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WHAT'S AROUND THE CORNER? FUTURE CHALLENGES AND OPPORTUNITIES.

CONTENTS:

INTRODUCTION

THE POLICY FRAMEWORK

THE ECONOMIC CLIMATE

IMPLICATIONS FOR THE PROPERTY ESTATE

IMPLICATIONS FOR PROPERTY SERVICE

CURRENT CHALLENGES AND OPPORTUNITIES

FINAL THOUGHTS

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INTRODUCTION

In preparing this paper I was struck by the vast array of issues that we are facing and are likely to face; identifying the issues was easy. But are these challenges or opportunities? In reality, many of the issues present both challenges and opportunities. How they will be viewed will depend on your outlook on life and whether you are an optimist, a pessimist or a realist.

I have grouped the range of issues into 2 categories.

- Firstly, there is the big political change that has taken place in 2010, both a change of Government, which most of us have seen before, AND Coalition Government. This is a new era in politics and will make for interesting times. So my first group of issues arise out of the new policy framework that these changes have brought and will bring. We have seen some radical shifts in policy already.
- My second group of issues relate to the economic situation, the public debt and the response that will be required of Local Government, and many are already responding. Part of the impact of the economic situation is the political response from Government, but the financial pressures are such they deserve to be separated out.

The Policy Framework

Prior to the election you were all frantically reading the political manifestos of the main parties trying to understand what the election result might mean for you, your Authority and its property portfolio. Had there been a party with an overall majority then the policy framework would have been clear. Instead we have a Lib-Con coalition and its policy framework is developing over time although there is already much in the public domain thanks to the published Coalition Agreement, and a subsequent string of policy announcements. Many of these policy areas will affect us but the main ones are

1. Inspection Regimes
2. The Decentralisation and Localism Bill
3. Total Place
4. Free Schools and Academies
5. BSF and Schools Capital

1. Inspection Regimes There was much rejoicing in May 2010 at the demise of Comprehensive Area Assessment (CAA). There are those that believed the CAA ratings were at best spurious and at worst completely wrong. Believe it or not there are many Authorities that actually placed some value in having an external assessment in order to provide external challenge of its resource and asset management. For these Authorities the scrapping of CAA has left a void.

Such assessments did often help an Authority to maintain internal commitment to asset management. If you are one of those that mourn the loss of the discipline that CAA brought, then you will need to seek other means to provide external challenge to what you are doing and how you are doing it. For our part, we are already noticing an increase in enquiries from Authorities, for our Asset Management Health Checks.

And now we learn that the Audit Commission as a body is to be scrapped. This creates a further void and there is considerable speculation as to what, if anything will fill it. All we know for certain is that the National Audit Office is likely to take over elements of the Audit Commissions role, albeit on a much reduced scale. We should know more by April 2011.

2. The Decentralisation and Localism Bill We are likely to see this Bill emerge before the end of 2010. It could have a profound impact on your Authority's estate strategy. Three important elements, from its many likely provisions, can be singled out.

- New powers to help communities save local facilities and services threatened with closure
- Give communities the right to bid to take over local state-run services
- Support the creation and expansion of mutuals, co-operatives, charities and social enterprises, and enable these to have much greater involvement in running of public services

We have yet to see the details of the various trigger mechanisms and powers but we need to be thinking about this now. If assets or parts of services are taken over and run by others, what will be the impact on our strategic approach to those services and the estate that supports those services? Who will be taking the service overview across our administrative area? How will all this be integrated?

With the potential for assets moving out of local authority control, what will this mean for statutory compliance issues such as Legionella and asbestos management? There have been high profile cases over the years where things, for whatever reason, have gone wrong. How will the transition be managed? Will such health and safety instances increase? What liability will the Authority, and its Head of Property, retain?

3. Total Place This initiative, often referred to as Place Based Budgets, was established under the previous Government to examine the budgets and spending by public sector bodies within a geographical area. At present it appears to be in something of a state of limbo and likewise the associated Total Assets initiative. The new Coalition Government appear neither to have scrapped it nor publicly and formally endorsed it, so there is something of a policy void. Some hold the view that there is in any case a conflict between this high level geographical approach and the localism agenda that is a central tenet of new Government policy. If Total Place survives, and the information we are getting is that it may, it will probably be under the Place Based Budgets banner.

