



November 2017

Shared property services in the public sector: a future of collaboration?



The background is a solid dark red color with a complex, abstract network pattern. This pattern consists of numerous thin, light-colored lines connecting various circular nodes of different sizes. Some nodes are highlighted with a double-circle outline, creating a sense of depth and connectivity. The overall effect is a dense, web-like structure that fills the entire frame.

● Shared property services in the public sector: a future of collaboration?

Report for RICS

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Published by the Royal Institution of Chartered Surveyors (RICS)

RICS, Parliament Square, London SW1P 3AD

www.rics.org

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Executive summary

The days when public sector service providers worked alone or, worse, in competition with other providers, are thankfully no more. Whether this is because of a genuine collaborative spirit or because they recognise their survival depends on working with partners, the result is that shared services have increased across the public sector. New legislative freedoms are also partly responsible for the rise of this model of service delivery, which encompasses joint ventures and corporate entities.

Shared property services are now trying to catch up, spurred on by government programmes like One Public Estate (see section 2.2.2). At one extreme, shared property services can involve a public sector body supplying a resource to another on an ad hoc basis (and often for free), which is both informal and unstructured. But at the other end of the scale, a shared property services arrangement might involve creating an entirely new company to serve public sector shareholders and, potentially, the wider market. There are of course many variations between these two extremes.



Research

RICS commissioned a research project to understand the pace of change of shared property services in the public sector. To gather opinions, they published an online questionnaire that the Association of Chief Estates Surveyors and Property Managers in the Public Sector (ACES) then promoted. They also spoke to various organisations across the public sector with experience of shared property services.

The key findings are:

- Shared services are already widespread, and we are likely to see many more develop over time.
- Having a public service ethos, that is being committed to the value to society that your work provides rather than being purely motivated by financial rewards, is an important part of delivering shared property services, but the distinction between the public and private sector is becoming blurred.
- It appears there is a market opportunity if working with public sector partners is seen as providing better value for money, particularly as public sector partners are also seen as more likely to understand a buyer's issues.
- Although there is some political distaste, sharing resources might be the best way to make sure the public sector retains specialist skills.
- Public sector partners can potentially deliver a wide range of property services.
- There is a clear appetite within the sector to learn more about shared property service models – this is even evident among people who have either bought or sold property services.

The report also raises several points that anyone thinking about sharing resources needs to consider:

- An exit strategy, or at least a plan to handle the partnership being dissolved, should be put in place at the start (even though it might be unpleasant).
- Those who provide services to others might need to change their culture. They may need to move away from being public servants towards becoming commercial professional services providers.
- An effective resource-sharing strategy among partners could be a catalyst to recruit new property professionals into the public sector.



1.0 Introduction

There are many examples of the public sector coming together to share services because it wants or has to. Back office functions have traditionally been seen as an area for immediate positive results for integration, but this has typically been restricted to HR, legal and financial services.

Some might argue the importance of local knowledge means that property services do not readily lend themselves to integration or sharing across boundaries. However, this might just be an excuse to try to keep their independence.

Research gap

Property services, along with frontline services, are now firmly in the spotlight for sharing or integration in some form. But there does not appear to be much research into how much these services are already shared or what the barriers and outcomes are. The purpose of this research, carried out with ACES, is to gauge the opinions of those operating in the market.

Research methodology

RICS published a short online questionnaire on their website in March and April 2017. They also carried out face-to-face discussions and phone interviews with people from several shared services organisations. The findings from these are shown in the case studies in section 4.0.

The report begins with commentary on the legislative and policy framework surrounding the creation of trading entities and the sharing of resources.

2.0 Evolution of trading and sharing

The following commentary puts the findings of the research into context. It details the frameworks the public sector operates in that involve trading and sharing resources, and also looks at the drip feeding of new programmes and initiatives that encourage collaboration in one form or another.

For decades, the public sector has traded services to fellow organisations. The difference now is the pace and urgency with which some organisations are building partnerships to share services. Sharing resources is seen by some as a must to make sure organisations can survive and improved service delivery is a welcome by-product.

2.1 Legislation

2.1.1 The Local Government Act 1972

Section 111 of the [Local Government Act 1972](#) gave local authorities the power to do anything 'which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions'. Section 112 enables local authorities to appoint officers to carry out their own functions as well as any performed for another local authority. And section 113 allows local authorities to make agreements with other authorities to place its officers at the disposal of the other authority, subject to certain conditions.

2.1.2 The Local Authorities (Goods and Services) Act 1970

Section 1 of the [Local Authorities \(Goods and Services\) Act 1970](#) allows a local authority to make an agreement with another to provide them with goods and services. This could include administrative, professional or technical services.

