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Northern Ireland Executive
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Asset
Management Strategy

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Contents

Executive Summary

In January 2011, the Executive agreed a number of initiatives that would transform the way it manages publicly owned assets. These initiatives were:

- The creation of a central Asset Management Unit (AMU).
- The creation of a central Asset Register across the public sector.
- The development of individual departmental Asset Management Plan (AMPs).
- The development of a region-wide Asset Management Strategy (AMS).

The Executive is well advanced with the first three initiatives which have now created the infrastructure and processes required to identify and deliver efficiencies. This Asset Management Strategy marks the delivery of the fourth and final initiative which establishes the framework from which central government will deliver the Executive's objectives for long-term, sustainable efficiency savings from assets.

The running cost of assets is the second largest individual cost to central government after staff. With an estimated annual expenditure of £1.231bn, the Executive wants to ensure that resources are managed efficiently and directed towards delivering high-quality and efficient public services. Around 82% of this annual expenditure is through organisations at arm's length from departments. It is important that this Strategy offers the opportunity for all organisations to work collaboratively and effectively to achieve efficiency savings from our assets. Assets are diverse and in the case of offices, land and retail are considerable compared to the private sector. As custodians of the citizens' assets, it is the Executive's responsibility to ensure the adoption of best practice asset management and deliver the best possible value for money.

The effects of the current economic climate and the decision by the Coalition Government in Westminster to reduce public spending now place much greater emphasis on the efficient and effective management of public assets. The objectives of this Strategy are:

- **to reduce the net cost of service delivery through the efficient use of public assets;**

  and

- **to promote effective asset management processes that unlock value.**

The AMU has identified a number of key issues that have been addressed in this Strategy to enable long-term and sustainable efficiency savings to be delivered from our assets. The key issues are:

- fragmented management of our office estate, surplus asset disposal and procurement;
- lack of consistent and readily available asset information;
- lack of experienced asset management resources; and
- the relationship between departments and arm's length bodies.

This Strategy sets out clear recommendations on new measures which, if implemented immediately, can deliver efficiency savings in time for the next Spending Review.

Tackling fragmentation through consolidating the management of our office estate supported by property controls will help us to reduce the cost of our accommodation. This will enable us to plan investment more strategically and take advantage of potential savings from breaks in leasing costs of around **£33m** and **£54m** per year over the next 5 to 10 years. We will apply the same principle to the management of surplus asset disposal to ensure that we are properly equipped to generate additional capital efficiently in extremely challenging market conditions.

We have identified measures that could save up to **£44m** per year from our procurement activity by being more collaborative. Adopting the skills and principles of category management, which is customary in the public and private sectors, will help us to achieve these objectives.

Following Executive approval of the Department of Social Development (DSD) '*Fundamental Review of NIHE'* on 13 December 2012, this Strategy has identified the potential to create significant value from housing stock. Subject to tenant consultation, an agreed rental strategy and the treatment of existing debt, there is approximately £225m of value that could be realised for re-investment. As a guide to the rental strategy, an increase of £1 per week in rent can deliver an estimated additional capital value of £50m. There is also the opportunity to enhance this value, improve the quality of people's homes and create a stimulus for the construction industry through a programme of stock transfers. By transferring 5,000 units in need of repair to Housing Associations, we could deliver an estimated £200m stimulus package with minimal additional pressure on our budget. These transfers will be subject to a tenant vote.

To achieve these objectives we will ensure that the whole of central government is aligned, improve how our asset costs are recorded, continue to develop and utilise the central asset register and maintain our commitment to produce annual departmental asset management plans. We will ensure our departments have the right skills, and establish appropriate delivery and governance arrangements to ensure that our objectives are delivered.

An Equality Screening Report on this Asset Management Strategy has been prepared. This concludes that the Asset Management Strategy is designed to benefit all residents by reducing costs of service delivery and maximising the contribution made by public assets. While the various strands of the Strategy have the potential to give rise to negative impacts in terms of equality of opportunity for a range of Section 75 groups, at this stage it is not possible to define these, due to the relevant data not being available. Impacts will be identified and addressed by the departments responsible for the implementation process at the appropriate time, in accordance with normal working practices. It is concluded that an Equality Impact Assessment (EQIA) of the overall strategy should not be undertaken but that the AMU should play a role in ensuring that equality considerations are fully considered by departments through the implementation period, including the collection of appropriate data. A copy of the Equality Screening Report is included in **Appendix 4**.


analysis
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unlocking value
data
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building blocks

Chapter

One

Introduction

Chapter 1

Asset

Management Strategy

Executive Commitment

When the Executive agreed the recommendations of the Capital Realisation Taskforce Review (CRT) report in January 2011, this signalled the beginning of a step change in the strategic management of publicly owned assets in central government. There is and has been evidence of good practice asset management within departments and their arm's-length bodies (ALBs), however, we have never before exploited the opportunity of a more co-ordinated and strategic approach to asset management.

The approved recommendations of the CRT report were:

- The creation of a central Asset Management Unit (AMU)
- The creation of a central Asset Register across the public sector
- The development of individual departmental Asset Management Plans (AMPs)
- The development of a region-wide Asset Management Strategy.

A lot has been achieved since January 2011. The AMU has been resourced and fully operational since September 2011, the Electronic Property Information Mapping Service (ePIMS™) has been adopted as the software for the central Asset Register and almost all management information relating to our office accommodation and basic information for our surplus land has been captured. Over 4,000 property data entries have been collected to date. Once complete, the analysis of this data will be used to publish our first State of the Estate Report (SOFTE), which will be updated annually. This will provide detailed performance indicators for our office estate that will help drive improved performance.

All departments have now completed their Asset Management Plans in a standardised format broadly covering actions for the period 2011/12 to 2014/15. In the future, Asset Management Plans will be updated annually with a 5-year planning horizon. The purpose of the Asset Management Plan is to enable departments to understand clearly how their assets support service delivery and whether the assets are being utilised efficiently and effectively. They will include a succinct narrative on how assets will be used throughout the planning period, including actions that the department has committed to deliver to ensure that the efficiency and effectiveness with which they and their arm's-length bodies use their assets, is maximised.

The AMU was also tasked with helping departments to generate an additional £100m of capital over the current budget period. This was a requirement of the budget settlement in March 2011 with the aim of expanding the Executive's investment capacity. Almost £90 million of this has already been identified and allocated to departments with the process for securing the remaining £10 million underway.

This Asset Management Strategy is the result of an intense period of work with departments and marks the completion of the fourth and final CRT recommendation.

Strategic Objectives

The 2011-2021 Investment Strategy focuses on protecting jobs, fostering economic recovery and protecting public services, and commits to 'deliver high-quality and efficient public services'. This Strategy is aligned with the Investment Strategy and in particular the commitment to apply strategic infrastructure planning models (SIPMs) across all major service areas. It seeks to better understand the cost, value, functionality and utilisation of our public assets to make well-informed efficiency and investment decisions.

The effects of the current economic climate and the decision by the Coalition Government in Westminster to reduce public spending now place much greater emphasis on the efficient and effective management of our valuable public assets. Assets, in the context of this Strategy, are primarily defined as physical assets within central government that have a long-term financial liability for management and maintenance and have a distinct value to the Executive. On a broader point, central government can create value through other assets that it has significant control of, such as:

- Purchasing power
- Intellectual property
- Human resources
- Finance
- Powers
- Covenant strength.

In terms of scale, annual running costs of central government assets are second only to that of staff costs. In order to maintain quality public services, we must exploit efficiency opportunities from our assets. To put this into perspective, the average cost of one public sector job is equivalent to the average cost of providing seven workstations in an office.

This Asset Management Strategy identifies specific actions that can be mobilised immediately to enable greater efficiency and generate savings opportunities from April 2015. Many of these actions require re-structuring of existing processes or changes to the status quo. These changes are necessary if we are to help alleviate the impact of a more constrained public expenditure environment.

The objectives of this strategy are two-fold:

- **to reduce the net cost of service delivery through the efficient use of public assets;**

  and

- **to promote effective asset management processes that unlock value.**

Chapter

1

Asset

Management Strategy

Scope and Priorities

There are a variety of assets owned and/or occupied by approximately 120 different central government organisations. Based upon the 2007 National Asset Register, our assets are valued at over £38bn, £29bn of which is attributable to roads and water infrastructure. With an estimated annual direct running cost of £1.231bn (based upon estimates for 2010/11), around 82% of this cost is attributable to assets controlled by organisations at arm's-length from departments. The following list highlights the diversity and scale of our publicly owned assets and highlights the degree of complexity associated with the management of these assets:

- 521 hectares of surplus land and 302 hectares of undeveloped land held by the Northern Ireland Housing Executive (NIHE)
- 1,148 hectares of land held for industrial use
- 2,101 hectares of agricultural and grassland and 75,342 hectares of forests
- 89,800 social homes
- 45,869 m2 of retail floor space
- 29,543 m2 of industrial floor space
- 355 offices covering 610,696 m2 of floor space
- 185 operational depots
- 25,457 kilometres of road and 270,190 street lights
- 5,800 bridge structures
- 340 kilometres of railway track
- 25 water and over 1,000 waste water treatment works
- 25,000km of water main and 14,000km of sewers
- 32,416 off street parking spaces
- 854 primary and 216 post primary schools, 97 nursery schools and 41 special schools
- 10 acute hospitals, 5 local hospitals, 30 community hospitals, 39 residential homes for children and 60 residential and nursing homes for older people
- 21 courts
- 82 operational police stations
- 9 country parks
- 17 vehicle testing centres
- 1,100 historic monuments, listed buildings and protected sites
- 6 museums.

The surplus, undeveloped and industrial land holding of almost 2,000 hectares is substantial (compared with c.12,000 hectares of loans across all commercial lenders in Northern Ireland).

The office estate of 610,696 m2 is larger than the FTSE 100 listed British Land office portfolio of just over 580,000 m2.

The retail floor space of 45,869 m2 is greater than that of Sainsbury's at 40,000 m2 and marginally less than Marks and Spencer at 58,000 m2 in Northern Ireland.

The priority is to ensure assets with the greatest demand on public expenditure and those which are common to all public bodies have plans and processes in place that are geared towards delivering the objectives of the Strategy and in particular the delivery of efficiency savings. This will be particularly challenging with such a significant amount of the annual cost of our assets being attributable to arms-length bodies. Only with a co-ordinated approach across the whole of central government will the benefits of this Strategy be fully realized. Our approach is to promote strategically targeted actions that will deliver the best return in the period ahead rather than propose overall cuts across departments to offset imposed reductions in public spending.


purpose built
movement
multiple holdings
occupation split
tenure
leasehold
condition
age
type
estate
location
area
pfi
freehold
quality

Chapter

Two

Background

Baseline Position

We estimate an annual spend of £1.231bn on the direct running cost of our assets based upon 2010/11 figures. Arm's-length bodies account for approximately 82% of this expenditure. The absence of a common accounting system across the whole of central government makes it difficult to assess these costs accurately.

Figure 1 shows the estimated total direct running cost of assets for 2010/11 by department. It must be recognised that there is a wide range of utilisation that will drive the cost base, for example hospitals and waste/water treatment works operate continuously whilst offices only operate during normal working hours. The figures are based upon returns provided by departments, however, for reasons explained later in the Strategy, they cannot be wholly relied upon as accurate.

Department	**Total (Capital and Resource) £'m[2]**
DCAL	23.8
DE	225.2
DEL	38.5
DFP	69.8
DARD	28.5
DHSSPS	246.0
OFMDFM	14.9
DOJ	97.0
DOE	6.6
DETI	14.8
DSD	200.8
DRD	265.0
Total	**1,230.9**

Figure 1
Direct running costs of assets by departments 2010/11

All core departments use Account NI whilst most arm's-length bodies use their own bespoke systems. This makes extraction of information in a common format very difficult. Account NI provides a good level of accuracy for recording the annual running cost of core departmental assets but only accounts for approximately 15-20% of the total across the whole of central government.

Annual direct running cost, which excludes staff costs and notional charges, is defined as follows:

Land
The resource total of any land expenses e.g. maintenance, security.

Property
The resource total of any property or specialist/ infrastructure asset expenses e.g. rent, rates, cleaning, maintenance, security, PFI unitary charge.
The capital total of any property or specialist/ infrastructure asset expense excluding acquisition or revaluation adjustments e.g. maintenance such as replacement roofs.

Plant
The resource total of any plant expense e.g. leasing, maintenance.

The capital total of any plant expense including acquisition but excluding valuation adjustments.

To date there has been no cross-government strategy for asset management or the co-ordinated delivery of efficiency opportunities. The UK 2010 Spending Review imposed severe budget constraints on all Northern Ireland departments over the 2011-15 spending period. This necessitated Ministerial decisions on budget adjustments which should minimise impact on front-line services. Each department has implemented its own individual savings delivery plan. These have proved successful at driving down costs in most cases, but were focused primarily on back office savings rather than asset management initiatives. This Strategy

[2] The costs provided by departments are estimates and will be subject to a more thorough examination. In some cases there are elements of staff cost capitalisation but these do not significantly alter the magnitudes.

seeks to promote the potential for a more joined-up approach to asset management and allow sufficient time for plans and processes to be established with the financial outcomes more clearly articulated, before efficiencies need to be delivered from April 2015.

