capital values between London and the regions. While yields continue to shift inward in London, the recent movement has been more significant in regional centres.

Looking ahead, JLL anticipates that rising employment will feed through to rising occupier demand and, coupled with tight supply of Grade A space, will result in increases in headline rents and a reduction in tenant incentives. Demand will also be bolstered by many companies deciding to reconfigure their portfolio to improve workforce productivity.

We already perform well when compared with other countries in terms of the efficient use of space in the public sector<sup>1</sup>

### Sq m / FTE – International Civil Service Comparison



<sup>1</sup>Source - Information derived from TWN and PuRENNet member organisations and normalised and rounded to NIA/FTE equivalent

## But complacency is the enemy. We need to be more ambitious...

Departments are working on future disposals to continue this good work. We expect at least a further £5 billion of receipts by 2020, not just from offices, but from surplus land, airfields, barracks, prisons, laboratories, and so on.

We are on track to meet our existing central Government target of an average of ten sq m of space per FTE by the end of 2015. But because well-run organisations use space efficiently and new offices easily beat the space standards of older configurations, we believe we can drive further progress. Our new target will be to reduce the office space per FTE to an average of just eight sq m by 31st March 2018. We believe this is the most efficient space standard for public sector office space anywhere in the developed world.

### ...more modern...

Of course, all of this does not mean that we will squeeze more and more people into ever more crowded spaces. Instead, we want people to work in a range of locations so there are fewer staff in the office on any given day. There will continue to be proper safeguards around security of sensitive information, but we want smarter working and mobile IT to be the norm. Unless there are particular requirements, civil servants should be able to work flexibly across locations at times that are convenient to them and their managers – and to the users of public services.

Some of the most successful businesses such as EY, Microsoft, Virgin, and Vodafone, have cast aside outdated ways of working with impressive results. But some parts of the civil service and the private sector still have an inflexible, command-and-control model where people are managed more by their presence than by achievement.

The evidence of smarter working is impressive. It increases productivity, brings down costs, reduces our carbon footprint, and improves the wellbeing and engagement of people working in an organisation.

The UK is a global leader in this quiet revolution; a revolution made possible by modern technology, but where change can only happen when leaders transform the ethos of how work is done in an organisation.

All Government departments have now started smarter working strategies that are helping them deliver their business objectives, co-ordinated through our TW3 programme. This is a culture change that is fundamentally transforming the Civil Service. In practice, this means:

- Behavioural and managerial changes that support flexibility
- Desk-sharing, and workplace design that increases capacity and provides a variety of types of space to meet the diverse needs of a modern workforce
- Work being done in a variety of settings, not just at a specific desk in an office, and
- IT that allows people to work efficiently, anywhere

“Case studies from early adopters of more virtual approaches to work, from Yell to Boeing and Cisco, all paint a picture of significant cost-savings and clear business benefits.”

**Unwired Research: measuring the benefits of agility, 2011**

“Many employees who work from home are extremely diligent, get their job done, and get to spend more time with their families. They waste less time commuting and get a better work/life balance. To force everybody to work in offices is old-school thinking.”

**Richard Branson, 2014**

## Spotlight On: The Ministry of Justice

The MoJ's *TW3* strategy is helping the department reduce its London estate to one headquarters building by 2016, having already reduced from 18 buildings to four, saving the department £30m a year in the process. This February, the department launched the first *TW3* pilot with a newer office layout to support smart ways of working. A touchdown space for laptop users, extensive reduction of the use of paper, a range of desk sizes and an area for informal meetings have all encouraged staff to transform how they work and achieve an ambitious 55% desk ratio, which supports the department's target of seven sq m per FTE in London by 2016.

One of the biggest changes has been to bring working patterns up to date. Some staff across the department are testing a range of mobile devices such as tablets and laptops to enable them to work from different locations. Feedback to date has been very positive, with those involved in the initial pilots now having the ability to respond to emails between meetings, away from their main place of work, while they are travelling, and while working at home. They are able to re-prioritise their workload whilst on the go which has effectively saved them time and enabled them to work more effectively.

