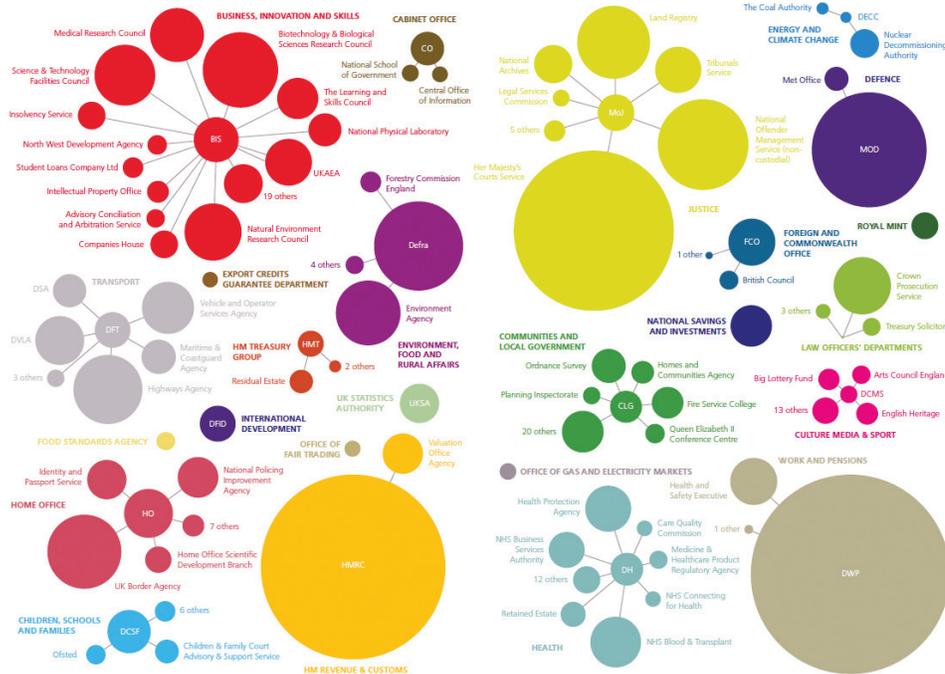


United Kingdom

The State of the Estate in 2009: Efficiency and Sustainability of the Civil Estate

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Map of departmental 'families' as at December 31, 2009)



The State of the Estate 2009 is the United Kingdom (UK) Government's second annual report on the efficiency and sustainability of its civil estate¹ as required by UK's Climate Change Act 2008 and it is significant in two respects. It is the first report to make a comparative assessment of progress year on year, and it demonstrates that in general the standards achieved are equal to or better than those achieved in the private sector.

The report is based on facts and actual figures drawn from a mix of central databases and local data

provided and verified by central government departments, and publication in an accessible and attractive format contributes to openness and transparency.

What is meant by efficiency and sustainability?

Efficiency and sustainability have a range of meanings, but for this report it was essential to choose measurable quantitative indicators.

Efficiency is measured in terms of cost, space utilization and in reduction of the overall size of the estate. Sustainability is measured in terms of reducing CO₂ (carbon dioxide) emissions, waste arising and water consumption, increasing the recycling of waste, improving buildings' Display Energy Certificate (DEC) ratings. Government aims to only procure energy efficient buildings in the top quartile (25 percent) of energy performance. This report shows whether new building acquisitions during the year met this criterion and, if not, states the reasons why such buildings were acquired.

The report sets out agreed definitions of the civil estate and top quartile energy performance, data sources, baseline facts and figures for the current year and a dashboard of Key Performance

Indicators (KPIs) that are tracked each year and trend data relating to the 2008 baseline for these KPIs. The report also includes case studies and examples.

KPI Dashboard

To help measure efficiency and sustainability performance across the civil estate, the report uses a dashboard of KPIs:

- the size of the civil estate in m2 (square meter (or 10.8 square feet (SF))), in total and for each department.
- the total annual cost of running the estate in £ (pounds) in total and for each department.
- workspace efficiency of offices averaged for each department
 - £/person (full time equivalent FTE),
 - £/m2 (rent, rates and other occupancy costs),
 - the number of employees (FTE) based in each building,
 - the utilization of occupied space in m2/FTE and m2/workspace, and
 - the ratio of FTEs to each workspace.
- sustainability performance against targets for each department
 - CO2 emissions from offices,
 - waste arising,
 - waste recycled, and
 - water consumption.
- DEC ratings.
- performance relating to the commitment to procure buildings in the top quartile of energy performance.