There has been recent evidence of good practice asset management in departments, the following are just some examples:

- DFP Properties Division collects good quality management information and had produced an Asset Management Plan with evidence of property cost savings being delivered through the proactive management of the office estate.
- DHSSPS introduced property controls to create robust rules and governance structures in connection with leased estate which has delivered property cost savings.
- In 2008, DSD commissioned a condition survey of the NIHE housing stock. This produced a 30 year investment plan and identified significant annual savings on maintenance costs which previously were considered unachievable.
- Roads Service has maintained a highway inventory and assessment system for many years which has enabled it to manage systematically routine maintenance, as well as to calculate the overall funding requirement and asset depreciation.
- Northern Ireland Water maintains a comprehensive asset database which allows it to plan and manage both maintenance and development, providing comprehensive data to the Utility Regulator. An office rationalisation programme which commenced in late 2009 is well advanced with consolidation of central Belfast accommodation into a single freehold property and rationalisation of regional accommodation.

Financial Context

The Asset Management Strategy takes on greater importance when considering the likely public expenditure environment that will confront the Executive moving into the next Spending Review period. Office for Budget Responsibility (OBR) forecasts indicate that UK Resource DEL will contract in real terms by 4.1 per cent in 2015-16 and 3.3 per cent in 2016-17 respectively. This compares to an average real terms reduction in this Spending Review period of 2.2 per cent. The capital investment position is also unlikely to improve with OBR projections forecasting a 5.0 per cent real-terms reduction in 2015-16, with a smaller 0.3 per cent real-terms reduction in 2016-17 (the latter represents an increase in cash terms). These forecasts, which relate to the headline UK DEL position, will be updated post HMT Autumn Statement.

The outcome for the Northern Ireland Executive of the next UK Spending Review will depend on which spending areas the UK Government decides to prioritise (e.g. relative protection for spend on Health and Education in England should have corresponding benefits through the Barnett Formula). However, it is likely that the region's resource budget will be smaller in the years immediately following 2014-15. Our budget will also be influenced (either positively or negatively) by a number of other issues. These include decisions on revenue generating measures such as the regional rate, strategic asset disposals, and the level of, or imposition of further charges for services. Other impacts may result from policy decisions (e.g. corporation tax, university tuition fees, welfare reform and Review of Public Administration (RPA)) that may create new, significant funding pressures. Furthermore, the Executive has, in the Investment Strategy, committed to exploring the viability of pursuing Revenue-funded Investment of capital projects. The detail of this initiative will be developed over the next 6-12 months but will add further resource cost pressures unless such investments result in savings through the replacement of existing inefficient infrastructure or service delivery. Each £1 billion of additional capital investment delivered through Revenue-funded Investment is likely to impose further resource cost pressures of some £100 million per annum. This will then impose a greater need for further efficiency savings to be identified and delivered.

Chapter 2

Asset

Management Strategy

Strategy Development

The development of this Strategy started in April 2012 with the establishment of a cross-departmental Asset Management Forum chaired by the Head of AMU. This was the first forum of its kind designed to encourage collaboration across departments and develop and monitor progress against the Executive's asset management priorities. In August 2012, an Asset Management Sub-Group of the Permanent Secretaries Group (Sub-Group) was formed. The purpose of the Sub-Group was to draw upon the experience and expertise of Permanent Secretaries to assist in the development of the Asset Management Strategy and ensure the scope, objectives and recommendations are fully coordinated and deliverable. The work of the Sub-Group was critical in informing the Budget Review Group in September 2012 on key themes for consideration in the Asset Management Strategy. The overarching approach is to identify strategically targeted areas that can deliver efficiencies rather than propose an overall percentage saving. The latter would only be an approach of last resort if sufficient savings opportunities could not be identified.

The core membership of the Sub-Group included Permanent Secretaries of departments with the most significant annual expenditure on assets; these are DSD, DRD, DE, DHSSPS and DOJ. These departments amount to approximately £1.034bn or 84% of the total direct annual running cost of assets in central government. DCAL was also represented in recognition of the success it achieved in coordinating the diverse interests of a wide range of arm's-length bodies within their Asset Management Plan. DFP Permanent Secretary chaired the Sub-Group with representation from Central Finance Group and AMU.

The work of the Sub-Group was informed by a series of departmental engagements including representatives from the respective departments, DFP Supply and AMU. The purpose of these engagements was to identify and develop opportunities for savings for consideration by the Sub-Group. A further three cross-departmental working groups were established to identify opportunities for efficiency through greater collaboration in areas of common expenditure on assets. These cross-departmental working groups would also capture the majority of spend on assets for the seven departments not represented in the Sub-Group. These cross-departmental working groups were established to cover:

- regional accommodation, including administrative assets and operational depots
- management of surplus assets
- collaborative procurement.

The Sub-Group developed a number of initial findings which were presented to the Budget Review Group and have become central themes in the development of the Asset Management Strategy. These can be summarised into five key challenges as follows:

- tackling the fragmentation of asset ownership across central government organisations
- accessing intelligible asset information to inform management decisions
- clarifying the complex relationships between departments and arm's-length organisations
- helping departments to access and develop asset management skills
- implementing change processes.

Strategic Approach in Other Regions

AMU has undertaken analysis of the asset management strategies for other regions. The current global financial situation has largely been the catalyst for governments around the world to take a greater interest in delivering financial benefits through more efficient management of their assets.

Wales

Implementing a centrally led strategy aiming to reduce numbers, improve efficiency, quality and performance of the office estate.

Targets:

- 30% reduction in annual running costs
- To reduce the number of office buildings from 93 to 13 by 2015, (currently at 41)
- To co-locate and share offices between public sector bodies, including councils
- To reduce CO_2 emissions by at least 30% by 2020
- To achieve an average desk ratio of 8:10
- To achieve space utilisation of 10 m^2 per FTE (currently at c14 m^2 per FTE).

The Welsh Government has allocated capital to facilitate estate rationalisation.

Implementing the Welsh Government Location Strategy. This encompasses the continued rationalisation of the offices estate, dispersal of public sector jobs and an increase in flexible working practices.

Scotland

Scotland has adopted a two-tier strategy relating to both central and local government.

The first-tier strategy covers the central civil estate (which is broadly comparable to NI central government estate).

This comprises land and property assets of the core estate and the wider estate (which included NDPBs, agencies, non-ministerial departments etc).

The second tier comprises the local civil estate (which includes the NHS, councils and emergency services).

The scope of this strategy is broader than the first tier and extends to all operational and non-operational properties.

Targets:

- To implement a 25% reduction in administrative space and running cost
- To review the efficiency and effectiveness of property asset management across the Scottish government civil estate. This includes the core and wider estate
- To promote collaborative procurement, review centralised estate management and explore outsourcing
- To embrace a 'one public sector estate' to enable property efficiencies
- To achieve an average desk ratio of 8 workstations to every 10 desks
- To achieve space utilisation of 10 m^2 per FTE (currently at 15 m^2 per FTE)
- To implement proactive lease management by bringing a commercial focus to lease management and exercising controls over lease renewals
- To implement sustainability targets.

England

Strategy relates to improving the efficiency and sustainability of the Government's civil office estate.

Targets:

- To consolidate the office estate and use space efficiently and effectively.
- To achieve an average desk to FTE ratio of 8:10.
- To achieve space utilisation of 10 m2 per FTE for refurbished and 8 m2 for new offices (currently at c.13 m2 FTE).
- To meet the annual government sustainability targets, 10% emissions reduction over the last 12 months - 13.8% was achieved in 2011.
- To continue with property controls - moratorium on all leases, with the presumption to exit on expiry.
- To ensure that facilities management contracts and extensions meet strict compliance criteria.
- To strive towards centralised ownership of all office estate.
- £212m per year savings (12%) since measures introduced.
- This will rise to £818m per year (45%) when 10 m2/ FTE utilisation is adopted. It is unlikely that this will be achieved before 2020.

Current space utilisation within the office estate is as follows:

- 118% has utilisation of <10 m2 per FTE.
- 15% has utilisation of 10-12 m2 per FTE.
- 67% has utilisation of >12 m2 per FTE.
- HM Treasury recently announced its intention to centralise the management of asset disposal.

Republic of Ireland

The management and maintenance of the state property portfolio (excluding schools and hospitals) is carried out by the Office of Public Works (OPW).

Under the Public Service Agreement 2010 – 2014, OPW have undertaken several actions to implement changes to effect savings and efficiencies in relation to its property portfolio although specific metrics have not yet been defined:

- To assess the overall approach to management of the property portfolio.
- To surrender leases on expiry.
- To dispose of all surplus owned properties.
- To dispose/reassign property due to reconfiguration of departments.
- To move to more energy efficient buildings.
- To convert higher-cost leases to lower-cost leases where possible.
- To develop structures for greater cooperation with other state bodies.
- To reduce space utilisation in office buildings.
- To review and reform valuation methods for state-owned land and property.
- To publish core property information online.
- To accelerate collaborative buying across the public service.

At local level, the Local Government Efficiency Review Implementation Group was set up in 2011 to oversee the implementation of the recommendations in the Local Government Efficiency Review Report.

Under these guidelines, local government has made savings of €830 million since 2008 through staff reductions, more effective procurement, management of consultancy fees and shared HR & payroll. These were achieved without reduction in services.

Australia

The Australian Government holds the largest property portfolio in the country – 613 office tenancies in 137 locations throughout the country (c.3 million m2 of office space).

Responsibility for managing property is regionally centralised, largely due to geography, with direct central guidance from the Commonwealth Property Management Framework.

The Commonwealth Property Management Framework was established in October 2009 to guide the efficient and effective management of Commonwealth property.

Targets under this framework are:

- To reduce occupational density from 21 m2 per workstation to 16 m2.
- To proactively manage leases and plan to exit at the earliest opportunity.
- To improve the density of current occupations in both leasehold and freehold.
- Improvements expected gradually as leases expire (>50% of leases expected to expire by 2013, a further 43% by 2019).

Canada

The Government of Canada set up the Public Works and Government Services Canada (PWGSC) as a corporate real estate organisation for the provision of office and technical real estate property services to government.

Within the PWGSC, the Real Property Branch (RPB) role is to assess the property needs of the government and develop private sector solutions where capacity exists.

RPB manages one of the largest and most diverse property portfolios in Canada – with a remit for all property asset types.

Simple KPIs used to measure efficiency e.g. m2 per FTE, cost per FTE, cost per m2.

RPB manages federal sustainability goals and implements a sustainable buildings policy.

RPB has undertaken an Integrated Workplace Solution programme to deliver innovative and technologically appropriate workplaces that increase mobility and flexible working.

Recurring Themes

- Strategy for change has generally been underpinned by a change in the structure of management of assets – centralisation being a common option
- Robust data collection and management systems have been acknowledged as fundamental to the success of target setting and delivery
- Targets have been set with a clear direction for how they will be achieved
- Aggressive savings targets have been set and endorsed by politicians
- Cross-organisational sharing of space and services is a common strategic objective
- Savings of between 25% to 45% have been identified as achievable
- Property controls are central to delivering savings; lease exits being the key driver
- Space utilisation targets mainly in the range of 8-10 m2/FTE
- Ratio of 8 desks for every 10 employees is common, facilitated by flexible working policy
- Flexible/agile working essential for integrated workplace solutions
- Controls over facilities management costs, procurement and management – with cross-departmental/sector savings key
- The scope of strategies varies from simply office estate to a wider range of land and property depending upon circumstances
- Sustainability improvements run in parallel, usually endorsing other government policies as a minimum.


cost of space
systems
asset base
function
energy
savings
vacating
maintenance
spend
compare
running cost
schools
capital
assessment
regional variation
depreciation
leases
hospitals

Chapter

Three

Findings

Findings

The work in connection with the collection of property information on ePIMS™, the preparation of departmental Asset Management Plans, the collaborative working arrangements of the Asset Management Forum, the monitoring of the asset disposal process and the focused work of the Permanent Secretaries Sub-Group on Asset Management have generated a wealth of information to inform potential opportunities for efficiency.

In general, the overarching proposals will apply to all central government departments and their arm's-length bodies, however further work will be necessary to consider their application to those organisations operating under Companies Act legislation. The following section highlights the findings in areas that could deliver the best return from April 2015.

Housing

Northern Ireland Housing Executive (NIHE)

The NIHE review undertaken by DSD presents a significant opportunity for the Executive to generate a receipt through either selling, leasing or establishing new Housing Association(s) to undertake the landlord function for NIHE's 89,800 housing units.

The restructuring of NIHE has the potential to be one of the most significant property transactions in recent times. At this early stage there are many commercial variables to be considered before determining how the fiscal outcome can be maximised for the Executive.

Savills estimated the value of the NIHE housing stock as **£225m** in 2009. This valuation was primarily driven by NIHE rent levels at that time and rent remains the most important and controllable factor in determining how much NIHE is worth. The current and future debt position, which needs to be properly considered in the valuation, is highlighted below.

Each additional £1 per week of rent per unit would generate an extra £5m of income for NIHE annually, which could increase the capital value of NIHE by up to **£50m**.

The average NIHE weekly rent is currently £58. This compares with an average Housing Association weekly rent of £75. If the NIHE charged the same average weekly rent as the Housing Association movement it would generate an additional £85m of annual income, which could increase the value of NIHE's assets by **£850m** up to a total of over **£1bn**.

Savills also estimated that over 30 years the maintenance liability for the NIHE stock would be £5bn. If NIHE is restructured in the form of a Housing Association(s), some of this liability would be funded through private finance, which would reduce the burden on the public purse relative to the status quo where maintenance is fully funded through NIHE budgets.