The department is also developing strategically placed 'Commuter Hubs' within the M25 to increase the options for headquarters staff. The first 'Hub' opened in May 2014.



## ...more innovative...

We have embarked on a range of new projects to make the best use of our assets. Given the reduction in the estate so far, we already have a good story to tell on **sustainability**, but we want to go further. Solar energy is now one of the most cost-effective sources of renewable energy, so we are looking to expand the Government's own capacity by using public sector land and buildings to generate 500 megawatts a year. We have already made a start on this with the Science Museum by planning a solar energy park on the old airfield at Wroughton, in Wiltshire.

We are also using **innovative financing models**. We have issued one of the UK's first Islamic (Sukuk) bonds, using £200 million of freehold government property for the first, five-year, bond. The aim is to help make London a leading financial centre for Islamic finance.

We are also introducing a **shared services initiative** by the end of 2014. Clusters of departments and arm's-length bodies will share purchasing power and specialist skills or have property services delivered by a single team. This will lead to a rationalised – but more effective – service. These new clusters will work closely with the businesses they serve, and bigger teams will be more resilient and better equipped to deliver specialist services and help staff develop their skills. Property strategies will remain the responsibility of departments, but by working more closely together, and using controls when necessary, we will be better able to manage change and deliver space targets and co-locations.

## ...more strategic...

We want to use property as an enabler for economic growth. By adopting a more strategic approach across the whole public sector, we can:

- Generate more capital receipts
- Release underused land and buildings to stimulate growth, regeneration, new housing and jobs
- Reduce running costs for both central and local government, and
- Deliver more integrated and customer-focused services by encouraging services to co-locate and service providers to collaborate

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The One Public Estate programme is a pioneering and ambitious initiative funded by the Cabinet Office and delivered in partnership with the Local Government Association. It brings together all public sector bodies within a locality, to work together in developing a radically new approach to managing their land and property. By pooling data on their asset holdings and developing joint plans to share property and release surplus land and buildings for other uses, the programme will

- Deliver **savings for the taxpayer.**
- By bringing together into shared buildings the services delivered by different public sector organisations, provide **better, more integrated local services, in places which are more convenient for users.**
- Provide land and property which can be reused for housing and new enterprise, boosting local **jobs and growth.**

The first year's results are impressive. Across 12 pilot areas, projected savings in running costs are £21 million, with £88 million in capital receipts. It is forecast that the land and property released for new uses will lead over the next five years to the creation of 5,500 jobs and the building of 7,500 new homes, with total benefit to local economies estimated at £40m. In Leeds, for example, the initiative enabled the assembly of land for the largest John Lewis store in the north of England, creating nearly 1000 new jobs. In Ellesmere Port, a new public services hub will bring together local authority services with those of the Department for Work and Pensions, linked with a regeneration scheme which will see 800 new homes and 2,000 jobs. And in Hull, rationalisation of property holdings has provided savings to fund projects like the Wilson Centre, a help and advice centre where co-location of services has improved customer experience for residents

As a result of the success of its first year, the programme has been extended to 20 more local authorities across the country, including London. We plan to expand it further in future. And we will pursue this initiative alongside other major public service reform programmes. Those include bringing public services on line and creating digital platforms that people want to use, so that they do not even need to travel to public service hubs. Bringing national and local agencies together to provide integrated health, social care, employment and other services to users. And bringing support functions together into shared services, as for example the innovative programme now under way to create a property shared services in Worcestershire, saving £110m revenue savings and £113m in capital receipts for the taxpayer over 10 years. Taken together, generating not only savings for the taxpayers but also better public services and more prosperous communities.