4. Free Schools and Academies The Academies Act secured a rather rushed Royal Assent on 27th July 2010. It remains early days to understand the full impact of the so-called "Free Schools" this will create. As at 6th August 2010 the number of applications for Academy status is 82 schools across 70 Authorities. If there is appetite within communities this will gather pace, placing strains on a strategic approach to school places and possibly impacting upon costs per pupil in retained schools. And of course premises costs are one of the key elements. Planning guidance will be published by January 2011 that will result in an increase in the number of school sites. By September 2011 the first "free schools" will be in place.

5. BSF and Schools Capital This has been in the media, although interestingly much of the focus has been on communication errors of the lists of schools ejected from the BSF programme, rather than the impact of the decision itself. We all know that the schools estate still needs substantial investment. For LEA Authorities, what happens next? How will the current disrepair in schools be tackled in the absence of BSF? The Department for Education recently launched a Call for Evidence to seek ideas and views on how capital spend for schools should be delivered in the future. This will shape policy for the period 2011 to 2015, and will see BSF either remodelled or replaced. The outcome of this consultation is awaited.

These 5 issues are very important and we will need our wits about us over the coming months to keep up with the pace of change.

The Economic Climate

Those that believe that the recession is behind us and that the worst is over may be sadly disappointed. When David Laws MP began his all too brief spell as Chief Secretary to the Treasury immediately following the general election he said, "The years of public sector plenty are over." Now you may not have realised that you had been living in times of plenty, but compared to what is to come, you most certainly were.

Forecasts for public spending vary in degree of the big chill anticipated. Until the Spending Review announcements on 20th October 2010 no one can be certain how or where the axe will fall. We hear of Government Departments having to prepare star-chamber submissions showing the impact of 25% and 40% cuts in spending. Where cuts will be proposed will depend on potential priorities and consensus on change can be reached within Government. What is certain is that we are set for a long period of governmental austerity; public spending cuts across the board are inevitable.

For Local Authorities, doing nothing is not an option. The reality of public sector spending cuts must be, and is being, faced. Efficiency drives have been around for a while and some of the efficiency gains that have over the years been claimed might actually be real. But the cuts and efficiencies to come are on a scale hitherto unseen. We are not talking about invisible Gershon-type savings here, but real cuts to budgets. There will simply be less money!

Authorities are now faced with having to think the unthinkable; what services can and should we provide? Or rather, which services can we get away with not providing? Can we preserve jobs and provide services? Which services are core? And what kind of Authority do we want to be as we emerge from this financial crisis? Your Authorities will already be setting out financial plans, in anticipation of the pain to come, as they work up budgets for approval next spring. This may involve ceasing to provide some services, reducing others in scale and generally cutting back or seeking efficiencies in back office operations. It will not be wholly dissimilar to Ireland in the mid 1980s and Canada in the early 1990s.

We have seen examples of Authorities asking their communities what should be kept and what are they prepared to lose, including Stoke City Council's "Let's Talk" campaign which seeks to find £30 million of savings and a similar exercise by Dumfries and Galloway Council seeking to find £20 million. We hear Birmingham City Council is asking staff to take a salary cut to preserve jobs. There are plenty of other examples.

Implications for the Property Estate

Running Costs Many Authorities will reach the conclusion that it can no longer afford the property estate it has, simply due to the costs of ownership and management. Decisions will need to be made about which assets are too expensive to own and operate and should be sold. Estate Managers will be pivotal in providing current and trend performance data to enable such decisions to be made, and to then manage any disposal process, so begin to consider the following.

- How good is your property performance data?
- Is your data real, accurate and up-to-date?
- Will you now pay the price for previous perfunctory attitude to property performance and PIs?
- You need to be mobilising your data now, on an asset-by-asset basis where you can.

Efficient Portfolio Is this the time you have been waiting for to offload properties that you know to be inefficient or costly? If you hit resistance previously perhaps now you will find yourself pushing at an open door?

Procurement As the Secretary of State for Communities put it last month when commenting on the scope for procurement savings, "Shining a light on spending will help to put savings before cuts. Councils have delivered significant efficiencies but there is still more that can be done to enhance better value for money for hard-pressed local taxpayers and to protect the front line services that so many rely on." What we procure and how we procure it will come under increasing scrutiny. There will be pressure to demonstrate that we are delivering value for money. The Secretary of State has already written to Authorities urging them to be transparent about their spending by publishing online all spending over £500. 31 Authorities are known to have complied so far. Regulations covering this are likely to have effect from January 2011.