Another important consideration which would impact upon the value of the NIHE is the budgetary treatment of treasury debt held by NIHE. This will score favourably against the Block in budgetary terms for a further 5-6 years at which point the debt will have significantly amortised. This is important in determining the best time to complete the NIHE restructuring to obtain the maximum budgetary benefit from NIHE's existing debt. The treatment of the existing debt in any restructuring will be considered carefully to maximise the budgetary benefit to the Block.

Implementation of new structures to support the improved delivery of housing services to the citizens of Northern Ireland is a Programme for Government target to be achieved by 31 March 2015.

The process for delivering on this target is being developed by DSD at present and may take place in two phases. The first phase of designing the new delivery structures will be undertaken by DSD. The second phase of implementation is likely to be undertaken by an implementation body such as a dedicated Programme Delivery Support Unit (PDSU). This has been implemented for major programmes in other areas of central government.

In the design phase of the project careful consideration will be given to issues such as tenant consultation, welfare reform and the impact of any rent increases on those social tenants that make contributions to their rent from earned income. Any new structures agreed should not act as a disincentive for tenants to continue to work if rents increase.

Stock transfer projects

A 'Stock Transfer Scheme' describes the process by which social housing units requiring multi-element improvements are transferred out of the NIHE to a registered Housing Association (HA).

The rationale for stock transfer schemes is to facilitate the completion of necessary multi element works in a way that is significantly more affordable for the public purse.

Using a HA to complete multi-element improvements is more affordable for the public purse as a HA can raise debt on the value of the stock transferred and therefore, unlike NIHE does not require 100% government funding for any capital works undertaken.

The consideration from the HA to NIHE for the transfer will usually be nil, as the value of the multi-element maintenance liability will be equal or greater than the value of the housing unit in its current condition.

There is a statutory requirement for tenants to be allowed to vote on a proposed stock transfer scheme. This must be passed by a majority of tenants. HAs use the rental stream on the refurbished houses to repay their debt, provide for maintenance costs and make a contribution to the HA's overheads.

At present, DSD is considering approximately **2,000** units across 40 schemes for the stock transfer programme. At an estimate of £40,000 of upgrade expenditure required per unit, this has the potential to release an additional **£80m** of construction work to the private sector through the HAs. The Budget Review Group has noted the potential to increase the scope of the scheme to **5,000 units**. This would increase the level of construction work released to the private sector to a total of £200m.

The stock transfer programme has the additional benefit of improving the receipt obtainable from the restructuring of NIHE. This happens as the value of NIHE increases as a result of transferring the net liability of stock transfer units off NIHE's balance sheet.

The current plan is for NIHE to deliver the 2,000 unit programme by the end of the current budget period. The delivery proposals highlighted above could be mobilised earlier to deliver this stock transfer programme should it be increased to 5,000 units. Significant work will be required to complete economic appraisals for all of the units to be transferred. This is a critical activity to determine the location, upgrade requirement and timeline for transfer which will be essential in planning tenant consultation and readying HAs to deliver the programme.

Office Accommodation

Definition of office accommodation

For the purposes of this Strategy office accommodation is defined as buildings which are wholly or substantially utilised for the delivery of an administrative or service function. Exclusions from this definition may include for example; buildings owned by organisations that operate under incompatible legislative arrangements, buildings that are inextricably linked to specialist operational functions or buildings that fall below a de-minimus footprint of 100 m2. This is broadly consistent with the definition of office accommodation being used for the 'State of The Estate' report prepared by the AMU.

Offices within central government including arm's-length bodies

Figure 2 highlights the number of offices, including floor area, occupied by core departments and their arm's-length bodies. In addition to the exclusion noted above, this also excludes DHSSPS freehold estate.

	Core Department		Arms-Length Bodies	
Department	**Nr Offices**	**Floor Area m2**	**Nr Offices**	**Floor Area m2**
DARD			2	1,015
DCAL			6	3,641
DE			19	60,210
DEL			2	1,816
DETI	1	2,140	9	14,846
DFP	146	342,012		
DHSSPS			39	28,527
DOE			2	768
DOJ	1	5,733	51	40,364
DRD	3	1,065	3	2,115
DSD	12	31,658	43	47,732
OFMDFM			6	8,983
PPS			8	18,071
Grand Total	**163**	**382,608**	**190**	**228,088**

Figure 2. Breakdown of Departmental/ALB office occupation, number and area

Fragmentation

Across central government there are 355 offices owned or leased by over 100 different organisations covering a total net internal floor area of 610,696 m2. Approximately 35% of the estate is freehold and 65% is leasehold and the occupational density on average is approximately 22 m2 / workstation. This represents an estimated annual direct running cost of £100m. Arm's-length bodies account for 54% of the total number of offices and 37% of the total net internal floor area. This fragmentation of ownership and control presents challenges in managing the office estate to make office accommodation decisions that are in the interests of government as a whole rather than in the interests of one single occupier or owner. The issues with existing arrangements broadly fall into the categories of management, planning and resources.

Management issues

There is currently no single agreed specification or operating controls for office accommodation within central government. The manifestation of this is an office estate that varies significantly in terms of suitability and efficiency. By defragmenting management arrangements, property controls can be applied centrally to ensure that occupational and financial performance of the central government estate is able to be benchmarked, monitored and maximised.

Property controls were introduced by the Government Property Unit (GPU) in Cabinet Office as part of its 2010 State of the Estate Report as a means to generate financial and occupational efficiencies from the government estate in England.

The controls focus on exercising greater influence over the taking and exiting of leases and mandate space standards for occupation in new and refurbished buildings. In the first year of implementation GPU achieved a saving of £48m as a result of a lease moratorium. Public Accounts Committee (PAC) recently determined that GPU property controls were effective in achieving savings, however the fragmented control of the office estate undermined the ability of GPU to fully maximise the savings potential. Proposed property controls are included in Appendix 1.

Under existing arrangements, there are many hard and soft facilities maintenance contracts that have been procured by a multitude of asset owners. There is scope to consolidate these contracts under one asset owner (central unit) and generate financial efficiencies, through collaborative procurement, and management efficiencies through introduction of a common set of performance standards with contractors and service level agreements with tenants.

Planning issues

Through the annual Asset Management Plan process each asset owner is required to articulate how, over a five-year horizon, their assets underpin service delivery and how the asset owner is striving to maximise the efficiency of their assets. This is a big step forward from previous years where many asset owners had no standardised process that clearly articulated their property needs. Under new centralised arrangements, the Asset Management Plans should be utilised to enable the various occupiers to express their property needs over a five-year period in a consistent way and updated on an annual basis.

This cross-departmental approach will improve the strategic management of the office estate, underpinned by the Asset Management Plans, by allowing the central unit to match accommodation demands with existing availability before leasing or procuring extra accommodation on the open market.

Resource issues

At present, specialist property and estate management resources are both scarce and dispersed across central government. Defragmenting management arrangements and resources creates the opportunity to pool expertise to ensure that every occupying organisation can access office property and estate management advice from the central unit.

This Strategy proposes the principle that the management, budgetary responsibility and vires to make binding accommodation decisions should be centralised within one dedicated central unit. As with all shared services, this unit will take account of the operational and business considerations of tenants. Properties Division, which currently exists within Enterprise Shared Services in DFP, would be the most appropriate location to build upon for this new unit. The Division currently manages almost 150 properties for NICS and therefore has the existing experience, processes and capacity from which to build upon.

In determining how the management of the office estate will be centralised, due consideration will be given to organisations that manage specialist accommodation assets. In these cases AMU, in conjunction with DFP Properties Division, will undertake an assessment to determine whether these assets should continue to be managed by their current owners. This will also examine whether the current owners have the skills and capacity to undertake this responsibility in a manner that is aligned with the objectives of this Strategy.

Work will be undertaken to develop the optimum operating model and management resource plan. Property controls will be published with guidance to enable the maximum amount of efficiency savings to be delivered. Consideration has also been given to the enhancement of the management of surplus assets, which has been described in more detail in the next section of this Strategy. There is a strong case to exploit the synergies between the skill requirements for office and asset disposal management. This is illustrated in Appendix 2, which defines the suggested functions of an office and surplus land management unit.

Implementation is proposed on a phased basis to ensure that the transition is carefully managed. This will facilitate the transfer of legal title, assignment of leaseholds from existing asset owners and budgetary matters to the central unit in a controlled way. This will also enable the resource plan to evolve organically as the portfolio increases.

Potential savings from lease expiries

The AMU has investigated and analysed the profile of central government lease expiries upcoming over the next ten years as shown in Figure 3 below:

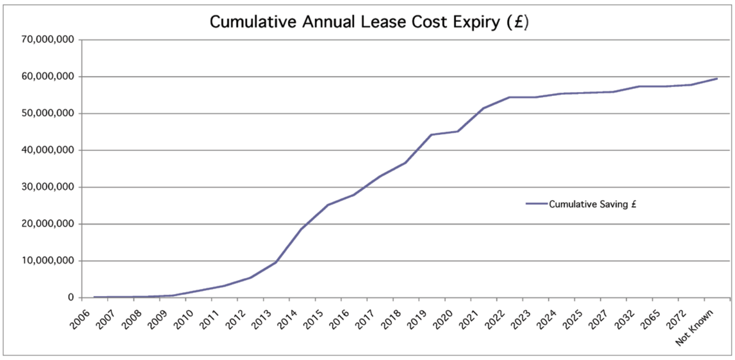


Figure 3. Cumulative Annual Lease Cost Expiry (£)

Between all of the departments and their sponsored bodies, our data indicates that **£32.8m** of annual lease costs will have expired by 2017, representing 9,902 workstations, and a cumulative total of **£54.3m**, representing 15,061 workstations, will have expired by 2022.

Although it would be difficult to exit all of the upcoming leases on expiry, lease vacations represent a significant opportunity to achieve consolidation and generate financial efficiencies. Financial savings will be calculated on a project by project basis, but capital investment to procure new or enhance existing buildings would be required to accommodate employees vacating leased premises and would aim to achieve a payback period of between 5 and 10 years. The technology exists within NICS to enable consolidation, however, this could be further enhanced through a better understanding of potential changes to working practice, which has been implemented in other regions and countries.

This aligns with the principles and criteria of the Executive's 'Invest to Save' initiative and represents a viable reason to extend the initiative beyond a year-to-year allocation to a more strategic multi-year programme. This will allow departments to plan 'Invest to Save' proposals well in advance of the year in which they require investment to deliver savings. There are current examples where departments are considering 'Invest to Save' proposals for the acquisition of currently leased accommodation, taking advantage of currently depressed prices and long-term savings in rental charges.

By way of example, the worst case scenario for an 'Invest to Save' proposition for the office estate would be to construct a series of new buildings amounting to a total of 150,000 m2 to accommodate employees from expiring leased premises. Based upon CPD information, which is subject to review, the build cost ranges from £1,500/m2 to £2,750/m2. Assuming an average build cost of approximately £2,000/m2, this would require an estimated £300m capital investment. Achieving an annual saving of £54.3m by 2022 would represent a payback period of approximately 6 years.

This is not how the efficiency programme would be implemented in practice, but provides an indication of the potential to deliver significant savings utilising the 'Invest to Save' principles.

Centralisation of the management of office accommodation is key to achieving these savings supported by an agreed accommodation plan to facilitate an appropriate time horizon to provide alternative accommodation and facilitate the change.

Area-based office consolidation

Consolidation of regional office accommodation is being successfully implemented in Scotland and Wales and is being piloted in England. The vacation of a significant proportion of our leasehold estate presents us with an opportunity to encourage cross-organisational sharing through area-based consolidation of office accommodation.

Upon analysis of almost 16,000 workstations within the existing leased office estate across central government, Figure 4 below identifies the locations that stand out as potential locations for regional consolidation opportunities. This is determined by actual lease expiries in locations over the next 5 and 10 years above a minimum threshold of 200 workstations. This does not include any location or travel time analysis or present any view on the optimum location for workplace accommodation.

Region	No. of Workstations	Expiry by 2017	Expiry by 2022
Armagh	211	53	53
Ballymena	399	183	260
Belfast	13,079	7,636	11,783
Lisburn	402	300	393
Derry ~ Londonderry	802	317	732
Omagh	445	373	433
Craigavon / Portadown	336	137	332
Grand Total	**15,674**	**8,999**	**13,986**

Figure 4. Potential areas of regional consolidation

Of the 15,674 workstations, 9,000 workstations are due to expire by 2017 rising to 14,000 by 2022.

A key benefit of rationalising within regional locations is the financial efficiencies through consolidating small leases into fewer larger centres. Another benefit is the opportunity for consolidation to act as a catalyst for regeneration projects. For example, the 732 workstations available through lease expiries in Derry ~ Londonderry by 2022, could be considered for consolidation into a smaller number of larger offices that could act as an anchor for the development plans being prepared for the former military sites in the City.

Surplus Assets' Management

Observations

Once an asset is declared surplus, it is entered into the public sector trawl process by Land and Property Services (LPS) via a D1 form. The most striking observation is that the disposal process takes too long from the start of the trawl to completion of sale. Evidence from the D1 Register shows the following timescales in Figure 5:

Disposal Process Stage	Timescale	Range
Average time from Trawl to completion for disposals from April 2011 to Oct 2012	28 months	Range 6 to 76 months
Average time from Trawl to completion for disposals from April 2012 to Oct 2012	41 months	Range 10 to 76 months
Average time from Trawl to going on the open market for disposals from April 2012 to Oct 2012	18 months	Range 4 to 37 months
Average time from Trawl to present for current outstanding open market sales	36 months	Range 4 to 102 months
Average time from Trawl to going on the market for current outstanding open market sales	19 months	Range 4 to 56 months
Average time from Trawl to present for current outstanding public sector transfers to Housing Associations	26 months	Range 12 to 41 months

Figure 5. Sample timescales of current disposal process

There are many reasons why the process takes so long to complete with fragmentation of roles, responsibilities, skills and advice being a central factor. The main areas of delay include:

Too many disposal bodies

There are 27 active disposal bodies and a total of 120 potential separate disposal bodies.

