

Effective use of property assets

Public sector efficiency is being driven by a combination of the current economic crisis and Government's need to rein in public sector spending. With local government property assets recently valued at over £250 billion by the Audit Commission, now is the time for organisations to consider whether they are managing their property effectively.

Also recognised within the Chancellor's 2009 budget, the April 2009 HM Treasury Operational Efficiency Programme (OEP) review identified target savings in property of £1.5bn per year by 2014, rising to £5 billion a year over a ten-year period. For local authorities to make an effective contribution towards delivering these efficiency savings, it is essential that a structured and robust approach is adopted to achieve best value from property – an asset that is typically an organisation's second highest cost. Viewing property as a strategic resource rather than a fixed asset, enables local authorities to unlock value and deploy estate assets to meet commissioned service outcomes at the local, strategic level.

A successful efficiency programme develops third sector capacity and maximises leverage from private sector skills and finance. It considers the effective use of all available assets and builds on current best practice to develop a more efficient, commercial operation across the property portfolio. Specific questions that property managers should be asking include:

- how is the current economic environment affecting our services?
- is money being spent on assets that do not support services?
- are there properties in the portfolio that are unnecessarily costly to run?
- are key frontline service buildings being adequately maintained?
- is there clarity over the costs and benefits of retaining the properties in our portfolio?
- is optimum use being made of the space occupied?
- have opportunities been explored for us to share property with other public agencies?
- which rationalisation/optimisation strategies are available to us?

In the current economic climate, having the right property strategy is more important than ever. Cost cutting is only part of the answer; in isolation, it will not be enough to ensure that investment in frontline services is maintained. A successful strategy will strike a balance between making tough decisions about portfolio size,

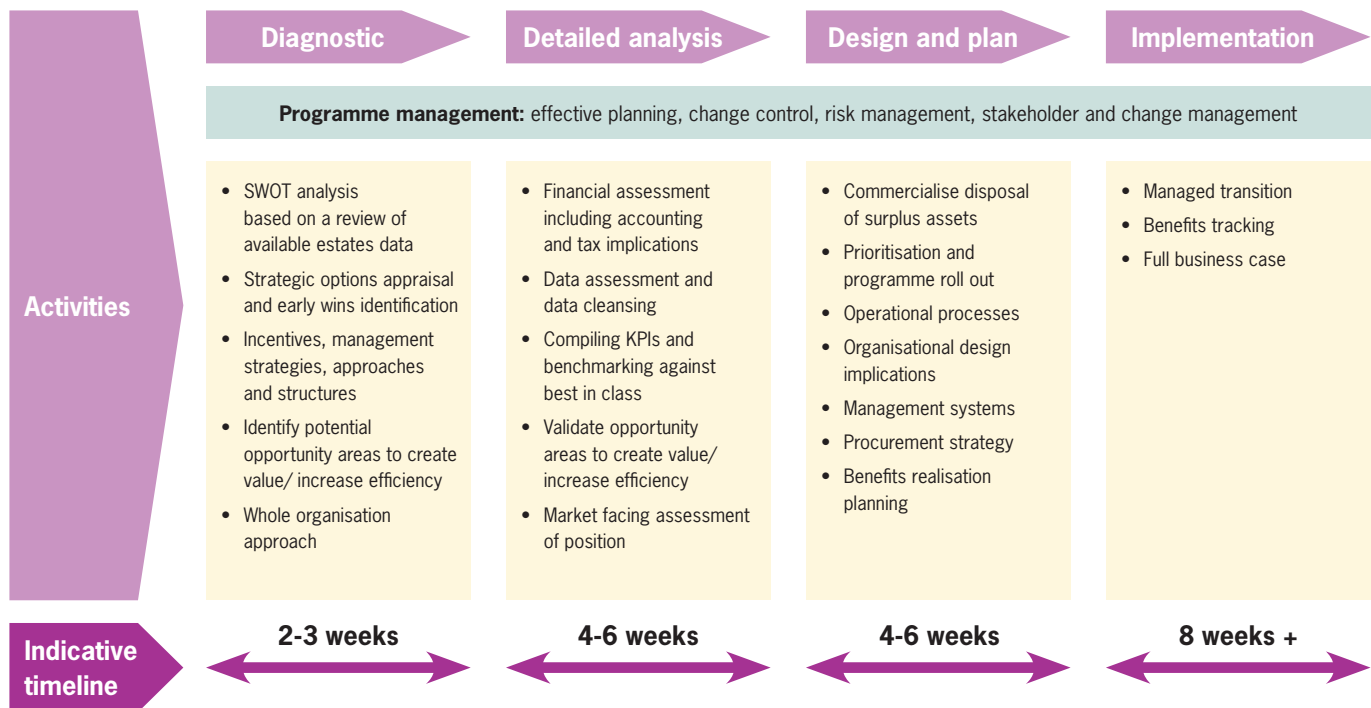
stakeholders and investment programmes, while focusing on assets' contribution to achieving corporate goals and objectives, and providing better frontline services.

How can Grant Thornton help?

Our government advisory practice, with over 150 consultants, has more than 10 years experience of advising local authorities. We have a unique perspective and a good understanding of your business, its goals and objectives and how property can help to deliver its strategic priorities, service needs and intended outcomes.

Our consultants come from a range of backgrounds, incorporating finance, tax, surveying and construction. We have extensive experience working for public sector clients and many of our team have held senior positions in local government and the wider public sector.

Our approach to property efficiency focuses on the implementation of structures and tools that will help achieve savings while improving accountability, performance management and identifying incentives to tackle difficult decisions.



Case Study

We recently provided strategic advice to NHS London on how their multi-billion pound estate could be managed more effectively. Our work included the design and evaluation of joint-venture structures for managing and potentially financing the estate and the preparation of a strategic business justification for a Gateway review. It led into a broader London-wide review of the estate's efficiency, utilisation and the compilation of Key Performance Indicators (KPIs) for benchmarking performance and also increased awareness of the integrity of estates information and future strategy at board level in trusts/PCTs. We provided increased rigour and pace to help unlock value and identified a core cohort of top opportunities to create capital value and drive up efficiency of under utilised assets. Our delivery plan identified areas for value realisation, improved performance management, opportunities for shared services/outsourcing and a surplus estate with a gross land value in excess of 20% of the total portfolio value.

“This work was challenging due to the need to achieve buy-in from trust chief executives and estate directors, the logistics of visiting a large number of trusts within a tight time period and the need to interpret rapidly a wide range of data. The Grant Thornton team met these challenges head on and delivered a very high standard of work. The team responded with agility to new issues and requests and worked effectively with a range of partners, including the Treasury's operational efficiency team. NHS London has retained Grant Thornton to roll out their methodology across London and I would not hesitate to recommend them to you.”

Contact us

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