



ASSET

ARE WE POSITIONED TO DELIVER?

ACES Presidential Conference
Basildon, September 2008

ACES Paper No. 08.9/01 by

JAMES GRIERSON
DTZ

BETTY ALBON
St. Edmundsbury Borough Council



THE AUTHORS:

JAMES GRIERSON is a Chartered Surveyor and Director of DTZ. Prior to its merger with DTZ, James was a Partner with Donaldsons for 17 years. During the 1980s he specialised in advising local authorities, financial institutions and property companies on the development of shopping centres and other large-scale commercial property developments across the North of England.

In the early 1990s he moved into a business development role, becoming Chairman of the firm's consulting business. This role was focused on public sector organisations and James worked with many Councils, Government Departments and Educational institutions on development, town planning and strategic property consultancy projects.

Following an undergraduate degree in Land Economy at Aberdeen University and ten years of work, James studied for an MBA at Bradford University Management Centre. He is also a Member of the Chartered Institute of Marketing.

BETTY ALBON is the Corporate Property Officer for St Edmundsbury Borough Council. She provides strategic property advice for the Council in property disposals and acquisitions and specialises in asset management and property review, and asset valuations for capital accounting purposes. She is also involved in major projects including town centre regeneration and the Public Service Village Phase 1, a new office development for co-located district and county services in Western Suffolk, which is due to be completed in late 2008.

Betty was President of ACES in 2005-06 and continues as the Communications Officer and the Valuation Co-ordinator and is a member of ACES Council. She is also a regular member of working groups at the RICS and represents district authorities on the National Property Performance Management Group.

CONTENTS:

INTRODUCTION	7
THE BIG PICTURE	7
THE GLASS CEILING	8
THE ACES SURVEY, SUMMER 2008	9
HEADS OF ESTATES	9
WORKLOAD PRESSURES AND RESOURCING	10
SUCCESSION PLANNING	10
WORKING WITH THE PRIVATE SECTOR	10
RESPONSIBLE APPROACH?	11
THE MANAGEMENT OF THE ESTATE	11
RELATIVE LACK OF INFLUENCE	11
CHALLENGES AND OPPORTUNITIES	12

ARE WE POSITIONED TO DELIVER?

INTRODUCTION

The purpose of this paper is to review the context in which we provide public/corporate estate management services and to consider some of the principle outcomes of the ACES Survey undertaken in the summer of 2008.

CONTENTS

- **The Big Picture**, external influences and how these are affecting property people.
- **ACES Bath 2006**, the glass ceiling and 2 years on – have we risen to the challenge?
- **ACES Survey**, summer 2008.

THE BIG PICTURE

Strong and Prosperous Communities was the title of the Government's White Paper of 2006. It focussed on reshaping public services, involving local citizens, empowering communities and partnering with the third sector. Since then the latter has expanded into The Quirk Review dealing with the managing and owning of assets, the use of well being powers, option appraisal, and trying to give or sell properties to the third sector. That was the big influence two years ago but in many ways it has not started to bite – yet.

Comprehensive Spending Review 2007 CSR 2007 and finance are a much bigger pressure. The public sector is told to achieve £300 million worth of cash releasing savings to include £4.8 billion worth of asset sales. At 5% interest these sales will provide £240 million of the £300 million and the remaining £60 million is to be achieved through PFI schemes and asset sharing.

Another element of the CSR is the Office of Government Commerce (OGC) Operational Efficiency Programme officially launched in July 2008. This looks at such topics as cross cutting, front office, back office, IT, collaborative procurement, and, again, at asset sales. The OGC is producing a steady stream of documents including a paper in Summer 2008 that is to be regarded as a test year in which to establish measures for the 09 budget and CSR 2010. We have had the review for 2004 to 2007, 2007 to 2010 and 2010 to 2013. It is not going away. Local government will be continually being pushed on asset sales, particularly for housing. And property is a big issue on the revenue side in terms of minimising revenue

costs and implementing again the OGC High Performing Property initiative.

The Modernisation Programme is another big influence. The Varney Report deals with service transformation. The Audit Commission is taking up the shared use of space in a big way. Strategic Partnerships (Lyons) is still part of the Government agenda as are new methods of working such as hot desking and home working.

