Sector focus

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Local Authorities Special Bulletin

What next for school buildings?

Councils have spent at least £160 million on preparation and paperwork for school rebuilding projects which have now been cancelled, according to the Local Government Association. So where do we go from here?

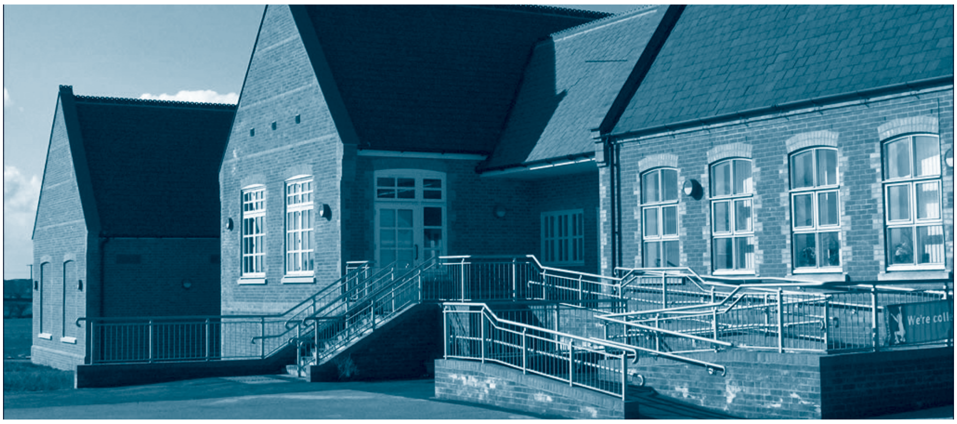
In July, Education secretary Michael Gove axed the Labour Government's ambitious Building Schools for the Future (BSF) programme, cutting 700 school projects around the country and putting 123 new academies on hold.

In a snapshot survey of 67 authorities, the Local Government Association (LGA) found they had spent more than £161,448,000 preparing for rebuilding programmes which have now been cancelled. The BSF scheme required councils to carry out detailed public consultation to recruit and commission designers and architects ahead of programmes being given the final go-ahead. They also had to carry out extensive preparatory work comprising 60 separate documents, strategic overviews and project boards in order to submit proposals for funding. Local Government leaders are now calling for this work and any architectural plans drawn up under BSF to be eligible for consideration under any new programme to share out capital funding.

Speaking on 5 July, the Education Secretary announced a new approach to school buildings, aimed at achieving the best value for money from capital budgets. He pledged that 706 new schools will be opened under the new arrangements, of which nearly 386 are projected to be new-build; 262 are to be remodelled or refurbished; and 26 are to be ICT-only. The building programme in 32 further schools is yet to be confirmed. He also announced that the Department of Education is reducing its End Year Flexibility requirements by £1 billion to help ensure no additional borrowing this year. An estimated £156.5 million savings will be made from capital budgets where commitments are no longer affordable. The £972,000 annual funding for the Commission for Architecture and the Built Environment (CABE) design advice service associated with the BSF programme, has also been scrapped leaving authorities and the construction industry in doubt as to the quality threshold that will be applied to any schools built in future .

The Government is to launch a comprehensive review of all capital investment in schools, early years, colleges and sixth forms, which is expected to report to its findings by the end of the year and will guide decision-making over the next spending review period from 2011/12 to 2014/15.

For more information contact Mark Few in Watts' Public Sector team on: 020 7280 8000.



Editorial

With estimated annual running costs of £25 billion for the central Government estate alone, the vast public sector property portfolio is under fierce scrutiny in the new climate of government austerity. Estates Directors are under pressure as never before to screw down costs and gain maximum benefit from their assets. In the following pages we look at some of the key challenges and opportunities facing local authorities as they grapple with the realities of tighter funding and we ask whether there are valuable lessons to be learned from the private sector, with its culture of lean, strategic property solutions and hard hitting approach to asset disposal and investment.

In this issue

Government on course to decentralise planning

Communities Secretary Eric Pickles has published the Government's proposals for a radical shift of power over the planning regime from Whitehall to local councils and communities.

The Communities and Local Government's Structural Reform Plan, sets out a range of actions and milestones. Those that will radically change the way in which the planning system works include:

- scrapping Regional Development Agencies (RDAs), and replacing them with local enterprise partnerships; and
- putting communities in charge of planning by scrapping Regional Strategies and returning decision-making powers to local councils.

The Government has already called time on the Regional Spatial Strategy and scrapped housing targets, while a full list of incentives to encourage Local Authorities to support rather than block development is expected to be published in the near future. Comprehensive Area Assessments where town halls report back to Whitehall have also been abolished, together with HIPs and 'garden grabbing'. Business Secretary Vince Cable has announced an immediate review of all regulation in the pipeline for implementation which has been inherited from the last Government.

Continued...

Government on course to decentralise planning cont...

Legislation designed to strengthen local planning was highlighted in the Queen's Speech in June, which indicated the flavour of the Government's new legislative programme. Proposals for a Localism Bill and a second Bill to revoke the previous Government's plans to create unitary councils in Exeter, Norwich and Suffolk, are now on the agenda (source: the Planning Portal).