2.1.3 The Local Government Act 2000

Part 1 of the [Local Government Act 2000](#) gave principal authorities (county councils, district councils, London boroughs and unitary authorities) in England and Wales the power to promote the economic, social and environmental wellbeing of their areas. Section 20 of the [Local Government in Scotland Act 2003](#) introduced a similar power in Scotland.

This helped local authorities build partnerships with commercial, private and third sector partners, as well as other public organisations. In theory at least, it also allowed them to move from a naturally cautious approach towards a more innovative one involving joint action. However, evidence suggests they only used it occasionally, partly because of the complex legal position. The wellbeing power has now been repealed in England, although it is still in force in Wales.

In 2008, the Department for Communities and Local Government produced a report called [Practical use of the well-being power](#). The report concluded that:

'...councils are not fully aware of the opportunities provided by the power to improve well-being introduced in 2000 to give local authorities the statutory powers necessary to allow them to play their full part in improving the quality of life for local people.'

Under the [Local Government Act 2000](#), local authorities also became responsible for putting together a sustainable community strategy. This strategy sets out their long-term vision for the economic, social and environmental wellbeing of their areas. To do this they were encouraged to form a local strategic partnership to help find and work with other local service providers. They would then work together on the strategy and agree ways to put it in place using the new wellbeing powers (among others).



2.1.4 The Local Government Act 2003

The [Local Government Act 2003](#) introduced a new general power for local authorities to charge for discretionary services. This included services they chose to provide under the wellbeing power.

2.1.5 The Localism Act 2011

Part 1 of the [Localism Act 2011](#) gave a general power of competence to local authorities in England, giving them another legal route to provide shared services. It determined that local authorities that want to deliver shared services by 'trading for a commercial purpose' (in other words for profit), must do that through a separate company.

This does not extend to Wales, Scotland or Northern Ireland. Local authorities that want to use it to help with joint working across public sector partners might run into problems, as currently it does not apply to the NHS or to police services.

Setting up companies to trade commercially

Section 1(1) of the [Localism Act 2011](#) states that 'a local authority has power to do anything that individuals generally may do'. As mentioned above, section 3 says that although they can undertake commercial activities, they must do it through a company (but they can't sell services they have a statutory requirement to provide). Some local authorities have used this provision to sell services, which implies competing on the open market with other commercial providers.

In 2013, the Local Government Association published a [The General Power of Competence: Empowering Councils to Make a Difference](#) on the new power confirming it was a step in the right direction. They gave several examples of local authorities' imaginative use of it, including one that involved sharing an entire management team across two authorities:

'Several councils cited the broader definition of the General Power compared to the previous wellbeing powers [where it was necessary to identify a specific link to the economic, environmental or social wellbeing of the area] as providing a more secure legal basis for entering shared services or similar arrangements. It had reduced the uncertainty arising from previous litigation in this area.'

2.2 Other government programmes

While there have been other government programmes that have resulted in services being shared, these were more in the form of incentives rather than enablers.

2.2.1 Devolution deals

In 2015 and 2016, the government and local areas agreed a number of devolution deals, mainly involving new or planned combined authorities. Several deals included a commitment to share services between local authorities. For example, Greater Manchester's devolution deal included commitments to redesign children's services across the ten Greater Manchester boroughs.

2.2.2 One Public Estate

One Public Estate is a national programme jointly run by the Government Property Unit and the Local Government Association. The first phase was launched in 2013, and it is now on its sixth. Over 75 per cent of local authorities take part in it along with wider public sector partners. Its objective is to build collaboration on asset management to achieve various outcomes, and it allows the public sector bodies taking part to choose the paths they want to follow. For example, one path might involve sharing property resources, while another could mean setting up a new combined property vehicle.

It would be unusual today if newly created groups of public bodies given funding by One Public Estate did not at least look at the opportunities available to share resources.

2.3 Austerity

A commentary on shared services would not be complete without mentioning austerity. Recent collaborations between public bodies at a strategic rather than tactical level are a direct response to financial challenges. Rather than cutting services (and facing losing votes), local politicians have had to work with public sector partners in a marriage of convenience.

2.3.1 A partnership between three London boroughs

When the landmark tri-borough partnership of Kensington and Chelsea, Hammersmith and Fulham, and Westminster councils was launched, the key aims were to:

- cut the number of middle and senior managers in combined services by 50 per cent
- reduce the 'overheads' on direct services to the public by 50 per cent and
- make sure that the costs for these overheads and for middle and senior management would be a smaller proportion of the total spend in 2014 and 2015 than they were in 2010 and 2011.