We are also working to reduce – and better use – **vacant space**. Only 3% of the central government estate was vacant in 2013, compared with the national private and public sector average of 10%. But we plan to reduce vacant space further by, for example, bundling it together in bigger packages and putting dedicated teams together to speed up disposal.

Where our land or buildings are potentially surplus and could be put to better economic use, people can challenge us to release them, using the new **Right to Contest**, which was introduced in January 2014. We now want to see more challenges from the public, from community organisations, and from the private sector, about whether specific government-owned properties might be better used by the community or redeveloped for housing or other regeneration purposes. To help deliver this ambition, we now publish details of **surplus government land and property** through a new website - Government Property Finder.

Our first priority for surplus space is simply to get rid of it. Where we have surplus space that we cannot get rid of, we are using it better. The Government **Space for Growth** (SfG) initiative encourages SMEs, social enterprises and charities to use space for free for up to two years. The initiative now has 59 properties available for either direct desk booking through the SfG Portal, or for incubator organisations to run.

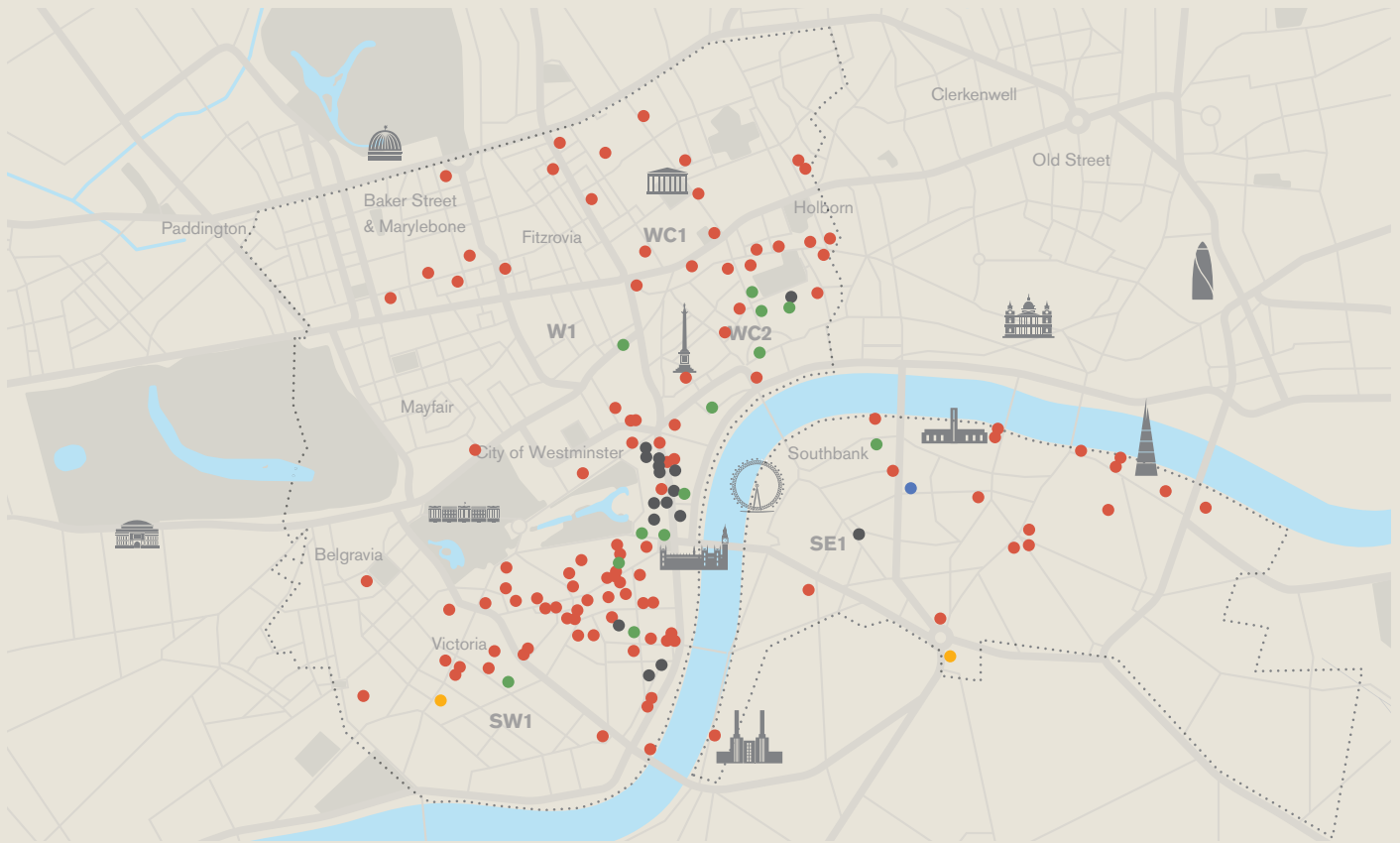
We are also developing 'One Civil Service' offices across the country, where different organisations can share the same space. One example of this is the Temple Quay Campus in Bristol, which involved discussions with 12 departments and 28 agencies to bring them together in modern, efficient and flexible space. The project will reduce the dozens of buildings we had in Bristol in 2010 to only 18 by 2020. Similarly, in Liverpool we are moving from 47 buildings in 2010 to 17 by 2020.