Lack of property expertise within departments

Many of the decisions which a disposal body is required to make in the disposal process require a property professional with sufficient understanding of the legal, valuation, marketing and planning positions. This only exists in Health Estates and PSNI and is generally a part-time role in all other disposal bodies.

Planning approvals

In some cases, an outline planning approval for redevelopment is required in advance of marketing in order to enhance the potential sale value. This adds 9 to 15 months to the disposal process. Also, most disposal bodies are not sufficiently resourced to take on the procurement, management and costs involved in securing planning approvals.

Former owner issues

Certain assets acquired under vesting, such as the former New Town Lands are subject to complex legal procedures around offering back to the original owner once declared surplus. Delays result in facilitating former owner negotiations before open-market sales can proceed.

Public sector transfers

Public bodies can express an interest to acquire surplus assets through the Trawl system. Exclusivity is then granted for completion of due diligence and negotiation of price. Bodies such as Housing Associations are very slow to complete due diligence compared to private buyers. Despite the delays, the disposal body continues to carry the holding costs and risks of the market value dropping further.

Legal due diligence

There is a mixed approach to preparing assets for market. Few disposal bodies undertake title investigations prior to commencing marketing. This can lead to delays, price 'chipping' and sales falling through if title imperfections are only discovered at final conveyancing stage.

Valuations

Poor quality information provided by the disposal bodies, the need to obtain planning advice, clarify title issues, clarify third party land issues and former owner issues can lead to valuations being prepared on the basis of too many assumptions. This can lead to inaccurate valuations which then affect the outcome of the disposal process; accounting officers are unable to accept offers which are below the reported LPS value until such time as the valuation is revised to reflect the actual position on title, planning, etc.

The market

The prevailing property market is weak in all sectors with the lack of debt finance continuing to suppress the potential demand to acquire property. Despite this poor backdrop there continues to be activity in the marketplace. The absence of a targeted marketing approach to capture the active buyers, including having all the legal due diligence completed prior to marketing, can result in an extended marketing period.

Budget impact

The timing of capital receipts from disposals can be difficult to manage. Without qualified property professionals, many disposal bodies are risk averse and rather than concentrate efforts on bringing a disposal to completion they prefer to declare an under provision at October and January monitoring rounds and defer the sale to the following financial year. There is no central function to balance the timing of receipts across all departments.

Proposed Solution

A centralised disposal unit would overcome the fragmentation issues and result in a more efficient and shorter disposal process. A new central unit would take on full responsibility and accountability for delivery of capital asset disposals. This would involve a transfer of all surplus assets to the centralised disposal unit including legal, financial and budget liability. This would be closely linked with the management of the overall capital budget and therefore the new disposal body should be located within DFP to maintain close working with Central Finance Group (CFG). This would also mean that the incentives to deliver planned asset sale receipts and sound overall capital budget management are fully aligned. Location anywhere else within NICS would not enjoy these benefits.

The asset disposal process would be managed in a coordinated manner by the central unit and should instil greater confidence both at the budget planning stage and the delivery stage during the financial year. Disposal bodies would no longer have the distraction of disposing of surplus assets and the associated risks to budget planning.

The central unit would be set up in a shadow form during the transition period 2013 -2015 and become fully fledged for the start of the next CSR period. It would prepare an assessment of budget to cover the holding costs of surplus assets, pre-marketing work such as securing planning approvals and marketing expenses.

LPS within DFP will provide support services to the unit including the main areas of existing LPS roles with the exception of the D1 Trawl process, which will become automated with the use of ePIMS™. Deparmental Solicitor's Office (DSO) will provide support services to the unit under a Service level Agreement (SLA) including the main areas of its existing roles but on a more dedicated basis.

The central unit would establish a government-wide disposal programme based on anticipated volume of surplus assets from every disposal body. It would set a capital receipts target in conjunction with Central Finance Group (CFG) for each year of the budget period.

A challenge function will be undertaken by the central unit to ensure departments are actively assessing their estate to generate surplus assets. The unit would act as a link to each department to ensure the maximum number of assets are declared surplus. This will require involvement in the preparation of annual departmental Asset Management Plans and access to the ePIMS™ register.

Managed by a suitably qualified chartered surveyor with public sector and commercial experience, the unit would also require approximately 7 staff including 3 qualified estate management surveyors, a town planner, an admin assistant, a mapper and a finance person. This should be coordinated or merged with the central office management unit proposed in the previous section of this Strategy to make best use of scarce, experienced and professionally qualified resources. Appendix 2 describes the functions of a central unit with the combined role of office management and surplus asset disposal management.

The process for transfer of surplus assets to any other public body should be changed to an immediate transfer at market value upon interest being expressed by that public body; this approach will significantly reduce delays in the disposal process. It is important that this approach is carefully considered with DSD as part of the ongoing process of developing the Community Asset Transfer (CAT) policy. AMU is represented on the DSD-led CAT departmental steering group and will provide support on this issue.

The surplus assets of certain disposal bodies with specialist circumstances might be excluded from transfer to the central unit including NIHE Right to Buy and SPED Housing, and NITHC given its public corporation status. Also, NI Water reservoir assets might be excluded due to specialist management requirements.

Collaborative Procurement

The potential to increase the levels of cash releasing savings through better aggregation and demand management of common goods and services, supported by professional category management, has been well documented over a number of years. Central Procurement Directorate (CPD) has been able to achieve savings across the NICS since the mid 1990s through better aggregation of common requirements. The Northern Ireland Audit Office (NIAO) estimated that departments and their arm's-length bodies spend in excess of £880m a year on common goods and services. Breakdown of this spend by category is as summarised in Figure 6:

Centres of Procurement Expertise (CoPEs) spend on Common Goods and Services (2010/11)	Total £m
Energy	195.3
Telecoms and Networks	46.0
Professional Services – Financial and Consultancy	112.0
Fleet	38.0
Office Supplies	28.5
ICT Commodities	170.7
Print and Print Management	16.9
Advertising and Media	23.8
Travel	67.8
Facilities Management	181.7
Total	**880.7**

Figure 6
Estimated Departrmental annual expenditure on goods and services

Best practice and experience of other jurisdictions would suggest that a central category approach, rather than the current fragmented approach, along with a committed and managed demand could achieve **5%** cash releasing savings. Therefore, in central government terms, this would suggest a potential to save **£44m per year**.

However, to achieve these savings will require a significant upfront investment in resources along with a number of changes in current budget controls and procurement practices. These would include:

- The establishment of appropriate governance arrangements to ensure that the new collaborative strategies are fully implemented and maintained, along with opportunities to further innovate and transform how the central government bodies use external suppliers to support and improve their future delivery models.
- Establishment of a central team to collect and maintain spend data on all Central government goods, services and works. This team will also be responsible for the establishment of baselines to ensure accurate measurement of future cash releasing savings.
- Establishment of a pan-government Procurement to Pay system (P2P), which centralises all orders, invoices and goods receipted to ensure and enable the maximum benefits of common contracts and to minimise 'off-contract' spend. Such a system would provide real-time detailed management information and controls on all central government spend. The ability to adopt such a system with respect to the governance arrangements of some organisations (such as those constituted as companies) will need to be considered.
- Creation of commercially focused category teams with central oversight, or possibly ownership of the budgets for all areas of common spend with the aim of: reducing costs, future demands and, where applicable, transform existing delivery models.

These proposed changes should commence in early 2013 to allow sufficient lead-in time to fully implement, and put into operation, the necessary changes in advance of the next Comprehensive Spending Review. It is expected that the governance and delivery arrangements will be addressed through the Procurement Board.

Specialist Assets

Based on 2010/11 returns, the combined annual direct running cost of assets contained within the Department for Regional Development, Department of Justice, Department of Health, Social Services and Public Safety and Department of Education amount to £833m. This represents almost 68% of central government annual direct running cost of assets; it is therefore important to identify any opportunities to deliver efficiencies that can be realised in the next budget period. The following sections summarise the findings from engagement with each of the departments during the preparation of this Strategy.

Department for Regional Development

Estimated annual running cost: £265m

Within DRD, the operating units of Roads Service, NITHC and NI Water contain specialist infrastructure assets that are directly employed in service delivery.

Roads Service
Roads Service is a unitary road authority where all public roads, from motorways down to unclassified urban and rural access roads, are managed by a single body. This is unique in the United Kingdom and Ireland and counters any fragmentation or duplication in specialist asset management. Roads Service has maintained a highway inventory and assessment system for many years, which has enabled it to systematically manage routine and structural maintenance, as well as to calculate the overall funding requirement and asset depreciation.

Private Finance Initiative (PFI) deals
A proportion of roads maintenance is managed through the Roads Package 1 and 2 PFI deals. A proportion of roads maintenance is managed through the Roads Package 1 and 2 PFI deals. These include maintenance on the roads covered in the contract including the majority of the motorway network. Annually, these contracts cost approximately £43m, which covers both financing and service charges under the contracts, and will run until expiry in 23 and 25 years respectively.

Roads Service has a dedicated Private Public Partnership (PPP) unit to manage these contracts and is likely to achieve cost rebates of up to £750k this year through performance deductions on top of an estimated £170k annual rebate for lane availability charges.

Proposed Action: R*oads Service to summarise all the contractual levers that have been investigated to achieve efficiencies, for example benchmarking or market testing*.

Street lighting
The annual cost of street lighting is approximately £19m in resource and £4.25m on capital funding. £11m of the resource costs relate to electricity. The opportunity for government to reduce its electricity costs is being taken forward through the collaborative procurement workstream.

Proposed Action: *Roads Service to participate in the collaborative procurement exercise and continue to review the delivery model for street lighting to understand how Road Service's delivery model benchmarks against best practice*.

Interim estate

The Roads Service interim estate is defined as land holdings purchased and vested over time when needed for road schemes. Land may also be acquired in advance of need as a result of a blight notice or favourable opportunity. The value of the interim estate is subject to large fluctuations with the timing of schemes and is currently valued at an estimated £46m. This figure is the subject of a Road Service review to allocate each parcel of land to a specific scheme and then seek a Ministerial decision to assess whether the scheme will progress. Where schemes are not likely to secure funding, the associated land will be considered for release and declared surplus for sale.

Proposed Action: *The interim estate review will be complete by the end of the 2012/13 financial year and initial recommendations to declare land as surplus estate will be made once redundant schemes are agreed.*

Car parks

Car parking revenues have the potential to make a significant contribution to the Roads Service budget and parking tariffs are reviewed annually to ensure that tariffs set are appropriate. In October 2012, the Executive agreed a freeze on increases to car parking charges for the period of the current budget.

As part of the Department's Savings Delivery Plan 2011-14, a new parking enforcement contract was awarded in July 2012, which guarantees £2m savings per year on the previous contract.

With regard to commercialisation, DSD has identified 8 non-surplus town/city centre car parks as prime development opportunities and is progressing a number of regeneration projects in conjunction with Roads Service. In developing their proposals for these sites, developers have the choice of either providing acceptable alternative car parking elsewhere within the commercial centre area, or incorporating the existing car parking spaces within a multi-storey complex and providing Roads Service with an annual revenue. Also, in response to recent interest from DSD and a developer, Roads Service has declared surplus and sold two car parks (Kent Street and Madison Avenue, Belfast respectively) and Omagh District Council has expressed an interest in building over Drumragh Avenue Car Park, Omagh.

Roads Service is also active in leasing space in its car parks for advertising hoardings and has seen a significant increase in requests this year. Roads Service also obtains income from licences for accesses from commercial properties onto its car parks.

Depots and operational sites
The Roads Service 2012 (RS2012) project commenced in 2009 and was completed in March 2012. The scope of the project was to review:

- Corporate Services
- Network Services
- Roads Service Direct
- Roads Service Consultancy
- Engineering and Policy Unit
- Finance

Key outcomes of the project were that £6.4m of annual resource savings were produced through a combination of capitalising additional costs, reduction in temporary staff costs, £1m and a further £1m reduction in annual overtime expenditure. The number of section offices has also now reduced from 24 to 17.

Proposed Action: *The challenge ahead is to determine the optimum number of operational sites within Roads Service to deliver services efficiently and demonstrate by way of benchmarking how Roads Service compares with peer group organisations across the UK.*

Northern Ireland Transport Holding Company (NITHC)
Following two efficiency reviews of Translink in recent years and a review by PWC, which further considered efficiencies prior to the last CSR, Performance and Efficiency Delivery Unit (PEDU) was commissioned by DRD to complete a review, at DRD's request, of NITHC / Translink efficiency in light of projected budgetary deficits and taking account of EU regulations and the Transport Act (Northern Ireland) 2011. The Committee for Regional Development has also indicated an intention to review NITHC / Translink but the terms of reference for that review are not clear as yet. In addition, the NI Audit Office has indicated an intention to carry out a review of performance measurement regimes building on the governance review just published. No comment or action can be considered until these reviews have been completed. In the current budget period, NITHC is contributing a significant sum towards the Executive's target for raising additional capital for re-investment.