One early indication of the potential benefits of bringing together these aspects of asset management was the councils entering into a ten-year total facilities management contract with Amey in 2013. Significant progress was made with some £43m saved across the three councils. Then in 2014, Labour regained control of Hammersmith and Fulham after eight years of Conservative administration. Rather than scrapping the tri-borough arrangement partnership, the new leader said he wanted to reform it. However, three years later, in March 2017, notice was served on Hammersmith and Fulham council by its 'partners'. Political trust appeared to have been lost at the election.

The above scenario shows some of the problems caused when a shared service agreement unravels, particularly where resources have been brought together and pared back, and single systems have been created instead of independent solutions. The loss of Hammersmith and Fulham has no doubt been sweetened by the fact that several other London boroughs signed up to the tri-borough facilities management framework during 2014 and 2016.

2.3.2 Shared staffing agreements

In 2016, a unique alliance was created between the London boroughs of Richmond and Wandsworth. Under a shared staffing arrangement, staff were merged into a single structure in October of that year. The highly publicised aim of this was to save up to £10m a year for each authority (see section 4.1).

This type of arrangement arguably creates new challenges if the parties later fall out. But current proposals in Dorset to create two new local authorities from nine existing ones (amalgamating the county council with districts and boroughs) should avoid this. The two new enlarged authorities (if created) will have the ability to establish entirely new and dedicated organisational structures. Redrawing the local authority map in response to funding cuts will create more certainty in the long term, and it might help to sustain skilled property resources within local government.

In Scotland, there's now one police force – Police Scotland – after eight forces were amalgamated in 2013. In the same year the Scottish Fire and Rescue Service was created as a similar number of locally based public sector bodies disappeared. And in Wales, government reform isn't far away. With all local authorities now guaranteed a future due to the development of the legislative framework described above, at least in the medium term, it's expected that regional working will be established across many local government services, which could include the sharing of resources across neighbouring local authorities. The [White Paper](#) on reform launched in 2017 specifically identifies asset management as a 'specialist service' that lends itself to a regional approach.

2.4 Evidence of change

It is difficult to quantify the impact of these changes on whether public sector bodies are now acting more commercially when collaborating with others. But the evidence points towards a clear upward trajectory. The following examples demonstrate the trend.

2.4.1 Commercial Councils, Localis 2015

A [survey](#) by the independent think tank Localis of 150 key local government figures showed that:

- 94 per cent of councils currently share a service with another council
- 91 per cent use assets (like land) in an entrepreneurial way and
- 62 per cent run joint ventures with neighbouring councils, 57 per cent with the private sector and 54 per cent with the voluntary sector.

Looking forward, Localis concluded that:

'...entrepreneurial activities make up 6% of total council budgets at present. In five years' time, the weighted average of our respondents indicates that entrepreneurial endeavours will treble and equate to a far higher 18% of total council budgets. This equates to a shift from around £10bn of activity to £27.4bn by the end of the next parliament.'

2.4.2 Local Government Association shared services map

For several years the Local Government Association has used a database to produce a [map](#) of shared service activities in local government across England. In 2015, it reported that there were 416 shared service arrangements between councils, with £462m of efficiency savings.

The data for 2017 shows a dramatic increase – there are now 464 reported examples of shared services with an estimated £640m of savings for taxpayers. The potential savings are actually even higher than this, as more than 280 authorities stated that they couldn't estimate what they expected to save.



3.0 The questionnaire

3.1 Respondents

Between March and April 2017, 43 people responded to RICS' online questionnaire. The figures below show the characteristics of the respondents.