Government Guidance Galore, in the form of papers and pamphlets, continues to bombard local Government. CLG, as part of CSR 2007, brought forth the AMP Strategy, *Building on Strong Foundations*, which in theory we perhaps should not have seen as it was sent to our Chief Executives, but it nevertheless probably ended up on our desks, and probably unread. The Strategy is the same ideas all over again; sustainability generally, how properties can be made more sustainable, sales, releasing land for housing, and Quirk are all in there under the collective banner of making more efficient use of our assets. The OGC has produced 2 papers, the National Efficiency and Improvement Strategy and High Performing Property, with their Maturity Matrix that is addressing Government Departments rather than local authorities. When I first saw this Maturity Matrix aimed at Government Departments, I wondered why we in local government had not had the luxury of two years to nominate someone to take forward asset management with a further two years to do it. The Matrix is a highly technical programme when compared to how we were thrown into asset management back in 2002 with the requirement to produce asset management plans almost straightaway. But at least Government is still focussed on asset management efficiency.

There is more guidance about asset management and efficiency in the RICS AMP Guidelines, and its 8 pamphlets. ACES made a major contribution to this work.

Finally IDeA has published *Front Office Shared Services*, a study started in 2007 and continued this year through looking at projects where local authorities have taken on the idea of front office shared services including a case study of St Edmundsbury Borough Council's Public Service Village project.

Performance and Bench Marking CPA/CAA. This is all to do with property, strategic property delivery and outcome-based delivery. It might be a bit of a drag to fill in the tick boxes but it puts property right at the forefront of achieving change in local authorities and it is an opportunity for us to promote ourselves as well at what we do.

On benchmarking there are the OGC benchmarks and the NaPPMI indicators, a national property performance management initiative, again with a major ACES input. These indicators involve efficiency, cost per work station, costs floor space per employee, effectiveness, work space productivity, environmental sustainability again, energy costs, water costs and utilities, operability, which

is property condition, planned maintenance, and so on; all the things that we should be dealing with and taking the initiatives on.

Sustainability and climate change is now firmly on the agenda and the rate of change of our climate seems to be increasing in a frightening way. The question is what are we going to do about it as property people with our major involvement in strategic property delivery and outcome based delivery?

Local Government Reorganisation is something that seemed relatively unimportant until 3 or 4 months ago when Suffolk became one of the areas that the Boundary Committee began to get involved in. Now the County and the districts are at disagreement pending the final decision.

The rise of the generalist corporate director and the demise of the professional corporate director is another aspect of the change in the way we are organised. The current emphasis is on having general management expertise rather than a professional background as the latter is now more often seen as a barrier to achieving success in local authorities.

Local Development Framework (LDF) is set to become the primary guiding document incorporating Government growth targets and more housing allocations. LDFs tend to have two or three years as a time horizon. On the other hand with property, because of the length of time it takes to deliver, you are looking at "Visions". St Edmundsbury has up to 2025 as its Vision, a time horizon of more like 10/15 years. Hence there is already a conflict between the lengthy property timescale and the much shorter LDF horizon. And in any event the elected member timeframe more often than not only extends to the next election.

Globalisation and the economy The credit crunch and the imminent recession must impact on property. As yet we do not know exactly how that will affect asset sales and how it will affect corporate aspirations. For example how are we going to deliver projects when we suddenly change from buoyant times and high property values to something different and far more uncertain? The suggestion currently is that the market will not get back to "normal" until 2012. Meanwhile do we just sit around and wait hopefully to come out the other end; or what?

THE GLASS CEILING

The theme of the ACES Bath Conference of 2006 was "Penetrating The Glass Ceiling". It is all now recorded in Asset Bath 06.

Keith Jones of Performant Consulting challenged us when he asked, "Are you an estates manager or a business manager?" He told us, "We have to be successful with property in the strategic arena" and reminded us of the way our function has changed with

modernisation, cross cutting, involvement of the third sector and he said our role had become, in his most excellent phrase, "The strategic orchestration of property." Keith urged us to consider that property could no longer be just a support service with estate managers hiding behind their technical expertise; property must become business and output driven. To achieve this we, in property, need to undertake a modernisation programme in order to achieve this cultural change. His perception was that, at that time, 80% of surveyors were still looking at pure operational use of property and using our professional and technical skills and that only 20% of us had penetrated the glass ceiling to become strategic asset managers. He said surveyors needed to develop strategic skills, become key decision makers in big property changes, develop a long term vision, look at co-location, the big issue of backlog and backlog maintenance, customer access, back office functions and front office functions.