NI Water
NI Water is the single water and wastewater utility for Northern Ireland. This unified approach counters any fragmentation or duplication in specialist asset management such as may currently be found in the south of Ireland, where 34 local authority water and sewerage authorities are in the early stages of being amalgamated into Irish Water. NI Water maintains a comprehensive asset database which allows it to plan and manage both maintenance and development of this highly specialised asset.

Efficiency in operating expenditure for NI Water is determined by the Utility Regulator for Northern Ireland in what is known as the price control process. The efficiency targets set by the regulator are based on a comprehensive, robust and independent assessment of all aspects of the business including asset management and opportunities for realising efficiencies in asset running costs.

In PC10, the price control for 2010 to 2013, NI Water has delivered efficiencies in excess of 6% pa. The regulator has set further efficiencies for the company in PC13, the price control for 2013-15. This amounts to around 8% pa which equates to efficiencies of £4.1m and £7.6m in Public Expenditure (PE) resource terms for the two relevant years. These figures may change once the outcome of the regulatory process is finalised.

Efficiency proposals beyond the current budget period will not be known until the outcome of PC15. This process has already been initiated and the regulator's timetable envisages that it will be complete in December 2014.

Similar to Roads Service, a significant portion of the NI Water budget is in relation to three PFI contracts: Kinnegar, Alpha and Omega, which provide drinking water and treat waste water. Annual charges for these contracts are some £37m, which will run for 12, 19 and 20 years respectively.

NI Water initiated an Office Rationalisation Programme in late 2009 targeting efficiency and accommodation issues, which resulted in a strategy to vacate large central Belfast properties, centralising in NIW-owned freehold Westland House, and rationalising regional and local accommodation. This programme is well advanced.

Proposed Action: *The AMU will await the outcome of the regulatory process to discuss with DRD whether a further specific asset-related review is required.*

Department of Justice

Estimated annual running cost: £97m

DOJ estate strategy
In preparing its Asset Management Plan, the DOJ has identified opportunities to deliver efficiencies across its estate, both in Belfast and on a regional basis. This work will be taken forward in a DOJ Estate Unit, which is in the process of being staffed up.

Prison Service Estate strategy
Consultation has closed on the NI Prison Service Estate Strategy, and the budgetary implications of the final Strategy are likely to be known early in 2013. £54m was allocated by the Department in the current budget period for the redevelopment of the prison estate. DOJ will review the budgetary implications of the NI Prison Estate Strategy when available.

Budget 2010 capital plans
A detailed review of capital plans across the Department is underway. This aims to gather detailed information on projects planned and funded in the current spending period, as well as identifying slippage into the next spending review, the purpose being to adjust plans across the DOJ accordingly. The aim will be to inform plans for the remainder of this spending period and allow planning to begin for the next. DOJ will review the results of the capital planning exercise and consider implications for any efficiency that may be achieved when the exercise is complete.

Review of Courts Service PFI Contract
The Laganside Courts PFI contract is to be reviewed with assistance from AMU to assess the potential to generate financial efficiencies from the contract. This is a significant PFI contract with annual unitary charge of £4.3m per annum.

Post 2014-15 capital plans
Following the outcome of the NI Prison Estate Strategy, and the review of Budget 2010, capital planning will begin for the post 2014-15 periods. The asset management elements of the capital plans will be reviewed with AMU in April 2014.

Department of Health, Social Service and Public Safety

Estimated annual running cost: £246m

The vast majority of the DHSSPS estate is highly specialist core estate which is fundamental to the delivery of health, social care and emergency services. Many of these latter facilities are run intensively on a 24/7/365 basis.

The DHSSPS has a comprehensive ongoing process of assessment as to how the current estate performs. The primary criterion within this assessment process is how the functionality, capacity, form, condition and location of the estate facilitates or inhibits safe, effective and efficient implementation of current and proposed models for the delivery of these essential services. This process involves input from a wide number of contributory stakeholders. The outcome of these considerations drive the Department's strategic planning processes in relation to both the management of the existing estate and the need for new development. The estate is not seen as an end in itself but as a response to a clearly articulated service vision.

The assessment process for establishing the estate need is multi-faceted, requiring ongoing appraisal and review of the implications of developing policies and the ever-changing positions in relation to clinical practice, medical technology, drug therapies, patient expectations and financial constraints.

Whilst in recent years there has been a marked increase in capital investment, however, there has been decades of under-investment in the HSC estate. As a result, much of the current estate fails to satisfactorily meet the requirements of a modern health service. Many buildings housing the provision of key services are now at least 50 years old, and are no longer suitable to meet the needs of current practice or the expectations of a modern society. In particular, some of the mental health facilities fall very short of what is needed. DHSSPS recently estimated the cost of bringing the majority of the HSC up to modern day standards at £5bn. Under the current Investment Strategy Northern Ireland (ISNI) proposals, from the start of the current budget period up to 2021, approximately £2.8bn has been allocated. This allocation includes a potential £500m to be funded through revenue under the RFI initiative

The new acute hospital, mental health or residential facilities that are replacing or are needed to replace these aging old buildings are, in line with accepted national and international best practice, predominantly based on single bedrooms, each with private sanitary accommodation as opposed to multi-bed wards and shared facilities. This, together with the high spatial demands of modern practice and related technology, inevitably leads to larger floor areas in the new facilities, even though these facilities may be both much more effective therapeutically and more efficient in cost-in-use terms on a pro-rata basis.

For a number of years in Northern Ireland, and reflected in a similar process across most of Europe, the strategic direction has been a move towards the rationalisation / greater centralisation of acute / regional services into fewer acute hospital sites and the simultaneous movement of a wide range of more generic services from hospital settings into community facilities closer to where people live. This model has been further reinforced by the recent 'Transforming Your Care' report, the recommendations of which have been accepted by the Minister. The associated action plan 'Vision to Action' is currently out to public consultation.

There will be several impacts on the HSC estate associated with the fuller implementation of this model.

The first is the need for a range of new additional community-based facilities with the ability to deliver a range of services, many of which were previously only available in hospital settings. This will significantly add to the occupied floor area of community facilities.

Whilst the purely accommodation-related costs of this initiative are likely to rise, it is predicted that the ability to facilitate earlier diagnostics and preventative interventions, coupled with better management of chronic disease, will result in an overall net revenue saving as a result of significant reductions in more expensive hospital-based treatment.

A second impact, due to the proposed rationalisation of acute hospital services onto fewer sites, will be the need to increase capacity in areas such as diagnostics, accident and emergency, theatres, intensive care and general ward accommodation to cope with the greater numbers attending the core acute hospital sites. This will require considerable capital investment and is likely to lead to a net increase in floor area in these hospitals.

A third impact will be the potential freeing up of some space in those hospitals where, as a result of the new models of care, some services will no longer be provided and the demand for other services will reduce. Depending on the nature and location of the freed-up space, this may allow the movement in of other services from expensively leased accommodation, the demolition of older, unsuitable accommodation and/or the disposal of surplus site areas.

At this stage it is not possible to predict the total net impact on the cost of accommodation that will result from the full implementation of this very significant programme of change until further details of the final configuration of services and locations are established.

Chapter

3 Asset

Management Strategy

Recognising the significant costs attached to owning or leasing property, the Department has, particularly over recent years, been focused on seeking to optimise efficiency in this area and maintains a highly proactive approach to these issues. In relation to both the management of the existing estate and implementation of new capital investment, the following principles have been adopted by the Department:

- Facilities should be maintained / delivered to the appropriate quality.
- Facilities should represent the optimum size necessary to deliver the required services.
- Facilities should be managed in the most cost-effective manner including use of energy.
- All opportunities for rationalisation of accommodation within the existing estate leading to efficiencies should be pursued.
- All leases, and break clauses therein, should be regularly reviewed to ensure best value-for-money.
- No new leases should be entered into without the prior testing of opportunities for location within the existing estate and the preparation of an appropriate business case.
- All surplus property should be identified and disposed of at optimum benefit to the Block.
- Specific exercises which have and continue to be undertaken by the Department include:
    - The development of a dedicated professionally-led Asset and Estate Management Branch within the Department.
    - Development and on-going maintenance of a comprehensive data base for all properties within the HSC estate with mandatory reporting by HSC bodies.
    - Issue of Departmental policy on estate acquisition, management and disposal issues.
    - Issue of new, more demanding departmental standards for shared working administrative accommodation used by HSC bodies.
    - Quarterly reviews of the strategic development plans and opportunities for site rationalisation of all major health sites across Northern Ireland.
    - Monthly reviews and updating of the Capital Investment Programme and emerging needs/ priorities.
    - Quarterly meetings to review all relevant property-related issues with each HSCT.
    - Ongoing review of administrative headquarters of HSC bodies with objective of optimising the use and cost of these facilities.

- Negotiation and re-gearing of leases leading to significant savings.
- The development and ongoing maintenance of Asset Realisation Plans for each HSC body and an overall departmental asset realisation target.
- Development of an annual 'State of the Estate' report facilitating benchmarking between HSC bodies.
- The establishment of a departmental 'Invest to Save' process, facilitating through minor capital allocations, both the rationalisation of the estate and reduced revenue costs.

Due to the significance of expenditure on assets within DHSSPS and the scale of policy development and asset management processes being implemented, it is proposed that DHSSPS continues the regular focused engagement with DFP and AMU leading up to the settlement of the next budget.

Department of Education

Estimated annual running cost: £225m

Quality education can only be delivered efficiently and effectively through a network of strong, sustainable schools that are capable of delivering the revised curriculum and the Entitlement Framework, and that command the confidence of the communities they serve. The Department of Education's Sustainable Schools Policy provides a framework to review all schools thus ensuring they can provide high-quality education and are viable and sustainable into the future.

The Department has embarked upon a major area planning process aimed at ensuring they have the right number of schools, of the right size, in the right places, delivering high-quality education to meet the needs of pupils in local areas. Area planning will be an iterative process over a number of years. However, work on the first iteration of post-primary planning is well advanced with over 47,000 responses to a recent consultation process on the post-primary sector. Work has been undertaken on the primary schools sector with a major consultation process. The outcome from these processes will inform and shape investment in the primary and post-primary sectors in the coming years.

Cost effectiveness is part of any capital investment strategy and changes to the schools estate will release surplus assets in the coming years. At this time it is difficult to quantify the level of assets likely to be released as this will be affected by the timing of proposed changes, based on local agreement, and the ability of the Department to support structural changes within a future capital investment programme.

The establishment of the Education and Skills Authority (ESA) will entail a rationalisation of the administration arrangements within the education sector. PEDU has already undertaken some work in this area and will inform decisions on the final shape and structure of the administrative arrangements following the establishment of ESA.

Specialist Assets Summary

The summary of the engagements with the departments as outlined has identified no significant, quantifiable opportunities from which to inform the budget planning process leading up to the next Comprehensive Spending Review (CSR). There are clear plans and actions for DOJ and for Roads Service within DRD from which to develop the potential for efficiencies. A number of reports are either in progress or terms of reference being developed for NITHC, the result of which may provide DRD with some opportunities to develop efficiency proposals. The NIAUR oversees NI Water asset management through the licence conditions.

For DE and DHSSPS there are currently no details available of any potential efficiency savings that may be derived from asset management. Policies are at an early stage of development; they are likely to take some time to materialise and will be iterative. The total estimated annual expenditure on assets in these departments of £471m is approximately 38% of the total central government annual expenditure on assets, however, this is less than 7.5% of their total respective combined resource expenditure.

With respect to asset management, it is vital that any plans or policies being developed that have a bearing on the cost of assets are coordinated with DFP (supported by AMU) to inform and support the budget planning process over the next two years. The Asset Management Plan will become a key document to inform this process. It is therefore important for departments to appropriately resource the preparation, coordination and monitoring of Asset Management Plans and for DFP and AMU to be more engaged in the process.

Information Management and Reporting

A key finding from the AMU's work in collecting asset costs is that only approximately 15-20% of costs for central government are reported on Account NI. Account NI has coverage across all of NICS but little if any coverage across arm's-length bodies. Of the limited central government information on Account NI, only a limited proportion is captured in a format that is easy to report upon and interrogate. This has significantly impacted upon the reliability of information contained within ePIMS™ and the credibility of cost information to inform departmental Asset Management Plans.

Asset costs are the second largest cost to central government after staff costs. To exercise the appropriate level of control over these costs, management information needs to be significantly improved through a process of standardisation in the way that asset costs are captured and reported upon.

In January 2011, the Executive mandated the use of ePIMS™ to host the central asset register across the public sector, Local Government participation is not being co-ordinated at this stage. At the same time, the preparation of annual departmental Asset Management Plans was approved. These Executive objectives cannot be effectively and holistically implemented without a more standardised approach to the collection of cost information. The issue highlighted earlier in the Strategy in connection with the lack of clarity of a sponsor department's power to direct sponsored bodies on asset management issues does not ease this challenge.

Expansion of the Account NI platform to other organisations across central government is a potential solution to increase the amount of robust and timely property information available. The compatibility of ePIMS™ with Account NI as an effective source of asset management information will need to be addressed. Similarly, the roll-out of Spatial NI by Ordnance Survey of Northern Ireland (OSNI) which has very powerful mapping functionality, should be considered as a potential source of data collection. The key is to ensure that we have the most appropriate single platform.