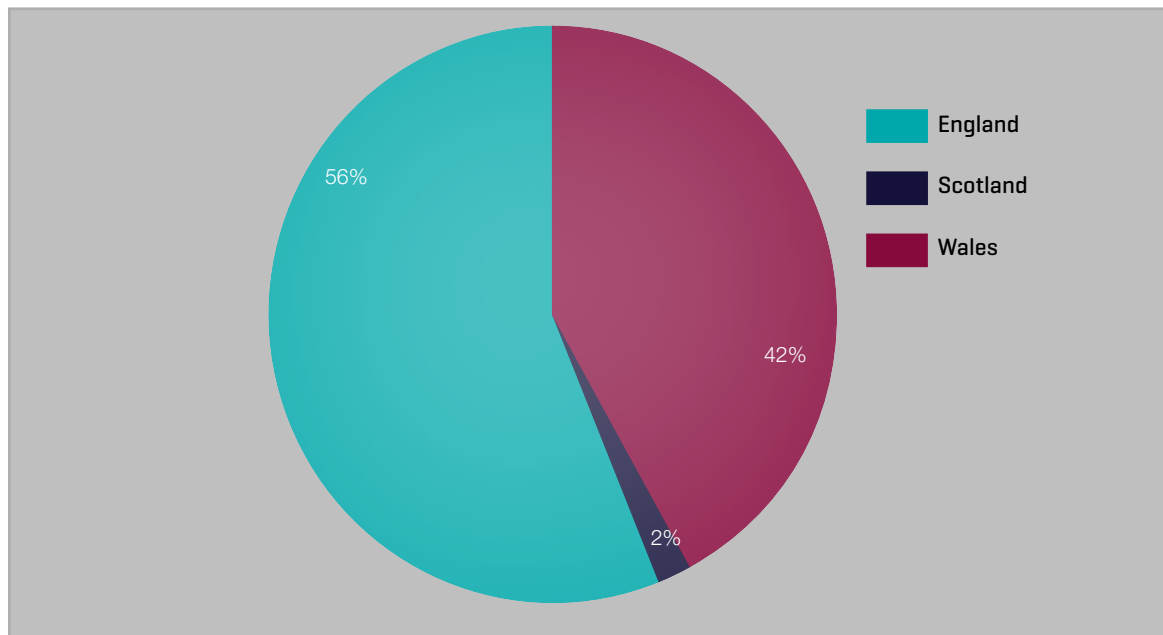


Figure 1: Geography - regional distribution of responses

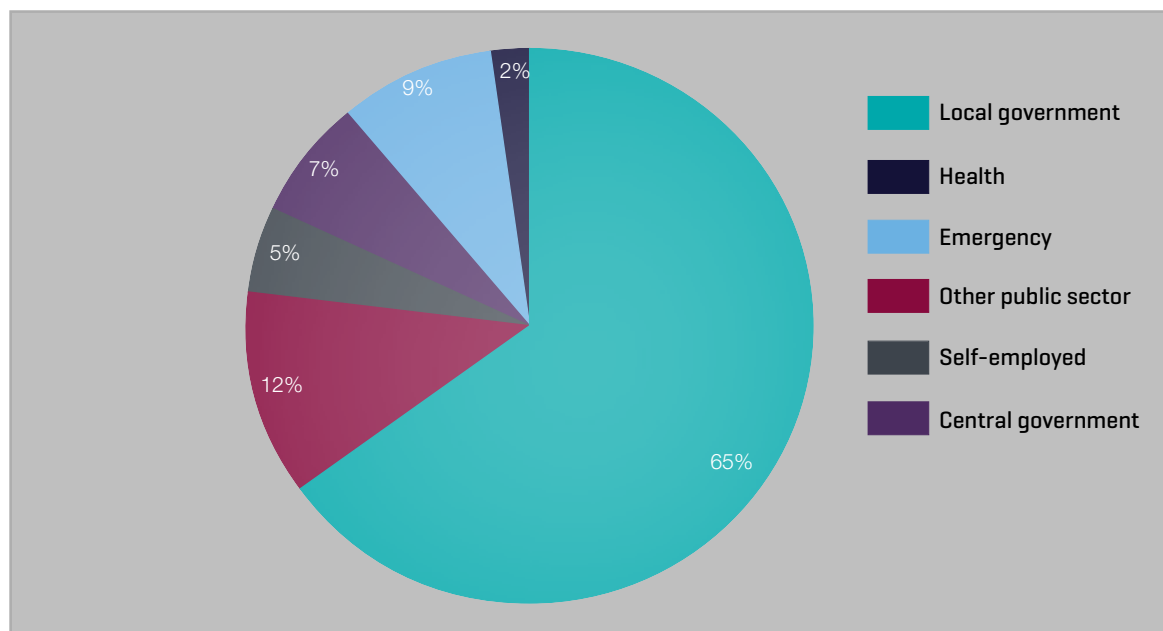


Figure 2: Sector distribution of responses

3.2 Questions on shared property services

Once the respondent's main work location and employment were established, they were asked questions to check their awareness of shared property services.

3.2.1 'Are you aware of any shared property services ventures?'

The responses show that a high level of awareness of shared property services exists across the public sector.