Cost, obviously, is another factor. We are beginning a new initiative to see how best we can reduce the amount of expensive space used by civil servants in Whitehall. Shown overleaf are the 143 buildings central Government occupied in 2010:

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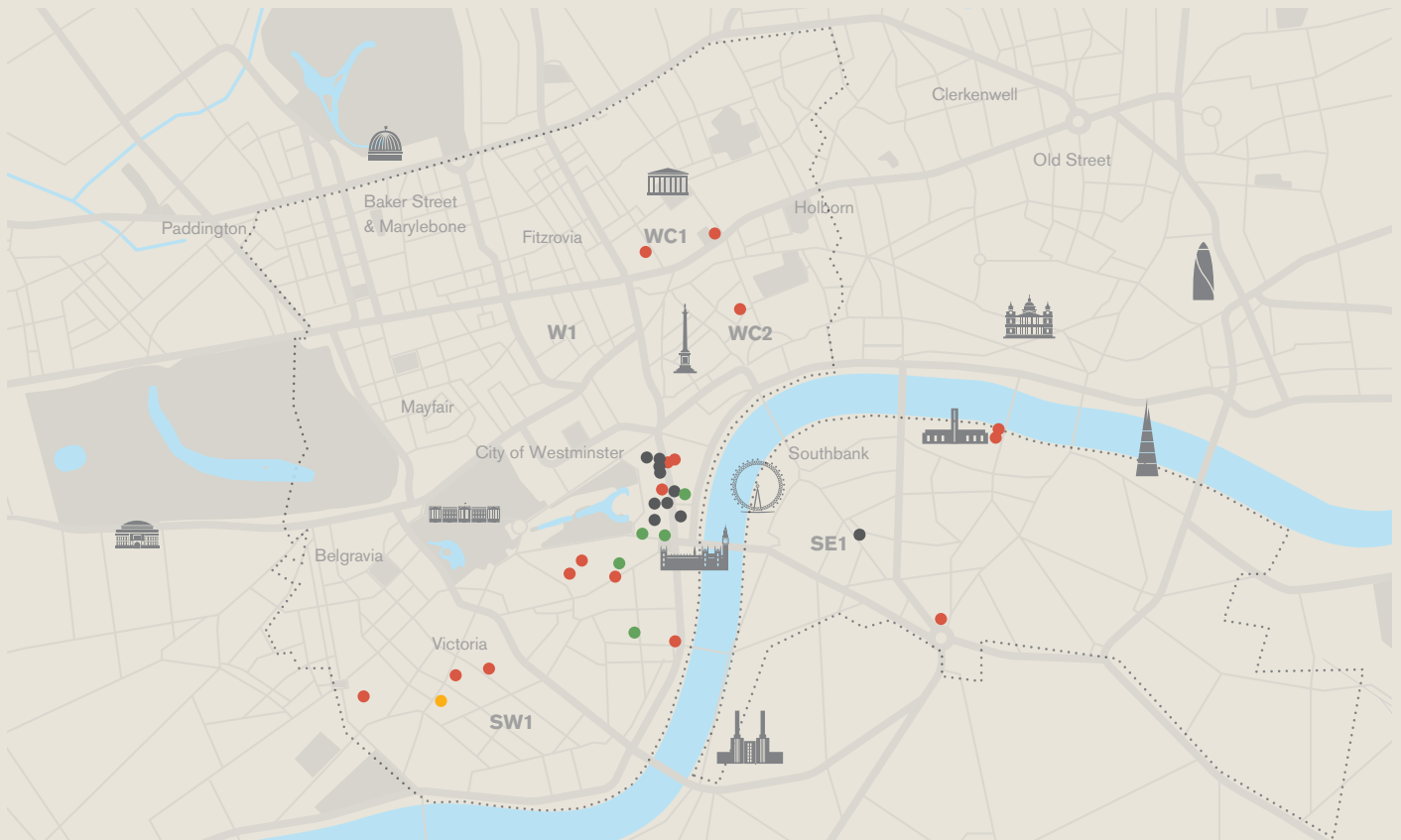
● Leasehold ● Freehold ● PFI ● Served Office ● Other