Whilst it is recognised that significant expansion of Account NI may require a procurement process to be undertaken, there may be a more simple method of aligning (or simply coding) asset information across central government. A strategic review should be conducted to ascertain the likely costs and benefits that would accrue through adopting a more consistent method of reporting asset management costs. This could be coordinated with the proposals to introduce a P2P system to support the collaborative procurement recommendations.

space
challenge
cumulative
rationalisation
opportunity
exploring
ratio
flexibility
workstations
reduction
fte's
capacity
standards
expiry profile
vacant

Chapter Four

Programme Delivery and Governance

Chapter

4 Asset

Management Strategy

This Strategy proposes a number of challenging recommendations that will need to be appropriately planned and structured over the remainder of the current budget period and prepared for implementation in April 2015.

Delivery Arrangements

Special delivery arrangements will be necessary to prepare for the potential financial constraints that may result from further tightening of public expenditure imposed by the coalition government in Westminster.

The proposals to de-fragment office and surplus land management and to encourage more collaboration in procurement require a cross-government approach to both the initial planning phase and the eventual delivery phase. These proposals alone represent a significant reform package for the Executive and require an appropriate change management process to be implemented. Similarly, the recommendations for more common information management and reporting, annual asset management planning and the operation of property controls require a coordinated approach to align the interests of all stakeholders. By way of comparison, the management of such a significant change process in business is managed by a dedicated programme office tasked with delivering change in an environment where business as usual cannot be disrupted.

Whilst it is expected that the actions outlined for the specialist assets will be delivered by the respective departments, the outcomes will be significant with respect to the Executive's future financial outlook, due to the scale of existing asset related expenditure in these departments. A closer and more regular engagement between these departments and DFP to coordinate, as early as possible, with the budget planning process is critical.

As pointed out previously, around 85% of the annual direct running cost of our assets is attributable to organisations at arm's length from central government. Those arm'slength bodies are generally (though not always) established under statutes which define the extent of their duties and powers and those of the sponsor department. The respective roles and responsibilities are in some cases set out in a Management Statement and Financial Memorandum (MSFM) for each body.

As main funder of a body, the department will normally have the power to direct it in, inter alia, matters of asset management. However, in some cases this power is not absolutely clear and a matter of debate, particularly where the organisations are also companies under the Companies Act with boards which are responsible for the exercise of fiduciary duties under that Act. There may be tensions between the priorities of government and those of the board in respect of the management of assets owned and/or managed by the body.

Arm's-length bodies are, in some cases, established as companies for particular purposes e.g. NI Water. Where this leads to a conflict of priorities as regards asset management, government, if it wishes to ensure that the objectives of this Strategy are deliverable across the whole of central government, must, for each body, clarify the sponsor department's vires to direct the organisation to implement plans under its current status.

If such vires do not exist, the relevant Ministers must determine whether and to what extent they wish to amend the status to enable the objectives to be achieved, taking account of all relevant considerations. If this is not possible, government, through sponsor departments might seek to persuade bodies to avail of opportunities for better asset management outlined in the Strategy. Due to the scale of central government assets and the respective running cost within these bodies, this is the single most significant challenge for this Strategy. If this is not addressed appropriately, the potential for the Strategy to help offset future financial pressures will be undermined. The clarification exercise will need to be undertaken on a case by case basis, reflecting the many different arrangements within central government.

Asset Management Resources

Throughout the period of preparing Asset Management Plans and the development of this Strategy, departments have raised the issue of the need for skilled and experienced resources to prepare and deliver Asset Management Plans. To some extent this will be alleviated with the proposals to centralise the management of office accommodation and surplus land. This removes from departments the burden of needing chartered surveying resources with estate management and commercial experience to deal with this specialist area of asset management.

There is however, still a need to address the need for resources within departments to take ownership of the Asset Management Plan, asset register and support the finance director with the preparation, analysis and delivery of efficiency proposals that arise. This resource (asset management director) should also be closely linked to policy divisions and capital investment directorates. For asset management to be effective in a department, it is critical that there is a clear alignment with finance, policy and capital investment. If we are to elevate the importance of asset management across central government, then the asset management director should be represented on the departmental board.

Those departments with responsibility for larger, specialist or a diverse range of assets will need to consider the need for dedicated and suitably experienced resources, within the core department, to take responsibility for the preparation and oversight of the delivery of the Asset Management Plan. Both DARD and DOJ have commenced engagement with AMU to mobilise this requirement. In instances where a department has responsibility for organisations that are established under Companies Act legislation, the role of the asset management director should not conflict with the duties of the Company's board but should align with the shareholder rights and responsibilities of the sponsor department.

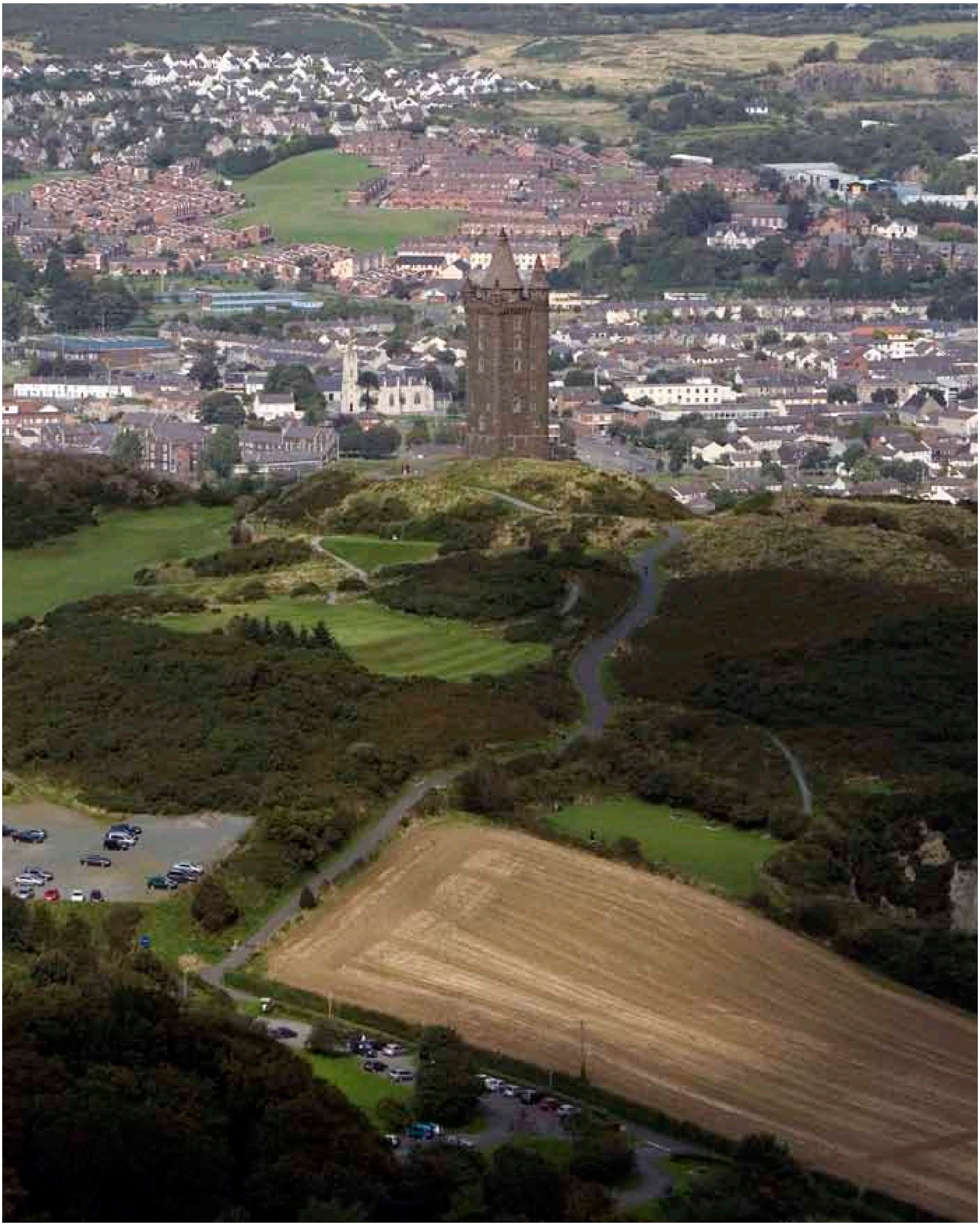
It would not be prudent to apply this rationale across all departments as there are some that are responsible for very a small number of assets. In these cases, arrangements with organisations that have asset management skills such as the SIB/AMU or the proposed central unit should be developed to provide the requisite level of support for the Asset Management Plan.

The former Office of Government Commerce (now Cabinet Office), defined this asset management director role as a 'property champion'. Departments in England have now fully adopted this approach and each is represented by their property champion on departmental boards and on the Whitehall Property Champions Forum, which is similar in nature to the Asset Management Forum that has been established and chaired by AMU. The property champion role is sufficiently broad to encompass responsibility for a wide scope of assets, this is a useful and established role from which to build upon in Northern Ireland. Appendix 3 includes a proposal for the role and responsibilities of an asset management director.

Governance Arrangements

The programme arrangements and delivery framework for the Programme for Government is a good example of an existing arrangement to build upon. The significance of the cost of our assets and the potential to deliver efficiencies and help offset potential future financial constraints merits the introduction of appropriate programme arrangements. The illustration on opposite page shows how the proposed arrangements for the Programme for Government should be adapted for the delivery of the Asset Management Strategy recommendations.

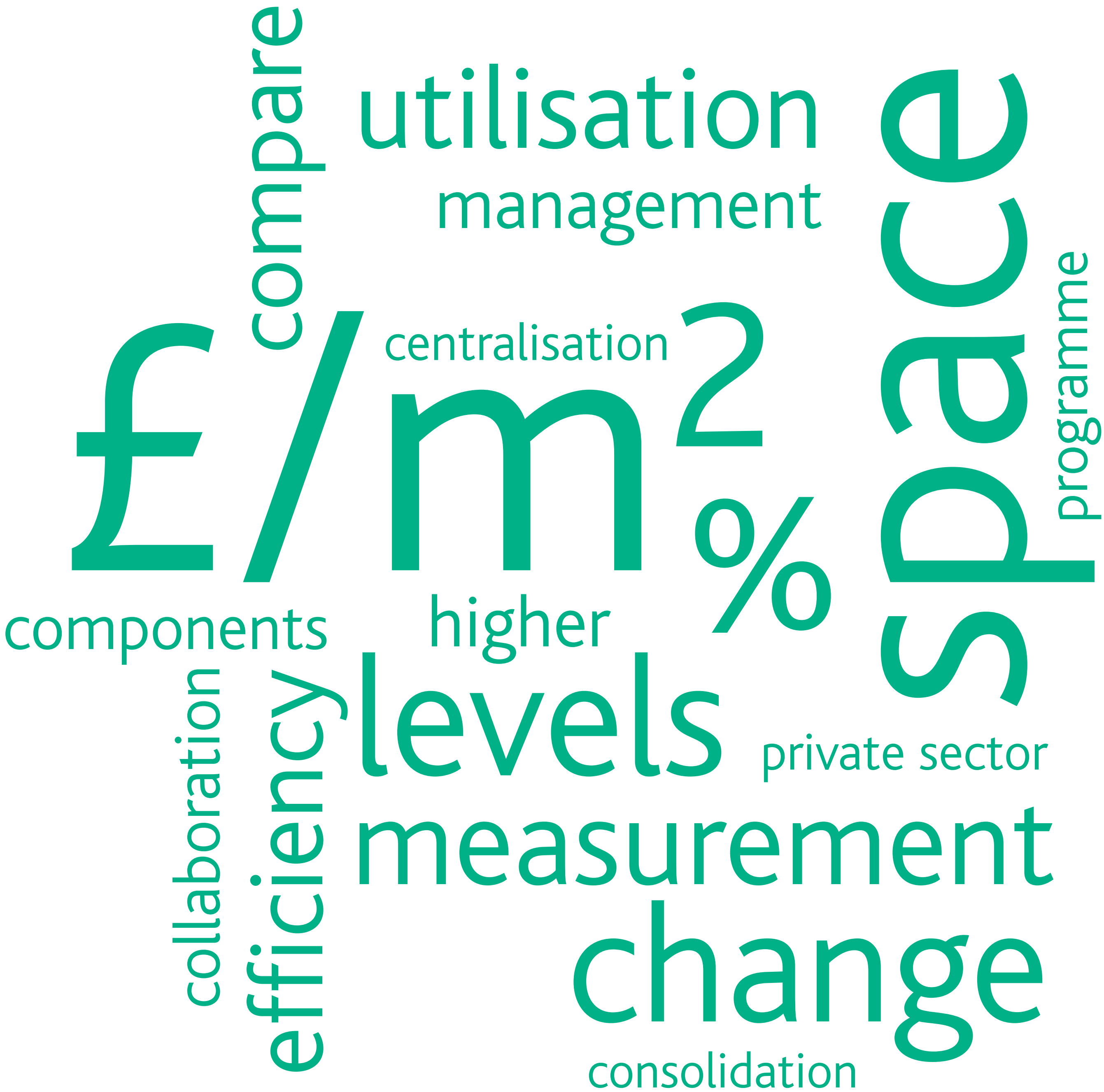
Level	**Asset Management Strategy Authority and Functions**
Programme	Programme Board First Minister and deputy First Minister
Delivery	Asset Management Delivery Oversight Group Permanent Secretaries Group
Operational	Departments Senior Responsible Officers Partner Organisations Asset Management Unit



lower compare utilisation management less £/m² % space programme regions components levels higher private sector measurement change consolidation

Chapter Five

Key Recommendations and Actions



Chapter 5

Asset
Management Strategy

Recommendation One – Tackling Fragmentation

Action 1: Implement the centralisation of office and surplus land management.