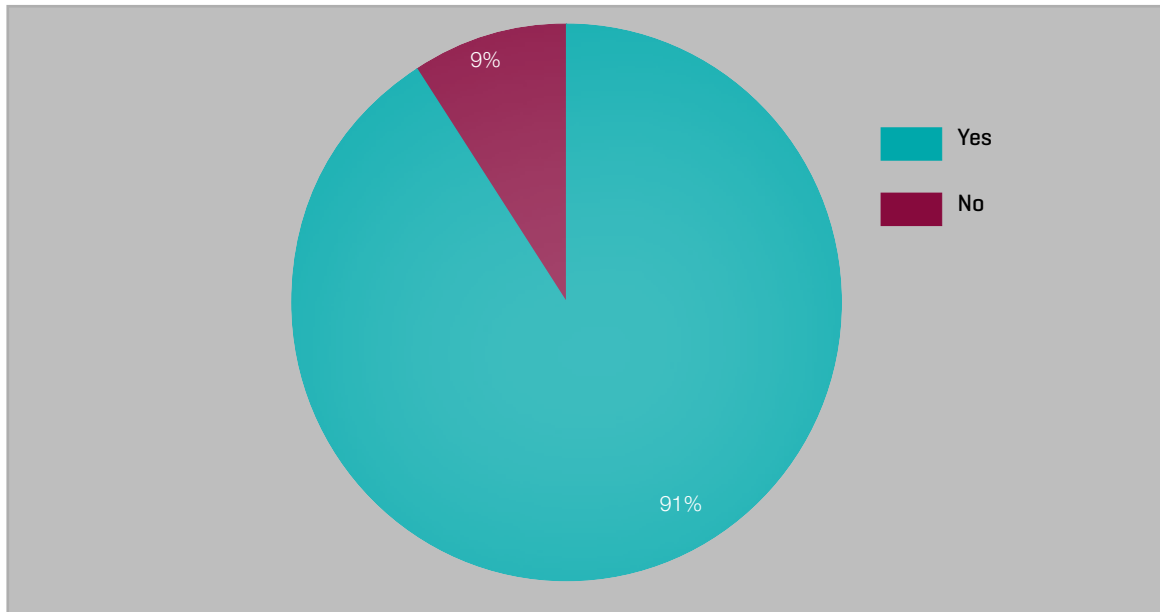


Figure 3: Awareness of shared property services

3.2.2 'Do you participate or have you participated in a shared property services venture?'

Given the relatively wide definition of shared property services used (from informal arrangements where services are provided for free or on a cost-recovery basis, to formally constituted entities specifically set up to trade), it might be surprising that 40 per cent of respondents do not take part in any form of sharing.

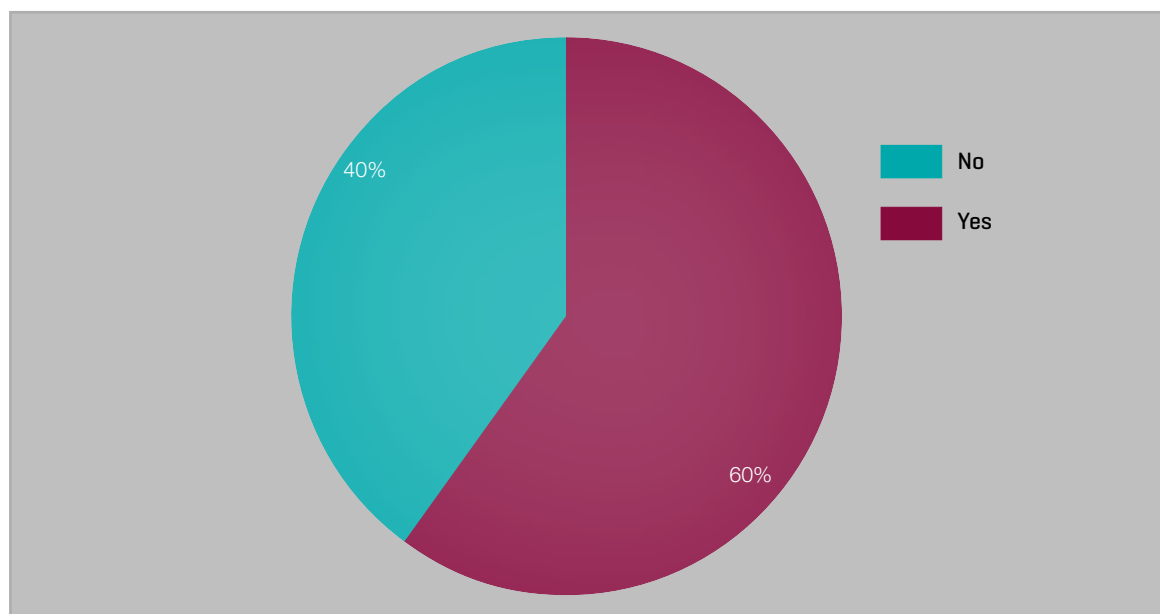


Figure 4: Participation in shared property services

3.3 Statements

A range of statements was then set out. Respondents were asked to give their view on each one, ranging from 'Strongly agree' to 'Strongly disagree'.