### Central Government Office Estate 2010



And this is where we could get to by 2020 on current plans:

### Central Government Office Estate 2020



But we want to do better than even the 2020 map above shows. We will review the feasibility of creating new One Civil Service offices in outer London, in the suburbs, and on the fringes of other conurbations. Previous reviews have focused on moving civil servants out of London but this study is looking at the potential of the capital's periphery. The cost of space in Whitehall is expensive: the Ministry of Defence's main building, for example, costs around £35,000 per person, compared with around £3,000 a year for the Home Office (former UK Border Agency) building in Croydon. So we want more civil servants to work smarter: from home, on the move – but, in particular, in offices away from city centres. With modern IT, officials no longer necessarily need to be physically present, for example to brief ministers. Having offices on the periphery will also encourage local growth and regeneration.

In addition to this drive, we will also reduce the supply side of property by disposing of, or granting leases on, freehold properties in city centres, including the Old War Office (MoD). We will also not be renewing leases like those at Sanctuary Buildings (Department for Education) – once again to turn around the prevailing tendency to locate head office staff in central London.

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## The HMRC Estate Journey



When it was created in 2005, HMRC's estate covered 1.6m sq m, with 600 offices in 300 towns and cities. Since then, a radical estate strategy has focused on reducing costs, improving efficiency, mitigating impact on people and the environment, improving workplace quality and aligning the estate with operational needs.

This integrated people-and-offices programme has put HMRC on track to remove 750,000 sq m from its portfolio by March 2015. By then, HMRC will be operating from 180 offices in 125 locations, with cumulative savings of around £250 million having been made since 2010. The department has made the largest contribution to the reduction of the civil estate in each of the last four years.

But there is more to come. HMRC has now started conversations with staff about its *Building Our Future* programme. This sets out what HMRC will be like by 2020 and beyond, based on a business strategy that will enable it to become a smaller, more professional organisation.

The majority of HMRC staff will be based in large, regional centres offering modern, adaptable workspaces that support collaboration. These will be supported by specialist sites and touchdown locations for fieldworkers. This exciting plan will transform how HMRC works, opening up career opportunities in the centres. It will also enable departments to work together to develop hubs, making significant reductions in the civil estate.

## Strategic Land and Property Review

Over the last six months we have undertaken a comprehensive analysis of the government estate, doubling the number of records held on the Cabinet Office property database, e-PIMS (electronic Property Information Mapping Service), to 100,000. It is now a modern day, public sector Domesday Book.