Managing the government estate

In the UK since 1996, individual central government departments have taken the lead in managing their estates efficiently and effectively. They are responsible for:

- properties they own or occupy,
- resources expended in providing this accommodation,
- establishing appropriate departmental governance and accountability, and
- management of property estates as a strategic resource, including the quality of data used as the basis for management decisions.

Departments generally comprise a central policy department with a number of agencies and non-departmental public bodies that implement policy delivery, receive funding through the parent department and are accountable for service and financial performance to that parent department. The model for these relationships varies. Funding may be external through trading, and some arms' length bodies operate independently as part of their function. Figure 1 maps the departmental 'families' as at 31 December 2009.

The Office of Government Commerce (OGC) developed the High Performing Property (HPP) programme (program) in response to government reports on inefficiencies in property asset management (PAM) in the UK public sector and through HPP aims to achieve civil estate running-cost savings of up to £1.5billion (\$2.4 billion) a year by 2013 and an estate that is sustainable and fit for purpose. HPP sets out actions and milestones for

OGC and departments around the themes of leadership and integration, benchmarks and standards, skills and capability, review and challenge. The results of the HPP programme are demonstrated and published each year through The State of the Estate reports.

Performance in 2009

The findings showed continuing, strong improvement across the estate demonstrated by reductions in the size and cost of the estate, lower CO2 emissions and less waste, and this is supported by more recycling. Where further work is required to meet key milestones or targets in the future, specifically in the energy efficiency of buildings and water consumption, action is being taken to raise performance to an acceptable level. There is continuing improvement in the amount, quality and management of property data which has contributed to these improvements. Case studies and examples demonstrate how positive action and shared learning has resulted in often outstanding improvements.

Improving data management

Departments are responsible for providing and maintaining information about the property they own and/or control; they are also required to verify that the data held about their properties is accurate and up to date. They are supported by OGC to improve the quality of data and analysis. Departments made 42,787 updates to their records and 95 percent of organisations (organizations) had provided annual verification of their core data by the end of 2009. >>>

Size of the estate

The civil estate is complex and diverse in the size and age of buildings and types of tenure (ownership). Over 50 percent of holdings are small (500m² (5,381 SF) or less), whereas a few holdings, less than 3 percent, are very large at over 10,000m² (107,639 SF). During 2009, the overall size of the estate was reduced by 5.8 percent to 10,722,166m² (115,412,434 SF) and the number of holdings fell from 7,935 to 7,213, a 9 percent reduction. Vacant space was reduced to only 2.2 percent of the estate.

Estate running cost

The total running cost of the estate during the financial year 2008/2009 based on reported and estimated costs, was £3.55 billion (\$5.66 billion). Since the start of the HPP programme in 2003/04, the real cost of running the estate, taking account of inflation, has fallen by approximately £740 million (\$1.18 billion).

These figures point to effective implementation of space standards and a general trend towards making better use of existing space. Although there may be fewer opportunities in older and heritage buildings, there are case studies in this report (the State of the Estate 2009 report) which show what can be achieved with determination.

Cost of offices

The average cost of office space stands at £319/m² (\$50/SF)). This is little changed from 2008 and is around 18 percent less expensive than the private sector average. Twenty-five percent of the total office space is in London and accounts for around 41 percent of total annual

costs. Although the London office space averages £625/m² (\$99/SF)), it is still less expensive than the benchmarks for comparable private sector office space (in terms of type and location).

These results reinforce the importance of robust performance and management data in being able to compare the performance of departments, and between the public and private sectors. They also demonstrate that the estate is performing at levels consistent with private sector best practice benchmarks although there is potential to go further in releasing resources.

Efficiency in the use of offices

Monitoring and measuring performance is fundamental to improving the management of resources and to the delivery of services. It helps to inform decisions and to identify opportunities for tangible savings and improvements in the efficiency of property assets. Reliable property performance analysis and the accurate measuring of occupancy costs and space efficiency are pivotal in effective property strategy and management.