3.3.1 'Resources accessed from partners via a shared service arrangement will possess a critical public sector ethos'

This proposition was looking to understand whether procuring services from a public sector partner guarantees that services are coming from those with a public sector ethos. While 72 per cent of respondents agreed with this (without any definition of what a public sector ethos actually means today), 23 per cent claimed they didn't know the answer to the question. Does this indicate that people no longer understand the classical interpretation of the public sector ethos – working to make a difference rather than just to make a living?

Critics of outsourcing often identify private sector suppliers' lack of understanding of the public sector and the absence of a relevant ethos as reasons why it should be resisted. But how different are the drivers behind the two sectors? It is wrong to claim that public sector employees have a vocation while private sector employees seek profit above all else. But there is no doubt that a blurring of the sectors has been caused in part by the impact of efficiency and commercialisation on the public sector – saving costs and making money.

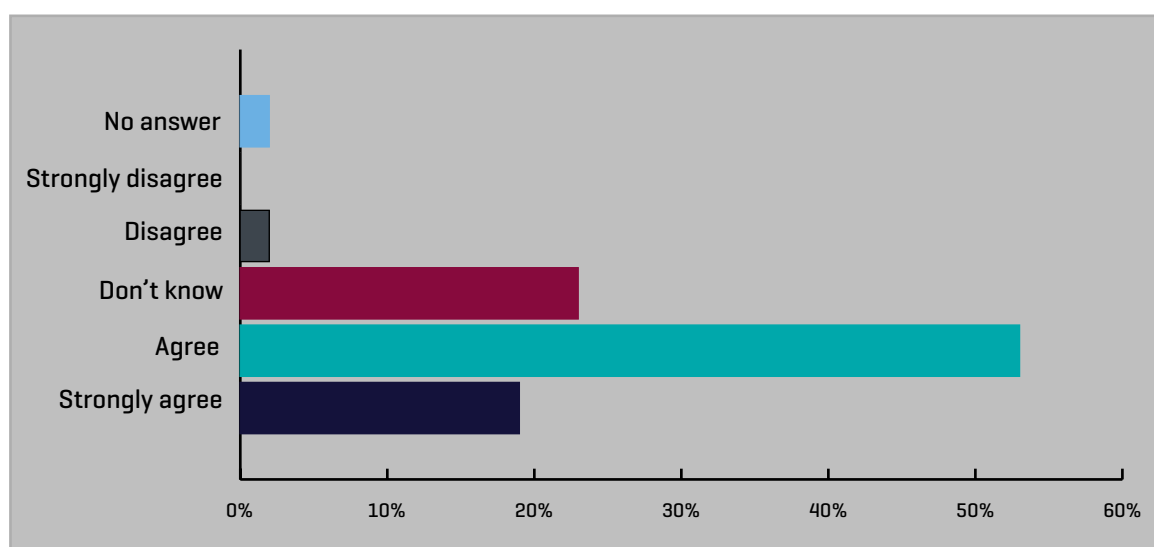


Figure 5: Public sector ethos

3.3.2 'Better value for money will be obtained through shared services compared with employing commercial advisers'

Despite there being no definition given for the term 'value for money', 60 per cent of respondents agreed with this proposition. It is safe to assume that respondents consider the term to include aspects of both price and quality. With 95 per cent of respondents working in the public sector, this might at first glance be a surprising result. On the other hand, it perhaps reflects the recognised shortage of skills across the sector.

Over a quarter of respondents said they didn't know the answer to the question. This might have been a pragmatic response as services potentially available from one public sector partner might be vastly different to those from another. But rather surprisingly, 73 per cent of those who didn't know the answer were currently either providing or receiving services to or from a public sector partner. This could point towards a lack of transparency in agreements, an absence of clear specifications or poor performance monitoring of the outcomes.

There is no doubt that shared property services arrangements must in future be able to transparently demonstrate value for money to all parties, otherwise they will remain open to criticism and more susceptible to political influence.

