

Transforming the UK Government Estate

The role of the Office of Government Commerce



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The context

- Government procurement, including Government estate management and use, is a key part of delivering improved Government business and services.
- The public sector spends over £125 billion (€181 billion) a year on procuring goods and services.
- The Government estate costs £6 billion (€8.7 billion) a year to run – the equivalent cost of 40 new hospitals or 200 new schools each year.
- Better procurement means:
 - better value for money for the taxpayer
 - more funds freed up for front line services
 - better delivery of key projects and programmes
 - more sustainable public services.

Stewardship: devolved accountability

- Accountability for the stewardship of resources lies with individual Departments and their Accounting Officers.
- Therefore, Departments are accountable for managing and using their own property portfolio.
- The “centre” (Treasury, OGC and Cabinet Office) set the financial and performance framework within which Departments deliver their responsibilities.
- Primarily, the centre:
 - challenges the resource bids put forward by Departments and agrees three year resource plans
 - monitors delivery against the agreed plans and challenges non delivery or changes
 - instigates and delivers cross Government initiatives – e.g. Professional Skills for Government, relocation of civil service posts from London and the South East
 - support Departments in delivering their responsibilities
 - provides guidance and best practice case studies, runs conferences and awareness raising/training events.

The Office of Government Commerce

- Created in 2000 as an office of Treasury.
- Responsible for making the delivery of Government procurement more commercial and businesslike.
- Primary focus on value for money and better public services through exploiting Government's purchasing muscle.
- Encourages Departments to collaborate over key procurements. Cross Government deals such as fleet car provision, mobile telephony.
- Coordinates the overall management and use of the Government estate and matching demand for accommodation with supply on the estate. Annual value for money savings of around £100 million (€144 million).
- 250 staff, located with Treasury in London and has two regional offices (33 staff dealing with estates issues).

OGC's strengthened role



- “Transforming Government Procurement” launched by Treasury Ministers in January 2007.
- UK Government’s commitment to strengthened procurement in order to deliver better public services.
- OGC tasked with driving major change and creating best practice in procurement (including estate management) across central Government through:
 - setting and monitoring standards and capability
 - developing a cadre of skilled procurement professionals across Government
 - playing a stronger role in the successful delivery of major projects
 - doing value for money deals on a collaborative basis.

Setting and monitoring standards

- Clear policy framework setting out policies and standards.
- Procurement Capability Reviews to assess Departments' capability and capacity.
- Informal complaints function for suppliers, to identify and tackle serious or systemic complaints.
- Detailed information on current spend and performance, assessed by the Procurement Council.
- High Performing Property strategy and implementation plan to improve management & use of Government estate, overseen by cross-Whitehall Property Champions Board.

Developing skills

- Procurement Capability Reviews translate into clear action plans for Departments and indicate where capacity needs to be increased & improved.

- Reformed Government Procurement Service, with OGC Chief Executive as Head, to:
 - set out new competences and frameworks for training & development
 - introduce new entry routes, including Government Procurement Graduate Scheme (now live) and mid-career entry scheme
 - address key issues such as reward & remuneration
 - create stronger links with Commercial Directors and Heads of Procurement, developing strong professional cadre across Government.

Successful projects

- Gateway Reviews have helped achieve significant savings and successful delivery of programmes and projects, and will continue to provide major support to senior responsible officers across Government.

- Major Projects Review Group adds further mechanism to allow intervention by Ministers & Treasury where appropriate. Chaired by HM Treasury and supported by OGC expertise, designed to scrutinise projects and assess deliverability at key stages in lifecycle:
 - at development of business case
 - before going to tender
 - following bid assessment but before contract award.

Value for money through collaboration

Collaborative procurement can be an important driver of value for money. OGC has new powers derived from HM Treasury to require departments to act collectively:

- collaborative deals worth over £1.5 billion negotiated since January 2007, allowing Departments to free up more funds for front-line services and to reduce resource committed to routine procurement
- collaborative Procurement Model now in pilot, on cross-Governmental basis, to provide more strategic underpinning
- OGC helping Departments to understand markets & manage supplier relationships, based on high-quality, granular data
- better procurement of Government estate through rationalisation.

The UK Government estate:

- is large
 - 10,000 holdings
 - covers around 14 million square metres (equivalent to 3.2 Vaticans, 475 colosseums).
 - run by over 300 separate property centres
 - covers the whole UK

- is expensive
 - estimated £6 billion a year to run (€8.7 billion)

- is complex
 - freehold 5.5 million square metres 40.5%
 - leasehold 4.0 million square metres 28.9%
 - private finance 4.2 million square metres 30.6%

Transforming the Government estate: why?