The target date for a new national plannin-g policy based on the Conservative's 'Open Source Planning' proposals is April 2012. This is also the date when it is anticipated that the new Major Infrastructure Projects Unit will be established in the Planning Inspectorate, replacing the existing Infrastructure Planning Commission. However, the Royal Town Planning Institute has sounded a note of caution, warning that the abolition of major parts of the existing planning system without "a viable alternative" in place could threaten economic recovery. The Campaign to Protect Rural England has also urged the Government to consult widely on its proposed changes to the planning regime.

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From workspace to smart workspace

By taking a holistic approach to rationalising the way property is used, a new consortium launched this summer, believes it can help revolutionise Local Authority workspace.

Speaking to leading players in the property industry at a meeting in July, John McCready, head of the Government's new property unit, said private sector expertise would be needed to help cut the Government's £25 billion annual bill for property running costs (source: Building). Leaseback arrangements were not the answer, he told attendees. Instead, he said, the real issue is occupancy and he praised the private sector for transforming itself via space utilisation.

One private sector player that believes it can completely transform the way the public sector uses its buildings, is a new consortium lead by Mott MacDonald that brings together a wide range of skills from leading firms, including Watts, to maximise the use and operation of an organisation's estate. At the core is the identification of surplus accommodation and optimising the use of buildings and workspace through the adoption of effective workspace strategies. By looking at the way the three key overheads of any business: people, property and technology, impact on each other and the organisation, Motts director Charles Blane, claims to be able to change the way that an organisation performs. Through a low cost initial review of the potential to adopt improvements, it is possible to identify the opportunities before embarking on any change programme. The aim is to achieve business efficiency by considering those three aspects in the right combination through rationalisation and more efficient utilisation of premises and by achieving the right mix of working patterns for staff, enabled by technology with improved functionality of the working space.

To support this Watts advise on property and construction including landlord and tenant issues such as dilapidations, lease breaks, and building condition as well as offering acquisition and project implementation advice.

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Tory minister backs Total Place

A report from the Local Government Association (LGA), promoting the idea of place-based funding for Local Authorities, has won the support of Communities Secretary Eric Pickles.

According to the report place-based budgets, published in July, Local Authorities should be allocated a pool of money from which to deliver funding for a wide range of services. The LGA believes that up to £4.5 billion a year could be saved by dismantling many of the existing Local Authority regulatory procedures. This new approach could, "strip out the plethora of funding streams, accountability regimes, ring-fenced budgets, quangos and funding bodies, which cost billions of pounds," says the LGA.

The report was published at an LGA conference held in Bournemouth on 6 July, at which Communities Secretary Eric Pickles backed the Labour Government's Total Place initiative which promoted the idea of public agencies sharing services such as property.

Conference chair, Dame Margaret Eaton said, "The Government has made it clear there are going to be deep cuts in public spending. But if we simply cut departments and organisations as they are currently configured, we will do nothing to cut waste and instead hurt the frontline more than we need to... we are proposing a radically different way of doing things that will save up to £100 billion over five years and help protect vital frontline public services from painful and damaging cuts.

Total Place was launched in 2009 as a way to encourage local agencies to work together, pooling knowledge and resources to benefit local people and their communities and promote increased 'public value' from services. The idea behind the initiative is a simple one. Public bodies get together to look at all the services provided in their local area and work out how to give their customers a better service. In practical terms this means increasing efficiency by sharing resources and cutting out replication of services across different departments and organisations.

From the property perspective the same principle applies. Asset Management is a key strand of Total Place with the aim being to increase efficient use of space, gain best value from existing premises, identify the hidden potential of unused assets and dispose of unwanted or unused property to free up funds for further investment.

At present there is massive duplication across public bodies, even in relatively straightforward areas such as property data collection. For example, each local agency will commission condition surveys of their own property portfolio – as well as the fire insurance valuation, energy performance assessments and access, and asbestos surveys that are required by law – from a different provider using a different reporting system. How much simpler and more cost effective to pool resources and survey the whole local public portfolio as a single project? The potential for savings, just in this area of asset management, is huge. Add to this the prospect of developing carefully constructed and well coordinated planned preventative maintenance programmes and the cost of repairs and refurbishment schemes could be dramatically reduced. Add environmental management to the equation, and councils and other public bodies could meet their sustainability targets more efficiently and cost effectively than has been the case to-date.

From the construction perspective, once agencies are genuinely working together – and the public sector already has an excellent record in collaboration between different agencies and the public – there are also opportunities to increase buying power, tighten up procurement practices across the board and deliver projects using the same set of KPIs to monitor and promote improvements in efficient delivery.

However, there are a number of barriers to success and Chief of Estates Directors will need to find answers to these questions:

- How can multiple agencies overcome their own specific procurement routes and procedures to implement their plans?
- What type of vehicle will need to be set up to unite the multiple agencies, for example a SPV similar to that on a PFU scheme?
- How will cost/liabilities be shared across the group?
- How will different space requirements for different agencies be managed when some occupy at one person for 10m², whereas some are much higher and some lower?
- How will cultural/organisational issues be overcome in order to enable space to be shared?