Action 2: Prepare area based office consolidation plans for Executive consideration.

Action 3: Prepare an 'Invest to Save' programme for Executive consideration.

Action 4: Implement and appropriately resource collaborative procurement proposals.

Recommendation Two – Social Housing

Action 1: Prepare the business case for a programme of stock transfers of NIHE assets.

Action 2: Prepare the business case for the approved NIHE Review recommendations.

Action 3: Develop and implement specialist programme management arrangements.

Recommendation Three – Specialist Assets

Action 1: DDE and DHSSPS to enter formal, regular engagements with AMU, to coordinate asset related financial outcomes from policy developments with the budget planning process.

Action 2: DRD to consider any asset management opportunities arising from NITHC efficiency reports being undertaken.

Action 3: AMU to support DOJ with any asset management related opportunities within plans and strategies currently in development.

Recommendation Four – Information Management and Reporting

Action 1: Prepare the case to establish common information management and reporting across central government.

Action 2: Departments to prepare annually updated Asset Management Plans with a five-year planning horizon covering all business areas.

Action 3: Departments to provide annually updated asset information into ePIMS™ covering all business areas.

Recommendation Five – Programme Delivery and Governance Arrangements

Action 1: Complete a review clarifying the governance arrangements between departments and arm's-length bodies with respect to asset management.

Action 2: Departments to acquire the appropriate asset management resources for the preparation and delivery of Asset Management Plans.

Action 3: Implement the proposed programme governance arrangements.

Appendices

Appendix 1

Proposed Property Controls

Property controls were introduced in The Government Property Unit's (GPU) 2010 State of the Estate Report (SOFTE) as a means to generate financial and occupational efficiencies from the government estate in England.

The controls focus on exercising more control over the taking and exiting of leases and mandate space standards for occupation in new and refurbished buildings. In the first year of implementation, GPU achieved a saving of £48m as a result of a lease moratorium.

This paper sets out, for discussion, principles and suggested property controls for application in Northern Ireland.

Principles

- Value for Money of leaseholds to be tested thoroughly at lease events such as breaks, expiries or business cases for new takes.
- Asset Management Plans to become an integral part of the overall estate management process and inform the centralised estate management unit annually of occupier's accommodation needs and plans in a timely manner over a rolling five-year period.
- Focus on improved use of owned / freehold buildings.
- Space utilisation to be improved to facilitate relocations from lease expiries.
- Effective identification and disposal of surplus assets through rigorous utilisation testing.
- Improved recording of detailed asset information through the use of ePIMS™ (Electronic Property Information Mapping System). This will also support the production of an annual State of the Estate Report (SOFTE).
- Continuous improvement in the operating cost base of government's assets through effective procurement and monitoring of cost inputs through benchmarking.

Controls

- Space utilisation target of 9-11 m2 per workstation for all administrative buildings, owned and leased, and 7-9 m2 per workstation in contact centres.
- The costs of dilapidations, alterations and refurbishments required to achieve the utilisation targets will be required to meet the DFP's 'Invest to Save' criteria.
- Presumption that all lease expiries in respect of administrative office accommodation will be exited and all lease breaks will be exercised subject to a thorough value for money test considering all other accommodation options available within the government estate – exceptions to be approved by DFP.
- Departments to produce a commensurate business case in advance of lease end or lease break containing appraisal of options for relocation within the freehold estate or renewal or re-gearing of existing leases. This business case is to include an explicit consideration of agile working in the preferred option.
- Centralised estate management unit to approve all relocation and lease renewal business cases.
- Property occupation costs to be reported upon annually to determine the most and least efficient assets within central government. Below-average performing assets are to be targeted for a time-bound action within the appropriate department's Asset Management Plan to improve the performance of the asset. It is recognised that items of one-off expenditure have the potential to skew this annual review. To address this, any items of non-recurrent expenditure will be highlighted and assessed separately.

Resource Implications

Departments will be required to provide appropriately skilled resources to:

- Prepare their annual asset management plans
- Work with the central unit to implement and monitor the property controls within the department's Asset Management Plan and ensure efficient decision making on strategic asset management
- Prepare business cases for relocation in advance of lease ends and lease breaks
- Populate and verify ePIMS™ data on an annual basis
- Support the production of the annual SOFTE report

Appendix 2

Office and Surplus Land Management Unit - Proposed Functions

Strategic Estate Planning

- Annual production of five-year rolling Property Asset Management Plan
- Interaction with departments to understand future accommodation needs
- Challenge function in relation to tenant needs

Estate Development

- Capital projects - planning and implementation of projects to meet future accommodation needs of departments

Estate Management

- Benchmarking property performance against other public and private sector organisations
- Lease management in conjunction with Land & Property Services (LPS)/Departmental Solicitor's Office (DSO)
- Landlord/tenant relationship
- Critical date management - including re-gearing, renewals, breaks, surrenders, terminations & dilapidations
- Management of sub-letting/assignments/licences to alter
- Management of lease-related payments - rent, rates, service charges, car parking and other misc. building costs
- Promotion of energy efficiency across the estate

Property Management

- Property surveys and condition reports (including specialist surveys)
- Building maintenance:
    - planned/preventative maintenance
    - 24/7/365 reactive maintenance service
    - minor works
    - energy management and advisory service.
- Property maintenance contract management

Surplus Asset Disposal

- Prepare government wide disposal programme based on pipeline of surplus assets
- Agree capital receipts target with DFP Central Finance Group and regularly update and maintain
- Manage the transfer of surplus assets from departments
- Undertake day to day management, including, security, maintenance, health & safety, demolition and ongoing operational interface
- Initiate and manage the surplus asset Trawl process
- Prepare assets for market with legal due diligence, planning applications and value-add options
- Instruct valuations and preparation of title packs
- Manage estate agents appointed for open market sales
- Manage negotiations with former owners and public sector transfers to Housing Associations and other public bodies
- Instruct legal completion.
- Obtain Value for Money (VfM) approvals

Appendix 3

Appendix 3

Proposed Role and Responsibilities of an Asset Management Director

Role

- Accountable for asset management within the department and coordinates the departmental Asset Management Plan with the family of ALBs in relation to both operational and administrative assets

- Ensures on behalf of the department that the asset base is optimally structured to deliver the most efficient service

- Should be represented on the departmental board

- Encourages the department and ALBs to take a strategic view of asset management

Responsibilities

- Preparing and monitoring the delivery of the annual asset management plan for the department and its family of ALBs

- Link the asset management plan to cross-government, region-wide principles for asset management including:
    - Efficient service delivery in operational and administrative assets
    - Reduction in running costs of assets
    - Improved utilisation of assets
    - Reduction in scale of asset base in line with service delivery objectives
    - Alignment with the Executive's sustainability agenda

- Implement and monitor property controls across the department and its ALBs

- Populate and verifying ePIMS™ data on an annual basis

- Implement changes to recording of financial data to support the population of ePIMS™ and facilitate benchmarking of key KPIs

- Support the production of the annual State of the Estate report

- Prepare business cases for relocation in advance of lease ends and lease breaks

Appendix 4

Equality Screening Report

Asset Management Strategy

Equality screening in accordance with Section 75 of the Northern Ireland Act 1998

19 February 2013

Appendix
4

INTRODUCTION

Section 75 of the Northern Ireland Act 1998 requires all designated public authorities carrying out functions in Northern Ireland to have due regard to the need to promote equality of opportunity –

- between persons of different:
  - religious belief;
  - political opinion;
  - racial group;
  - age;
  - marital status;
  - sexual orientation;
  - between men and women generally;
  - between persons with a disability and persons without; and
- between persons with dependants and persons without.

Without prejudice to these obligations, public authorities are also required to have regard to the desirability of promoting good relations between persons of different religious beliefs, political opinion or racial group.

Schedule 9 of the Act sets out the detailed procedure for the implementation of these duties including the publication of Equality Schemes and the conduct of screening exercises and Equality Impact Assessments (EQIA) of policies.

Screening and EQIA are conducted in accordance with the guidance issued by the Equality Commission for Northern Ireland (ECNI); the relevant guidance currently in place includes –

- Guide to the statutory duties (April 2010);
- Practical guidance on equality impact assessment (February 2005);
- Promoting good relations – a guide for public authorities (October 2007);
- Monitoring guidance for use by public authorities (July 2007);
- Guidance on equality of opportunity and sustainable development in public sector procurement (May 2008).

This report sets out the findings of a screening exercise undertaken in respect of the proposed Asset Management Strategy. The report is based on the screening template set out in the guide to the statutory duties published in April 2010. The main purpose of this report is to identify the potential equality and good relations impacts of the various strands of the strategy and to consider whether any further measures need to be taken to address the potential impacts at this stage.

1. POLICY SCOPING

1.1 Information about the Strategy

The first stage of the screening process involves scoping the Strategy to prepare the background and context and set out the aims and objectives.

In January 2011 the Executive agreed that a region-wide Asset Management Strategy should be developed to establish a framework from which central government will deliver the Executive's objectives for long-term, sustainable efficiency savings from assets.

The Strategy has a number of strands designed to achieve savings, including:

- consolidating property and estate management resources;
- introducing a more collaborative approach to procurement (particularly in relation to hard and soft facilities maintenance contracts);
- creating a centralised unit to manage surplus assets;
- consolidating office accommodation as current leases expire;
- restructuring the NIHE and transferring social housing stock to Housing Associations; and
- developing individual strategies for specialist assets (e.g. those owned by DRD, DOJ, DHSSPS, DE).

The Strategy offers the opportunity for a wide range of government organisations to work collaboratively and effectively to achieve efficiency savings, however, much of the implementation of the strategy will be carried out by individual departments or by cross-departmental teams with a specific department taking the lead role. There are therefore opportunities for further consideration of the equality and good relations impacts of separate strands of the Strategy as implementation progresses.

1.2 Aims and objectives

The objectives of the Strategy are:

- to reduce the net costs of service delivery through the efficient use of public assets; and
- to promote effective asset management processes that unlock value.

1.3 Intended beneficiaries

The Strategy has been developed within the current economic climate which requires government to reduce overall public spending; this strategy will result in substantial revenue savings which can be used to improve or, at least, maintain existing services to the benefit of all residents of Northern Ireland.

1.4 Responsible authorities

The Strategy has been developed by the Asset Management Unit which forms part of the Strategic Investment Board. Overall responsibility rests with the cross-departmental programme board and the various strands of the Strategy will be delivered by individual departments with support from the Asset Management Unit.

1.5 Implementation factors
The achievement of the overall aims will be dependent on the level of collaboration achieved and the speed with which the various strands of the Strategy can be implemented.

1.6 Main stakeholders affected
Although the ultimate beneficiaries of the Sstrategy will be all residents of Northern Ireland, there are some groups who may be affected by the implementation of the key strands of the Strategy.
These include:

- staff currently involved in property and estate management functions; the final staffing structure required to deliver the revised processes has yet to be determined but there may be some staff whose job functions may change and there may be opportunities to reduce the overall numbers involved;

- staff who are currently located in leased premises where the lease is due to expire within the near future; the consolidation of office accommodation may result in the relocation of some staff to buildings in the same general area;

- social housing tenants and NIHE staff; and

- users of specialist assets such as schools, hospitals and prisons and staff working within these assets; each department will develop an individual asset management plan which will address the needs of staff and customers.

1.7 Other policies with a bearing on this policy
The Strategy will result in changes to a wide range of existing policies and the equality and good relations implications of the changes will be assessed at the appropriate time by the responsible departments in accordance with normal procedure.

1.8 Available evidence
The available data includes:
- data on staff in Properties Division (Appendix A);
- data on NICS staff (Appendix B);
- data on Housing Executive tenants (Appendix C).

The available research includes the findings of three EQIAs conducted by DFP and one by the Western Health and Social Care Trust in recent years in relation to the relocation of staff, the findings of which are summarised in Appendix D.

1.9 Needs, experiences and priorities
The four EQIAs listed above identify a range of needs in relation to relocation for people in the following categories:
- people with different community backgrounds;
- people from black and minority ethnic groups;
- young people and older people;
- lesbian, gay and bisexual people;
- women;
- disabled people; and
- people with dependants.

2. SCREENING QUESTIONS

At this stage it is not possible to predict all the potential impacts of the various strands of the proposed Strategy. The overall objectives of the Strategy are to reduce the costs of service delivery and maximise the contribution made by public assets which will benefit all residents of Northern Ireland. However, the implementation of some of the strands of the Strategy have the potential to result in negative impacts for people in certain Section 75 categories. It will not be possible to assess the nature and extent of this impact until the details of the implementation process are developed and there is sufficient clarity to allow for proper impact assessment.

The strands of the Strategy will be implemented by individual departments which are each subject to S75 duties and have equality schemes in place which ensure that screening and EQIAs are carried out at the appropriate times as part of normal working practices. The strands of the Strategy will therefore be subject to further screening in due course and departments will ensure that effective mitigating measures are put in place to address any negative impacts.

This screening analysis therefore seeks only to highlight possible areas for more detailed consideration at the implementation stage. The three strands of the strategy where there is sufficient information to form a preliminary view are:

- the consolidation of property and estate management resources and introduction of improved management processes which may have impacts for staff working in those functions;
- the consolidation of office accommodation which may affect any staff who are required to relocate to a different building; and
- the transfer of Housing Executive stock to Housing Associations which may affect social housing tenants.