- The estate provides real opportunities for savings- £1 billion to £1.5 billion annual savings by 2013 – equivalent to building 50 new schools or 10 new hospitals every year.
- The buildings we work from and their location impacts directly on our enjoyment of working and our productivity.
- The way we manage and use our buildings contributes directly to better public services.

Therefore:

- there are significant opportunities for redesigning the way we work and deliver our business and for maximising the benefits of co-location and flexible use of buildings.

The response: High Performing Property – The UK's 5 year estate transformation strategy

Component 1: Leadership and Integration

Offset the effects of fragmentation of the estate by strong leadership from the centre and an integrated property strategy

Integrate asset management into strategic business planning and policy delivery across government departments and their arms length bodies

Component 2: Benchmarks and Standards

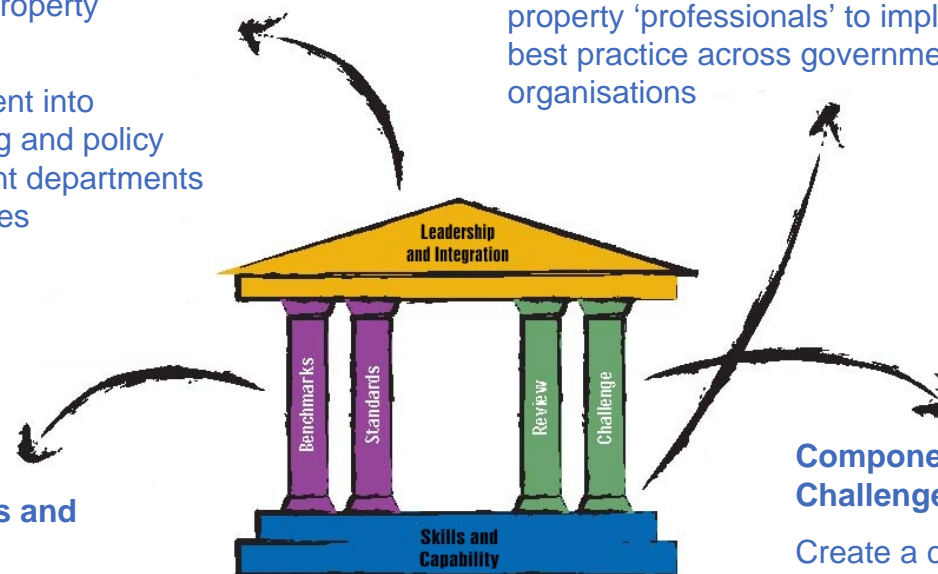
Provide a framework of standards and benchmarks that set out best practice, performance objectives and aspirations

Provide tools, guidance and support to help government organisations implement best practice and meet objectives

Component 3: Skills and Capability

Ensure that all senior managers in government have an understanding of asset management among their core skills

Ensure that there are sufficient skilled property 'professionals' to implement best practice across government organisations



Component 4: Review and Challenge

Create a culture of evidence based review, challenge and continuous improvement

Improve accountability and transparency in property asset decision making

Delivering High Performing Property: the essential components

(a) Leadership

- Board level property champions in each Government organisation.
- Property asset management boards in each Government organisation providing overview and control of estate strategies and integrating property asset management in strategic resource and business delivery.
- Relocation of 20,000 civil service posts from London and the South East of England.
- Mandating controls of all property acquisitions and leases in London and the South East of England.

(b) Benchmarks and standards

- Mandated use of OGC's core cross Government property database (e-PIMS) which has details of every building and land on the Government estate.
- Mandated use of OGC's Property Benchmarking Service that measures individual building performance on efficiency (cost and utilisation) and effectiveness (sustainability, workplace productivity and operability).
- Intention to publish a standard for Government workspace use in December 2007/January 2008

Delivering High Performing Property: the essential components (continued)

(c) Skills and Capability

- Use of the OGC's maturity matrix and capability assessment.
- Being linked to the UK Government's Professional Skills in Government initiative.
- Creating property asset management as a profession.

(b) Review and Change

- OGC role in monitoring and challenging progress on implementing High Performing Property.
- Creating a culture of evidence based review, challenge and continuous improvement.

Delivery progress so far

- Board level champions nominated by Departments covering 95% of the Government estate.
- Property Asset Management boards being established.
- 54 Government organisations benchmarked covering 520 buildings, 128,000 employees and 1.8 million square metres (20% of the estate).
- 13,300 civil service posts relocated so far from London and the South East of England (67% of Government commitment).
- Maturity matrix issued and being used to assess overall performance.
- 2 million square feet of accommodation released in London through exercise of property controls.
- £36 million (€52 million) saved in Government's rent bill in London.
- £97 million (€140 million) value for money savings achieved in 2006/07.
- UK Government estate transformations receiving international interest and recognition.

Further information

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For information on the OGC see www.ogc.gov.uk