Through the review, departments have committed to reforms expected to deliver by 2020 £3.5 billion of value, with at least a further £1.5 billion to come from operational reviews. It has also identified hundreds of assets of limited commercial value which could be better managed by local authorities and communities for local benefit.

The Government's estates community is determined to up its collective game, however – to be even more active in managing its property assets. Asset-owning departments are more ambitious than ever and the centre, for its part, will provide greater support and challenge too. This will involve, for example, departments engaging in multi-agency projects to deliver efficiencies and contribute to growth. And we will intervene positively where departmental interests conflict with those of the Exchequer overall and where investment is needed in the short-term in order to drive longer-term gains.

## ...and more capable

### Controls and Incentives

The use of National Property Controls – under which departments that want to renew a lease, must seek agreement – has helped to rationalise the estate. The controls work well, but they are only useful for leaseholds when a lease event is coming up. They do not help, for example, with under-utilised freeholds, residences or PFIs. Nor do they stop public sector bodies moving into expensive buildings. There may, therefore, be a need for further controls to drive greater efficiency in the future.

Previously, the controls only covered the administrative estate (headquarters and back offices). In the last year, however, the scope of the controls has been extended to cover the whole of the operational estate (that is, including front-line service delivery buildings like tax and Jobcentre Plus offices) as well as land through the SLPR process.

### Government Property Profession

The functional leadership of the property profession is helping to provide direction to the estate management community on policy and strategy, and is helping to ensure that our management of the estate is organised and skilled to get the best performance possible.

Departments will undertake at least one new property asset management capability assessment review by April 2015 to consider whether they have the corporate capability to deliver their property plans. Within the strengthening of the role of the profession we will improve professional capability, track talent and deliver strategic workforce planning that will provide opportunities for career development.

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### Management Information

Departments largely operate their own separate property management information systems, with e-PIMS used only for basic current and historic data.

Over the next year, however, we intend to leverage our new 100,000 entry dataset by developing the management information capability of e-PIMS, including:

- A forecasting facility for property teams to record forward profiles in terms of workstations, FTEs, investment, vacancy, and when we expect to vacate each property
- Integration of the NPC system so exemptions and exits can be managed, and savings calculated, on e-PIMS, and
- A performance measurement tool that enables immediate comparisons of KPIs against the Civil Estate and private sector benchmarks

Rather than via discrete clerical data collection, validation, number-crunching and reporting activities, all of these new features will ultimately be processed digitally and be accessible online. This centralised management information will promote the understanding, joining-up and optimisation of estate strategies.

We will also be able to extend performance management beyond the office estate and into other types of public sector property, thanks to increased automation. We are, for example, implementing the use of e-PIMS by local authorities as a precursor to extending estate planning and performance management to the wider public sector.

## But we are not done. There is more to come.

We are determined to maximise the efficient use of our assets and to ensure they better support the changing business of public service delivery. So we will continue to pursue radical options to squeeze the most value out of what is, after all, the taxpayers' money. Therefore, over the coming year, the Government will be considering further bold ideas, including:

- Recycling capital receipts to incentivise disposals by central and local government
- Drawing on successful experience of Bristol Temple Quay, multi-departmental hubs in the ownership of a single department across the country where various public sector bodies co-locate to deliver better value for money for the taxpayer and world class public services
- Creating a development disposal budget to help Government add value to property they want to sell
- Working with the private sector to dispose of properties, with better information and advanced notice about possible sales
- And creating an organisation, with the LGA, to dispose of surplus land and buildings that do not have development potential, including passing surplus amenity assets over to local authorities or other local and community use for local benefit.

There is, then, a lot of work still to be done. But we will do whatever is needed to improve efficiency, strip out costs and waste, and use our property assets to not only deliver great public services but also contribute to economic growth.

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Cabinet Office