In today's challenging climate, where efficiency, economy and value for money are critical, Local Authority Estates Directors are under pressure to rethink asset management strategies. By taking a fresh look at the way buildings are used and tying this into other aspects of management such as flexible working and environmental policy, there is potential for enormous savings and resource efficiencies to be made.

For more information go to www.lga.gov.uk

Avoid the void

Local Authorities are being asked to take a more commercial approach to their property assets than ever before. Where better to start than with careful scrutiny of lease arrangements.

As far as landlords are concerned, Local Authorities are Triple-A-rated tenants. When they rent property, they tend to take long leases and they always pay their rent on time. But the environment in which the public sector has operated in the past is changing fast and Local Authorities are now being advised to follow the private sector's lead in order to squeeze value from both owner-occupied and rented property.

Where property is leased, there are two key areas that Local Authorities should consider as opportunities to achieve best value: break clauses and dilapidations. Take a commercial approach: read and understand your lease terms and always exercise the break options, regardless of your intentions. Today, a Local Authority tenant is very likely able to re-negotiate very competitive rentals with landlords who will be keen to retain them. If this is not possible, or negotiations end in stalemate, remember, it is a buyer's market – and you will find a better deal elsewhere even with potential relocation costs.

If landlords serve a dilapidations claim on expiration of a lease, ensure that it is carefully scrutinised. Take professional advice if you do not have a commercial dilapidations expert in house. It will likely pay dividends.

Other options include renegotiation of a longer lease term or perhaps offering to help modernise the property or incorporate any necessary renovations into your long term maintenance plan in exchange for a reduced rent? On lease negotiation play hard and cap service charges when they are deemed unreasonable; particularly in older buildings with aged plant. As most authorities have large property portfolios, rationalise what space you can and utilise free space to save money in another building or sublet.

Finally, if the Local Authority is acting as a landlord by renting space to a tenant, ensure dilapidations claims are effectively enforced and settled. Review tenants' leases to ensure service charge monies are claimed and expended to maintain the condition of common parts and thus the capital value of the property. The importance of maximising the benefit to be gained from your property assets cannot be underestimated nor understated – whichever hat you are wearing.

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Coalition's local agenda spelled out for regeneration

It is R.I.P. Regional Development Agencies (RDAs) as Local Enterprise Partnerships take over from the 'bloated' regional associations established by the former Government.

Partnerships between local councils and businesses have been invited to submit proposals for Local Enterprise Partnerships (LEPs), which will take on some of the responsibilities of the RDAs, by 6 September.

The nine RDAs in England were established by the Regional Development Agencies Act 1998 with the aim of furthering economic development and regeneration and promoting business efficiency and employment. However, they have been criticised by the new Government for becoming over-bureaucratic and "strangling business with red tape". The Government is now in the process of reviewing all the activities undertaken by the RDAs with the new LEPs expected to take on responsibility for issues such as planning, housing, business enterprise, transport and employment at local, rather than regional level. According to the Communities Department, "other roles currently carried out by the RDAs will be led nationally, such as inward investment, sector leadership, business support, innovation and access to finance". This has led to fears of recentralisation dressed up as decentralisation – with the LEPs left with only a limited skill set.

As the RDAs are wound up – with 2012 the anticipated date for their replacement – the regional agencies have been told to reduce the scale of their funding commitments over the next 18 months by 40%. In a letter to the RDAs sent out in June, Business Secretary Vince Cable and Communities Secretary Eric Pickles, instructed them to find Whitehall sponsors for any commitments likely to run beyond 2012. The financial arrangements that the RDAs have been asked to scale down include ongoing agreements ranging from major regeneration projects to the provision of grants to business and training contracts.

One of the first bids for LEP status – from the three Local Authorities covering Cheshire and Warrington – was confirmed in July. They are joined in their bid by the Cheshire and Warrington Enterprise Commission led by Robert Davis, who is an enthusiastic supporter of the new proposals. "With inevitable reductions in public sector expenditure we need to look increasingly to the private sector to help us drive the economy forward," he said (source: Place North West).

While RDA staff voiced their worries over the risk of LEPs in less affluent parts of the country being unable to promote local businesses effectively to a relatively small customer base, Deputy Prime Minister Nick Clegg confirmed a £1 billion Regional Growth Fund to help areas and communities at risk of being particularly affected by public spending cuts. The top priority for the new LEPs will undoubtedly be to generate private sector jobs in a climate where public sector employment is being cut back and cash limited. RDA funding – already slashed – will not automatically transfer to the LEPs. Instead they will have to bid alongside the private sector for money from the Regional Growth fund.

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The Watts Bulletin is the technical companion to the Watts Pocket Handbook, the essential guide to property and construction, as used by professionals since 1983.

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Comments, criticisms and contributions are always welcome.

The Handbook is available to purchase from www.ricsbooks.com priced £26.95.

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