Central Government departments and their arms' length bodies are required to measure annually the efficiency, effectiveness and environmental sustainability of administrative office occupations over 500m² (5,381 SF) through the OGC's Property Benchmarking Service. Performance is measured through independently validated metrics against comparable buildings in the private sector and, where appropriate, industry best practice. Information from this

process is used across government to inform strategic decisions about buildings and their impact on service delivery. This work forms the cornerstone of the HPP programme and constitutes one of the largest programmes of its type in Europe.

The combined impact of a strategic focus on space and the introduction of government space standards encouraged many departments to improve their space efficiency. This has brought space allocation in line with the private sector and, at 13.1m² (141 SF) per full time equivalent (FTE), represents a 10 percent reduction on last year's figures.

These results also show an increase of 5 percent in office space at or below the 2008 standard of 12m² (129 SF)/FTE. While this trend is encouraging, it is important to understand that such year-on-year differences can reflect increased demand for public services in the current economic climate, policy changes to the remit (powers) and responsibilities of departments and their consequent requirement for property.

Sustainability

Over recent years there has been significant growth in policy drivers for sustainability on the government estate, with the Climate Change Act 2008, Carbon Budgets, the Carbon Reduction Commitment and the EU (European Union) Energy Performance of Buildings Directive. In 2010, further policy decisions were taken, including announcements on new and ambitious targets. Responsibility for implementing these initiatives, and other sustainable development policies, is shared across government. >>>

>>> Government is committed to demonstrating leadership by improving the sustainability of its estate and procurement activities. These commitments are expressed as government targets which are included in senior management objectives and published performance.

OGC has worked with departments to update the delivery trajectories first produced in summer 2008.

Plans are being put in place by all departments, supported by OGC, which range from building leadership and capability across government, providing practical support to departmental practitioners and improving performance reporting and management. More details on this programme can be found in OGC's Delivery Plan Updates, published half-yearly in summer and winter. Delivery Plan Updates and the trajectories are available at:

http://www.ogc.gov.uk/sustainability_programme_progress.asp.

There are a number of cross-government strategies on energy efficiency of buildings as well as individual departments' plans which include reducing the estate, ensuring that buildings new to the estate meet high environmental standards and improving the energy efficiency of buildings that Government is committed to occupying for the medium-to-long term, for example by retrofitting energy efficiency equipment.

Government continues to maintain good progress towards agreed sustainability targets:

- Government is forecast to meet the 2010/11 targets for CO2 emissions, waste and recycling. Nearly a third of departments have exceeded the CO2 target; all except three have achieved or exceeded the target for waste recycling; and, as a whole, government is exceeding the target for waste arising.
- Performance in reducing water consumption is variable. One third of departments have made excellent progress and have already made reductions in excess of the 25 percent target. Against that, five departments have increased their water consumption by at least 15 percent.
- Of the 25 administrative buildings procured by government during 2009, only 11 met the top quartile commitment. Of the 14 procurements which did not meet the commitment, some were too advanced when a definition of the top quartile became available (in June 2009), to take account of the requirement. In other cases, such procurements have been for temporary accommodation, or have been constrained by the market availability of top quartile accommodation in a particular location.

Just over 49 percent of operational Display Energy Certificate (DEC) ratings (DEC's indicate buildings' energy efficiency ratings in the UK) were better than the benchmark compared with 41.6 percent in 2008 but there is clear scope to improve DEC ratings and more effort is needed to reduce the number of G(200) ratings (for CO2 emissions).

Overall, these results show a demonstrable improvement in energy performance. To help maintain improvement, over £50 million (over \$79 million) in interest-free loans has been allocated for energy saving projects across the public sector through the Carbon Trust Salix scheme (Carbon Trust/Salix are independent organizations assisting in energy efficiency technology investing), and a further £20 million (\$32 million) has been provided for projects in central government departments such as the installation of advanced meters, micro-generation and measures to reduce travel emissions. These funds support departments in reducing their energy bills as well as their CO2 emissions. ¶

Footnotes:

- 1 The civil estate is defined as workspace, offices and other property (land and buildings) used to deliver departments' activities that are owned, leased or occupied by a Government body including non-ministerial departments, agencies, executive non-departmental public bodies and Special Health Authorities in Great Britain. It does not include the operational NHS (National Health Service) estate, the Prisons operational estate, the Foreign Office overseas estate, the Department for Environment Food and Rural Affairs (Defra) rural estate, the privatized rail entities, public corporations or the Defence (Defense) estate (except for certain civil elements).