David Bentley, also at Bath, came up with another excellent phrase, "the modern asset management decathlete." He said the modern asset manager had to be accomplished in many different roles to achieve success in the strategic property function. These disciplines include Interpreter, Communicator, Strategist, Evangelist, Teacher, Referee, Explorer, Statistician, Party Organiser, Marathon runner, Magician, and Juggler. Some of these roles can be explained in more detail as follows

- Interpreter; the ability to take the aims and objectives of our clients, elected members, other chief officers and directors and the community and translate them into property needs and aspirations.
- Communicator; the ability to convey an understanding of what it is we are trying to say in property to all people.
- Strategist; we will not achieve success in the strategic property function without any knowledge of strategy.
- Evangelist; we have got to be passionate about property and champion what we believe in.
- Explorer; we must be innovative and talk to each other, ie network, to establish what is best practice.
- Party Organiser; instead of just sitting back and letting others take the credit develop the ability to organise the celebration of success.
- Marathon runner; asset management does not stop once you have been round the entire portfolio and reviewed properties in a business like way. You then need to go back round again as meanwhile the world has changed.
- Magician and Juggler; it could be argued that all property people in local government are expected to have these skills already

Tim Stapleton, also at Bath, identified the four big issues

- Governance
- Responsibilities
- Finance
- Working Practices

That was 2 years ago but the four big issues are still the same. Finance was judged to be the most important and this is still true. We need to know what our property outcomes mean in terms of capital and revenue for our Councils.

Tim also identified 4 essential skills

- Asset management
- Financial
- Project Management
- Procurement

Asset management and project management were judged to be the most important skills with finance being thought to be the least important.

Finally Tim asked delegates whether they really wanted to break through the glass ceiling and 81% said yes we did. 2 years on have we risen to the challenge?

THE ACES SURVEY – SUMMER 2008

The objective of the survey was to produce

- Hard useable valid statistics to fortify ACES campaigning and lobbying and
- Interesting insights and observations to inform discussions within ACES.

Many of the outcomes of the survey will not be unfamiliar to ACES members but some of the numbers that came out are interesting and will add weight to the arguments that you will need to sustain. There are some big discussions ahead.

410 electronic questionnaires were sent out in the summer. There were 168 responses. This is a high response rate producing decent and statistically valid results that speak for the sector as a whole. Although we need to do some more in-depth work on the numbers produced, it is possible to assert that the responses are proportionate to the population surveyed in terms of the mix of districts, counties and unitaries; rural and urban authorities; and the different regions in the UK.

The survey responses demonstrated no significant differences between authority types or locations. There was a real commonality. Authorities face the same issues whether county or district, urban or rural.

As already mentioned we are still doing some work on the numbers and when this is complete we will produce a research report with a lot of numbers. The purpose of this part of the paper is to highlight some themes and illustrate them with numbers.

HEADS OF ESTATES – SOME STATISTICS

Before dealing with these statistics I need to remind you that the survey was completely confidential and I do not know the identity of anyone who responded.

As a group of people, 85% categorised themselves as the most senior property professional in the authority and, interestingly, about half had responsibilities for a wider range of issues than just Estates, for example technical services and FM. The vast majority, 82%, are chartered surveyors, mostly general practice.

Also many have been with their authority for a long time, 43% for over a decade and about 25% for 15 years or more. That is something that does contrast with other parts of the property sector. A survey of heads of estates in corporate organisations would produce a different answer. The ACES response has both a positive and a negative connotation. It could be argued that Heads of Estates, as a group, are people who are set in their ways and have little stimuli from other organisations. Equally it could say a lot about continuity, depth of experience and knowledge of localities, portfolios, staff and how decisions are made. This all delivers a benefit to your councils on a daily basis and authorities may appreciate such loyalty and the associated benefits or, maybe, they take it for granted.

Surprisingly only 22% had worked previously for another local authority and 75% had worked in the private sector in either corporate organisations or private practice. This is both a surprising and interesting message.

Age produced another surprise. Observers inside and outside local government would have categorised heads of estates as an ageing cohort but 87% are under 50, although 7% found the question too embarrassing to deal with at all. So far the emerging picture is of a community of people that is younger and more roundly experienced than most would have expected, albeit that there is a tendency to remain within the organisation for a long time.

We also looked at reporting lines and here the balance was evenly spread between different senior corporate functions in the authority. However less than 25% reported to either the chief executive, finance director or director of resources and given that in most organisations those jobs sit absolutely at the corporate heart of the organisation, that might say something about the extent to which the estates view point is heard at that corporate heart. A similar percentage reported affectively into the planning/regeneration line and that does raise issues about the extent to which the estates voice is constrained in passing on the message through the very particular agenda that planning and regeneration often has. We also asked about reporting lines and relationships with members and we found that the majority of you feel that you have good relationships with members and good lines of communication. Moreover in looking at responses as a whole one of the strong themes to emerge is that as a community of people you seem to be more comfortable in your relationships and your work with members than you do with other senior officers members in your organisations, a factor that has some profound implications.