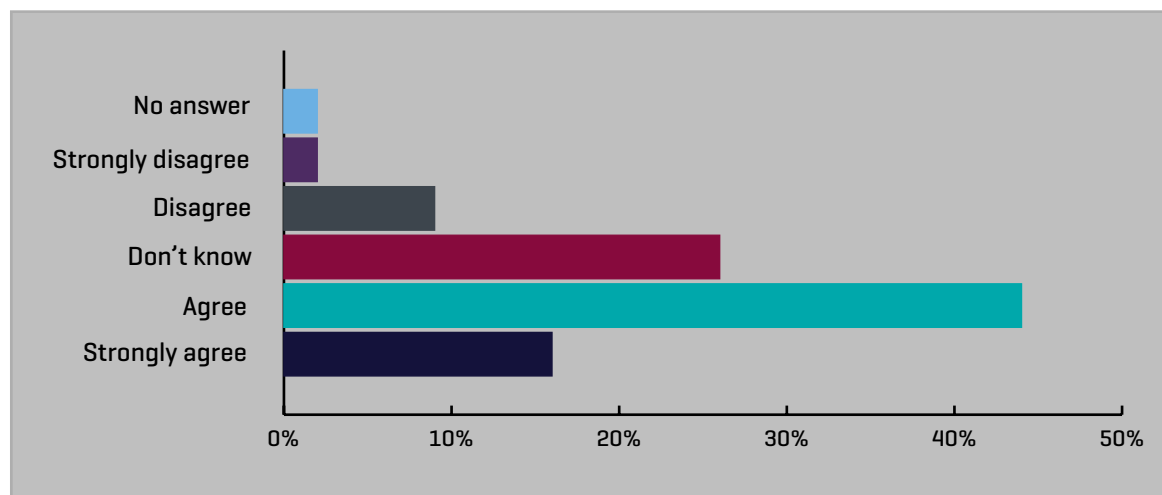


Figure 6: Better value for money

3.3.3 'Resources procured from partners are more likely to understand the issues facing the purchaser'

This statement explores a similar issue to the one on 'ethos' (section 3.3.1). While a clear majority agreed with it, 16 per cent didn't know and almost 10 per cent said that partners wouldn't necessarily understand their issues. Interestingly, half of these respondents were from the emergency services sector, which highlights the perceived importance of partners understanding your core business. In practice, are some services not sufficiently generic that they can be provided across sectors – e.g. valuation, rating, building surveying and day-to-day property management?

The issues of whether skills can be transferred across subsectors is explored in more detail in section 3.3.4.

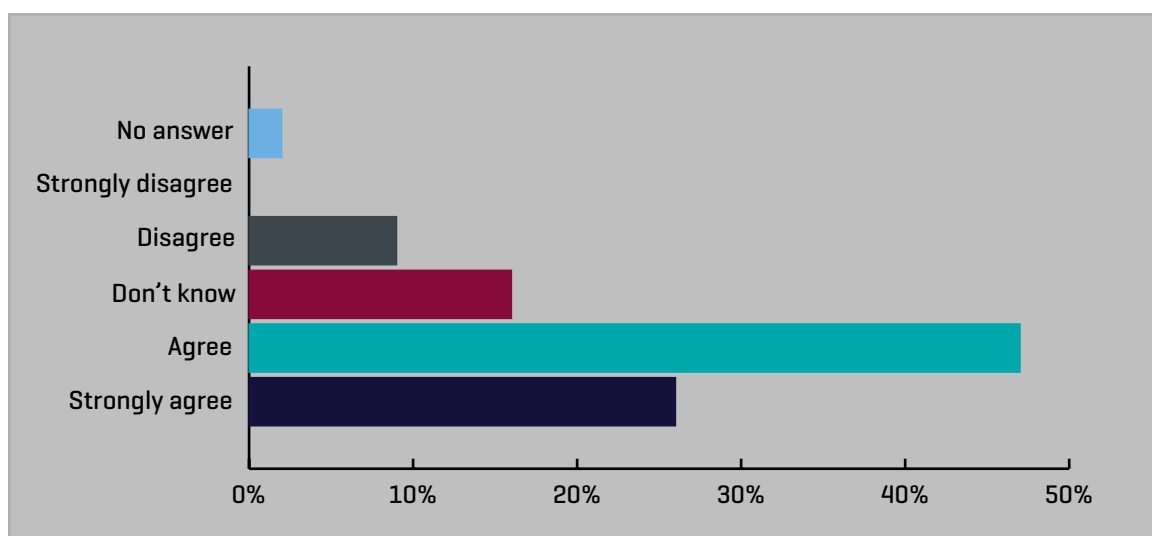


Figure 7: Understanding issues

3.3.4 ‘Through “pooling”, specialist resources can be shared and therefore sustained across public sector partners’