Reduced Service Provision If services are slimmed down Authorities will decide they no longer have a need for parts of the property estate, as harsh decisions are taken over stopping or reducing those services. This may result in further outright disposal or demands that organisations seek to collaborate more on shared buildings. As new target operating models are developed for front line services, Asset Managers need to be deeply involved in advising, guiding and delivering the preferred and most efficient and economically sustainable option.

Staff Cuts For many Authorities, huge staff reductions are on the cards that may demand a rethink of your office portfolio and future requirements. You will have a key role in assessing the impact of such reductions, measuring space utilisation and evaluating future property and space requirements. You will also be advising on what to do with surplus space ie should the Authority downsize and re-locate? Can space be separated off and let commercially? On the strategic front, you will need to guide your Authority in avoiding decisions, such as downsizing too far, which could have a detrimental long-term impact.

Realisation values All this talk of property disposal is great but this is not necessarily the best time to be seeking to dispose of assets. What should Authorities do; sell now as the money is desperately needed, or hold fire until values recover? You will be instrumental in guiding your Authority in such decisions.

Investment Portfolio For some Authorities this part of their estate is vital in providing much needed revenue income, and occasional capital receipts. Are there risks that politicians seeking to balance the books could raid the portfolio? What will be your advice to your Authority? Do you know how the estate performs in investment terms and can you demonstrate whether retention or disposal is the best outcome on a property-by-property basis? Should your Authority target expansion of the Investment Portfolio taking advantage of relatively low values, where the revenue return is likely to outstrip the Authority's other investments?

Property Condition The state of repair of most Local Authority buildings is not improving. For most the best that can be hoped for is to tread water and for many the reality is managed decline. Budget cuts threaten maintenance budgets and you will need to be alert to this either in preparing arguments to defeat such calls for cuts by setting out the consequences of them, or, should cuts happen, setting out a plan as to how this will be implemented and managed. Either way, you cannot afford to sit on your hands on this one.

Implications for Property Service

If the Property Estate is affected, then so will Property Service. It is likely that we are going to have to provide ongoing advice on all those areas I mentioned previously, with no more staff resources than we currently have. In fact there is every likelihood that we will lose staff. I am aware of one Authority that has to make 20% cuts within Property Services. Their reality is that they have nowhere to take money from except from the staff budget. How are we going to manage and what options do we need to consider?

Shared Services Increasingly Authorities are examining the benefits of linking up with other providers of similar services. This could be public/private or public/public. We are seeing more and more examples of back office services, including Property Services, merging or working more closely with those of other Authorities. For example four District Council Legal Services teams across Leicestershire and Warwickshire are to merge, as are Legal Services across Lincolnshire. The same applies to the Education Departments of Westminster City Council and Hammersmith and Fulham and back office services (including Property Services) at Cambridgeshire and Northamptonshire. Questions you may need to examine include:

- Is this something you will need to explore in order to maintain service levels?
- Could this save your Authority money through economies of scale?
- Could this give you access to computerised systems that you currently lack?
- Could a merged service mean reduced work being put out to consultants due to a larger pool of skills and capacity?
- Could procuring in larger packages generate procurement savings?
- Could closer working identify better ways of doing things?

Staff Mutual In August 2010 the Minister for the Cabinet Office, Francis Maude MP, announced 12 pilot pathfinders that will examine the potential benefits of an employee-led mutual, where groups of staff will take over the running of service delivery. None of these pathfinders are in the area of property management, but who knows where this might lead? Would this be something that your teams or merged teams might consider? Perhaps this is something to consider in the context of a possible shared service arrangement?

Staff Training Cuts in budgets could mean cuts in training. There will clearly be risks to CPD compliance for your teams, and risks also to keeping abreast of changes to legislation, regulation and best practice. You will need to examine your training spend and make sure you are getting the best out of it. You will also perhaps need to formalise how training is disseminated.

Current Challenges and Opportunities

What is clear is that there are a number of significant issues and changes that will affect Property Managers, the properties managed and the services delivered. We need to be aware of these and consider which of them are challenges and which are opportunities. The answer, of course, will vary from Authority to Authority, and will depend upon local issues and characteristics; and on your own outlook to life. Are you a glass half full person or a glass half empty person? This will affect your response to these inevitable changes that we all face.

Final Thoughts

Does all this mean that, in the words of Albus Dumbledore
Difficult Times Lie Ahead, Harry, or is what we face a new
Golden Age of Asset Management?

Either way I leave you with a final message, May your glass
always be half full.

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