WORKLOAD PRESSURES AND RESOURCING

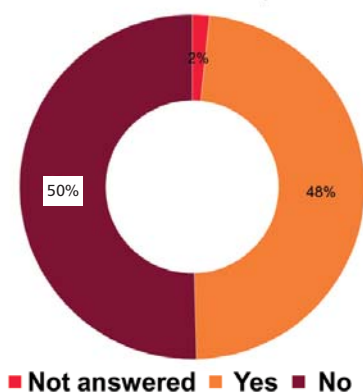
Overall the impression is that the demands that are placed upon you have increased whilst the available resources have decreased significantly. 89% said that the demands imposed internally on the estates function over recent years had increased significantly. 90% commented that external pressures, largely the Central Government interventions mentioned earlier in this paper, had imposed significant additional workload, requirements and burdens. On the other hand resourcing is challenged and half of you feel that your authority does not properly recognise the resource requirements of the property function. Only 7% of respondents felt able to say that local government as a whole had invested sufficiently in attracting new talent. Most feel that you suffer from having to rely too heavily on temporary and interim staff and that recruitment is a problem and the training schemes, a source of considerable pride in the sector some years ago, are not what they were. Strong messages here with lots of implications.

Going back to the earlier comment about “an ageing cohort”, and your relative youthfulness (using the word advisedly) as a group, it may still be the case that you are an ageing cohort of people and that points to some big challenges that you need to face and this is part of what ACES needs to talk to Government about. Notwithstanding the perceived pressures on recruitment, resourcing, promotion, job grading and so on there is a very strong sense of improved performance during this period in a number of areas. The ratio of management costs to income has improved significantly and 77% felt that overall team performance was now “very efficient”.

I would suggest that this situation of a resource squeeze coupled with performance improvement has not been adequately communicated to others; it is good news that has not been boasted about enough.

SUCCESSION PLANNING

If I left, would I expect one or more of my subordinates to be a credible candidate to replace me?



The majority thought that if they left they would NOT expect one or more of their subordinates to be a credible candidate to replace them. This response means that 50% consider that my number two is not a credible candidate and neither is any of my subordinates a credible candidate to replace me. If this is so then the sector is looking at a succession planning issue of some magnitude, probably a reflection of the under resourcing that has taken place over much of the last ten/fifteen years. And again I think it is something that ACES would be well advised to make a big noise about.

WORKING WITH THE PRIVATE SECTOR

The great majority of you commented that over recent years more use is being made of external advisors and so from my private sector perspective the way that this works is a matter of some importance. The great majority of you also expect this trend to continue and that there will be more outsourcing in the sector and greater use of frameworks contracts. We also asked if you thought long-term relationships work better and only 2% disagreed. As many of you are obliged by custom and standing orders to spend, what looks like from the outside, a great deal of time, delay and cost running tendering processes for quite small pieces of work, this suggests that you could be better off investing some of that time in creating better longer term relationships with external advisors.

Secondly the survey showed strong support for the need to focus on the development of clienting and strategic commissioning skills, such as the issuing of clear briefs, driving performance and building relationships. This clearly becomes a much bigger part of the role the more you use the private sector to deliver your outputs.

On regeneration 30% indicated that your expertise is routinely not captured in the making of regeneration appointments and regeneration decisions. In my experience in this area I have to say that we do frequently come across poor briefs that appear to have been written by somebody without professional property expertise. There is a need for more joined up corporate thinking in the regeneration area and an opportunity for ACES members to take the high ground.

Finally we asked about the extent to which councils saw long term partnering arrangements for the private sector as the key to the optimisation of property asset performance and only 13% believed that their authorities saw that as a significant thing for them in the future.

DOES MY AUTHORITY TAKE A RESPONSIBLE APPROACH TO ITS ESTATE?

It is difficult to know how to interpret the quite precise percentage outcomes produced in this section. For example if 55% say yes then that is an endorsement because the majority already practice this but it is worrying that 45% were unable to agree.

However...

- 57% considered that their councils took a long-term view of asset management.
- 68% considered that their councils took a long-term view of land assembly.
- 52% considered that their councils recognised the distinct purpose of each property.
- 50% considered that their councils had a responsible approach to investing in and maintaining the estate.

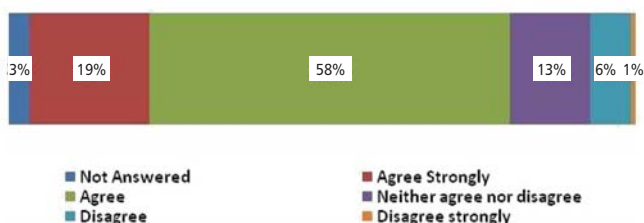
Again just to emphasise a cautionary approach the above response does not mean that 50% expressed the contrary view, there are quite a lot of "don't knows" involved.