2.1 Potential impacts

(i) What is the likely impact on equality of opportunity for those affected by this policy, for each of the Section 75 equality categories?

(a) Consolidation of property and estate management resources

The Strategy will require the re-design of NICS property and estates management functions and there is potential for all posts in these functions to be affected, particularly professional and administrative staff. It is not known at this stage whether all current posts will be retained but the strategy ensures that detailed workforce planning will be carried out to ensure that actual impacts are kept to a minimum. The NICS also has well established policies and procedures relating to retraining and redeployment.

Appendix A contains information on staff within specified branches of the Property Division. This shows that property and estates management staff include high proportions of people from a Catholic background, older people (aged 50+) and males. Any adverse impacts on property and estates management staff could therefore be differential in terms of community background, age and gender.

(b) Consolidation of office accommodation

The Strategy identifies the fact that a number of office leases will expire in the short or medium term providing an opportunity for consolidation of office accommodation. This includes the accommodation of a number of arms-length organisations. The Strategy makes no recommendations for the relocation of staff, however, as the implementation progresses, this may become an issue that can be dealt with through tried and tested NICS procedures.

It should be noted that there is some evidence from earlier EQIAs that changes to duties, work patterns and location, even within the same local area, can have an adverse impact on people in various Section 75 groups. For example:

Sexual orientation

Changes in location and work groups may have a differential impact on lesbian, gay and bi-sexual people who may find it difficult to disclose their sexual orientation to new colleagues/ supervisors.

Women

Difficulties associated with the convenience of public transport are more likely to disadvantage women who have less access to private transport than men. The majority of part-time workers are women and so additional travelling time may have a significant impact on them.

Disabled people

Some people with learning difficulties may have difficulty adjusting to a new working environment.

People with dependants

Carers have greater difficulty in combining their work and personal lives than people without dependants and are therefore likely to have more difficulty spending additional time travelling to and from work.

The Strategy ensures that accommodation plans will be developed in consultation with staff and trade unions and that all potential equality impacts and mitigating actions will be explored. The NICS has considerable experience of managing relocation schemes and has policies in place to assist anyone who is adversely affected, including a range of flexible working policies and schemes which provide financial assistance (e.g . excess fares allowance). There are also well established principles regarding the choice of new work locations to ensure that they are perceived as 'religion neutral', are accessible by public transport and meet the needs of disabled employees.

(c) Transfer of Housing Executive stock

The restructuring of the NIHE and the potential transfer of housing stock to Housing Associations may have potential impacts for both Housing Executive and Housing Association tenants.

The data on Housing Executive tenants (set out in Appendix C) shows significant proportions of tenants within groups which might be regarded as particularly vulnerable, for example, lone parents, lone older people and disabled people.

Although the potential changes will be designed to benefit all tenants, the impacts of changes to rents, maintenance schedules, contact arrangements etc. may make it difficult for people in vulnerable groups to cope. The strategy makes it clear that changes will only be introduced following extensive consultation with tenants and Section 75 processes will be applied rigorously by the DSD throughout the development and implementation phases.

At this stage it is simply necessary to highlight the potential for major equality impacts.

(ii) Are there opportunities to better promote equality of opportunity for people within the Section 75 equality categories?

As the Strategy is implemented, further opportunities will be identified to better promote equality of opportunity for people in various Section 75 categories.

(iii) To what extent is the policy likely to impact on good relations between people of different religious belief, political opinion or racial group?

At this stage no particular impacts in terms of good relations have been identified. However, as stated above, Section 75 processes will be applied to the implementation of the various strands of the Strategy and any good relations implications will be identified and addressed as they become evident.

(iv) Are there opportunities to better promote good relations between people of different religious belief, political opinion or racial group?

None identified at this time.

3. SCREENING DECISION

3.1 Findings of the screening process

The proposed Asset Management Strategy is designed to benefit all residents of Northern Ireland by reducing the costs of service delivery and maximising the contribution made by public assets. The various strands of the Strategy have the potential to give rise to negative impacts in terms of equality of opportunity for a range of Section 75 groups and these impacts will be identified and addressed by the departments responsible for the implementation process at the appropriate time in accordance with normal working practices.

At this stage, it is possible to identify the potential for negative equality impacts but not to define them. It is therefore considered that an EQIA at this stage would not provide useful information and that it would be more beneficial to assess the implications of each strand during the course of implementation. It is therefore recommended that an EQIA of the overall Strategy should not be undertaken but that the Asset Management Unit should play a role in ensuring that equality implications are fully considered by departments throughout the implementation period.

3.2 Mitigating measures

Departments will ensure that effective mitigating measures are put in place to address any negative impacts identified as the implementation of the Strategy progresses. It is evident that a range of policies are already in place to address the potential negative impacts of changes to location, duties and working patterns and good workforce planning will ensure that all impacts are identified and addressed.

4. MONITORING

The purpose of equality monitoring is to identify whether the equality impacts are as predicted or whether adverse differential impacts have, in fact, occurred. The monitoring should also help to identify further opportunities to promote equality of opportunity and/or good relations.

The implementation of the proposed programme governance arrangements will include the development of an outcomes-led evaluation process which will allow for the collection of quantitative and qualitative information on the equality and good relations impacts of the Strategy.

The results of ongoing monitoring will be reviewed on an annual basis, reported to the Equality Commission and made available to the public. If the monitoring and analysis of results over a two-year period show that there has been a greater adverse impact than predicted, or if opportunities arise which would allow for greater equality of opportunity and/or good relations to be promoted, steps will be taken to achieve better outcomes for the relevant Section 75 groups.

5. APPROVAL AND AUTHORISATION

Screened by:	Position/Job Title	Date
Denise Wheatley	Consultant	19.02.2013
Approved by:		
Scott Wilson	Head of AMU	20.02.2013

Note: *A copy of this Screening Template will be made easily accessible on the SIB's website as soon as possible following completion and made available on request.*

Appendix A

Data on staff in DFP Properties Division

The following information, provided by DFP and Northern Ireland Statistics and Research Agency (NISRA), relates to staff within the following branches within the Properties Division of DFP:

- Architectural Services Unit
- Building Standards Branch
- Cost Management Control Unit
- Cyclical Maintenance Unit
- Engineering Services and Energy Unit
- Estate Development Unit
- Estate Management Unit
- Finance and Divisional Management Unit
- Supplies and Stores Unit.

Table A.1: Gender

	Number	%
Male	154	81.1
Female	36	18.9
Total	**190**	**100**

Table A.2: Community background

	Number	%
Catholic	119	62.6
Protestant	67	35.5
Not determined	4	2.1
Total	**190**	**100**

Table A.3: Age group

	Number	%
16-24	3	1.6
25-34	28	14.7
35-49	58	30.5
50+	101	53.2
Total	**190**	**100**

Table A.4: Disability

	Number	%
No disability declared	182	95.8
Disability declared	8	4.2
Total	**190**	**100**

Appendix B

Data on NICS staff

The DFP publishes an annual report providing an overview of diversity and equality in the Northern Ireland Civil Service (NICS).

The report includes information on gender, community background, age group, ethnicity, and disability.

Table B.1: Gender

	Number	%
Male	13,173	46.7
Female	14,528	52.4
Total	**27,701**	**100**

Table B.2: Community background

	Number	%
Catholic	13,270	47.9
Protestant	13,738	49.6
Not determined	693	2.5
Total	**27,701**	**100**

Table B.3: Age group

	Number	%
16-24	1,008	3.6
25-34	7,059	25.5
35-49	12,208	44.1
50-59	6,393	23.1
60+	1,033	3.7
Total	**27,701**	**100**

Table B.4: Ethnicity

	Number	%
White	24,337	99.8
Other ethnicity	53	0.2
Total (excl. missing)	**24,390**	**100**
Missing	3,311	

Table B.5: Disability

	Number	%
No disability declared	26,213	94.6
Disability declared	1,488	5.4
Total	**27,701**	**100**

Appendix C

Data on Housing Executive tenants

The Northern Ireland Housing Executive publishes an annual report on the findings of the Continuous Tenant Omnibus Survey. The survey is designed to provide a comprehensive picture of Housing Executive tenants and their views at Northern Ireland, area and district levels. The latest report covers the 2011 calendar year and includes data on gender, religion, age group, ethnicity, disability and the number of people in the household.

Table C.1: Gender of all household members

	Number	%
Male	80,684	43.9
Female	103,083	56.1
Total	**183,767**	**100**

Table C.2: Religion of household

	Number	%
Catholic	33,885	38.6
Protestant	48,187	54.9
Protestant / Catholic	1,693	1.9
Other, none, refused	4,023	4.6
Total	**87,788**	**100**

Table C.3: Age group of all household members

	Number	%
Under 15	40,633	22.1
16-24	27,242	14.8
25-49	50,479	27.5
50-64	32,835	17.9
65+	31,711	17.3
Refused	826	0.4
Total	**183,726**	**100**

Table C.4: Ethnicity

	Number	%
White	183,045	99.6
Other ethnicity	722	0.4
Total	**183,767**	**100**

Table C.5: Disability of all household members

	Number	%
Illness	36,967	20.1
Disability	14,221	7.7
Illness and disability	16,005	8.7
No illness / disability	116,574	63.4
Total	**183,767**	**100**

Note: Disability or long-term illness which limits activity

Table C.6: Type of household

	Number	%
Lone adult	17,452	19.9
Two adults	7,716	8.8
Lone parent	13,025	14.8
Small family	5,931	6.8
Large family	3,254	3.7
Large adult	9,588	10.9
Two older	10,904	12.4
Lone older	19,914	22.7
Total	**87,784**	**100**

Appendix D

Findings of EQIA on relocation of staff

1. Developing policy on the location of Civil Service Jobs (DFP, 2002)

In April 2002, the DFP published an EQIA report on developing policy on the location of Civil Service jobs. This addressed the potential impacts on each of the Section 75 groups arising from the current location of NICS jobs and assessed potential impacts which could arise through relocation of jobs in relation to the wider NI population and current employees. The location of NICS jobs is not determined by a single or specific policy but is a strand of wider accommodation policy frameworks of other policies.

The EQIA found that:

- the equality impacts for Section 75 groups are broadly neutral in terms of the current location of civil service jobs;

- in terms of the future location of jobs the obligation to promote equality of opportunity can best be met by locating jobs in a way which maximises accessibility; this would include the extent to which a specific location is perceived as 'religion neutral', the design of the actual premises to take account of the needs of people with a disability and the location of premises to maximise accessibility in terms of public transport;

- where there are difficulties associated with the convenience or otherwise of public transport they are more likely to disadvantage young staff, women, those with a disability and those with dependants to a greater extent than other groups of staff; and

- the terms and conditions of civil servants provide them with access to a range of remedies to mitigate such disadvantage.

2. eHR programme (DFP, 2006)

The eHR Programme aimed to modernise and transform the NICS personnel function by replacing outdated IT systems, modernising payroll and personnel processes and providing centralised administrative personnel services from a Shared Service Centre. The initial policy proposals included transfer of some staff to the private sector partner (although, as the project progressed, this was found not to be necessary). The EQIA also considered the effects of relocation on staff who would be redeployed as a result of the Programme.

As part of the EQIA, a survey of all affected staff was carried out. 66.1% of respondents indicated that relocation would not have any significant effects on them, but other respondents expressed concerns about relocation:

- additional travel may result in increased costs (including car parking) – this may differentially affect some disabled people, those on low incomes (many of whom are young people) and those who work part-time (the majority of whom are women);

- additional travelling time may result in additional expenditure on child care and care of elderly and disabled relatives – this differentially affects those with dependants;

- depending on the distance to be travelled, it may be necessary for some people to move house – this may differentially affect young people, those with dependants, disabled people and black and minority ethnic people; and

- additional travelling time impacts on the work/life balance – this may differentially affect those with dependants and those who work part-time (the majority of whom are women).

3. Workplace 2010 (DFP, 2007)

Workplace 2010 was a five-year programme of work to transform the NICS office estate, improving the working environment for many staff and facilitating new ways of working in a way that demonstrates value for money for the taxpayer. The EQIA echoed many of the findings of the eHR programme EQIA and also found that:

- some staff may have difficulty adjusting to the new working environment and this may be particularly difficult for people with a learning disability;

- people with dependants may experience negative effects on their care arrangements including increased cost, need to be at home at certain times, ability to take children to/from school and need to work near home in case of an emergency; and

- additional travel time may also affect older people working reduced hours in the period before retirement.

4. Transfer of acute services from Omagh to Enniskillen (WHSCT, 2005)
In 2003, it was decided that, as part of a programme of hospital modernisation, a new acute hospital should be built on a site to the north of Enniskillen and a new local hospital should be built in Omagh. This would result in acute services transferring from Omagh to Enniskillen, a distance of approx. 40 miles. Among other things, the EQIA considered the potential impacts on staff who were required to relocate.

Again, the research (which included extensive consultation with staff and trade unions) identified the kinds of issues highlighted by the DFP assessments, but the following additional points were made:

- employed men and women in the Pakistani, Bangladeshi and Indian communities have particularly high rates of caring and are therefore significantly affected by the negative impacts of relocation on carers; and

- changes in location and work groups may have a differential impact on lesbian, gay and bi-sexual people who may find it difficult to disclose their sexual orientation to new colleagues/supervisors.