However...

- Only 23% considered that their councils were prepared to invest in property to improve future commercial performance. That raises questions.
- 32% considered that their councils had no clear understanding of the relative priorities between economic and financial objectives on the one hand and regeneration outcomes on the other. This is, I think, an area where some serious research is overdue to develop some sort of consensus around the value of regeneration outputs where there is an element of financial trade off.

THE MANAGEMENT OF THE ESTATE

I believe the Estates team is very efficient



The smaller numbers are interesting but overall 77% agree with this proposition.

Overall you are also comfortable with the level of member interference mainly, I suspect, because you regard that as part of their job and you are used to it. However one does deal with a lot with situations where members intervene in a way that is not always helpful

but only 4% found that a serious problem. And you are basically comfortable with the level, quality and completeness of estates data and with the support provided by colleagues in legal and finance, the latter being far more positive than I expected. But 20% considered that their councils did not give enough priority to the former. There were also good comments about the linkage between the estates and the FM processes.

63% considered that their councils had an agreed Property Policy meaning a statement of the principals about why the council holds property and the values it exercises in its use and management and not just a corporate asset management plan or an estate strategy. About 50% have a fully documented quality management system but there were a lot of "don't know" responses too that suggested the presence of quality systems not yet fully complete.

Overall I think some of these answers were more positive than I was expecting and I think this is probably a measure of the improvements that have been wrought in your organisations after some tough years of dealing with external pressures.

RELATIVE LACK OF INFLUENCE

This takes us back to some of the issues discussed at the ACES Bath Conference and the influence that you really have on corporate decision-making. This topic featured overtly in a lot of questions and topics and it is the area where, in my opinion, you have both the biggest challenges and the biggest opportunities. Most of you believe that you are too reticent about expressing your views beyond technical matters and few disagreed with that. About 25% feel that you are able to make a contribution to the wider corporate agenda and about a third consider that the critical nature of estates skills in the regeneration process is not properly recognised, even though 95% say that those skills are central to delivering effective regeneration, quite a mismatch there.

Only 15% could be persuaded that general managers, the newer generalist corporate directors, have an appropriate understanding of estate issues. This reminds me of an RICS meeting a few years ago that debated why surveyors do not take their rightful seats in the boardroom. The view that emerged was that people running big organisations are expected to know lots about lots of different subjects, but can remain cheerfully ignorant about estate issues and property issues. One of the responses to that debate was that the Oxford Business School became the first UK business school to set up a real estate module on its general MBA programme.

The message I receive from this ACES survey is that your messages are not getting through for one reason or

another. General Managers do not know enough about property and the essential character of your skills to the regeneration process is neither properly nor adequately understood. Organisations have yet to make the link about the hugely value added role that people with estate skills can play in advancing the corporate agenda. There is a fundamental role that the estates can play and that connection is not being made adequately enough.

CHALLENGES AND OPPORTUNITIES

Resourcing and succession planning There is an overwhelming consensus that the internal and external pressures you are under have increased. There is an overwhelming consensus that resourcing has taken a battering and has gone too far, in many cases below comfort levels. This issue has to be addressed corporately. The practice of training and recruitment and retention policies needs a lot of work as currently a third of your estates teams are propped up with temporary staff. This is an uncomfortable level. Every time a temporary member of staff leaves what little knowledge they have accumulated during their time with you goes with them, quite a problem. Succession planning is a huge issue for you. Although it is probably not an immediate problem the effects of it will become evident in a few years time. It has gone too far and needs attention.

Clienting and strategic commissioning In my opinion nobody will oppose a proposal that what you want is to develop your own clienting and strategic commissioning skills but it is a point that needs to be made together with a thorough review of standing orders so that you are not obliged to formally tender every minor commission.

Estates and regeneration There are too many projects, too many initiatives, and too many decisions that fundamentally affect the council's assets without taking fully into account available estates expertise. This is an area where you have real value and corporate benefit to add.

Performance has improved and you need to tell people all about it. On the question of influence I think there is every reason for you to feel confident but there are opportunities to reinforce this position. Many accommodation rationalisation projects are being considered, planned or in process of delivery. The estates surveyors' role should be moving from a focus on the commercial portfolio to the operational portfolio. This is where you can do your most important work. There is so much change going and this can either be supported or hindered by you. There are many interesting opportunities around and there is no obvious reason why HR or IT should drive these programmes. The onus for driving those programmes should be with estates.

James Grierson, DTZ
&
Betty Albon
St. Edmundsbury Borough Council