For many years, the public sector has found it hard to recruit and keep property professionals. There is a lot of anecdotal evidence pointing to challenges to this across the public sector, supported by hard evidence in research and reports:

- [Progress on government estate agency](#): ‘The Ministry of Defence established a central property function, but found practical skills shortages.’
- [NHS estates: Review of the evidence](#): ‘The identification of skills shortages in strategic estates management in the public sector make the need to develop in-house capacity clear. This capacity can be developed but can also be built by capitalising on available skills and mechanisms for sharing and disseminating expertise.’
- [NHS estates: Review of the evidence](#): ‘One Public Estate is a central initiative, organised on a regional basis. Stakeholders in local government-led, place-based approaches have capitalised heavily on the wider skills available, e.g. planning, procurement, housing management.’
- [a review of Private Finance Initiative](#) and other projects concluded that public sector organisations (including the NHS) often do not have the skills to make decisions on complex projects. This can put the public sector at a disadvantage when negotiating with the private sector, and jeopardise the realisation of benefits. The review also found that the public sector can lack the contract management skills needed to handle complex issues when they come up.

Against this background, this statement explored the views of respondents on the potential for sharing property services to enable them to survive.

Almost 80 per cent of respondents agreed that sharing was a way to sustain resources within the public sector. One Public Estate opens the door for collaboration on many fronts – from assets, through data to the use of services. In fact, the initiative was the inspiration behind the creation of Place Partnership, a public–public company with a mission to deliver property-related services to its ‘founding fathers’ and others in the public sector (see section 4.2).

There is an argument for specialisation and the sharing of those specialist resources since each public body simply cannot afford its own internal resource pool. The nurturing of more specialists capable of successfully walking the corridors of government in the widest sense of the term, and acting as intelligent clients, can only be a good thing for those seeking a career path in the public sector.

Perhaps surprisingly, 9 per cent of respondents disagreed with the proposition. One reason for this might relate to the statement in section 3.3.5.

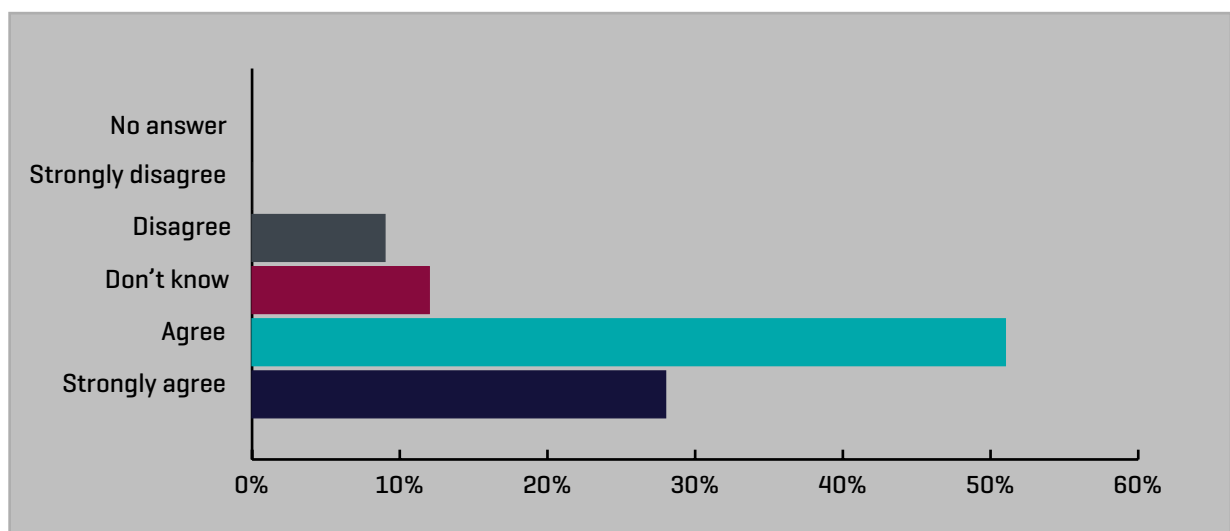


Figure 8: Pooling resources

3.3.5 'It is costly and time consuming to set up a shared services venture'

Despite an introductory comment stating that shared property services include informal arrangements where services are provided at no charge by one body to another, 42 per cent of respondents said it was expensive and time consuming to set up a shared services venture. This might have been because the term 'venture' indicated a more formal arrangement.

Of those sharing this view, 44 per cent said they had not taken part in a shared property services venture. This might point towards institutional bias based on the experience of creating companies or partnerships within the public sector. There is certainly little publicly available data on the range of costs and timescales that people stepping into this territory might incur.

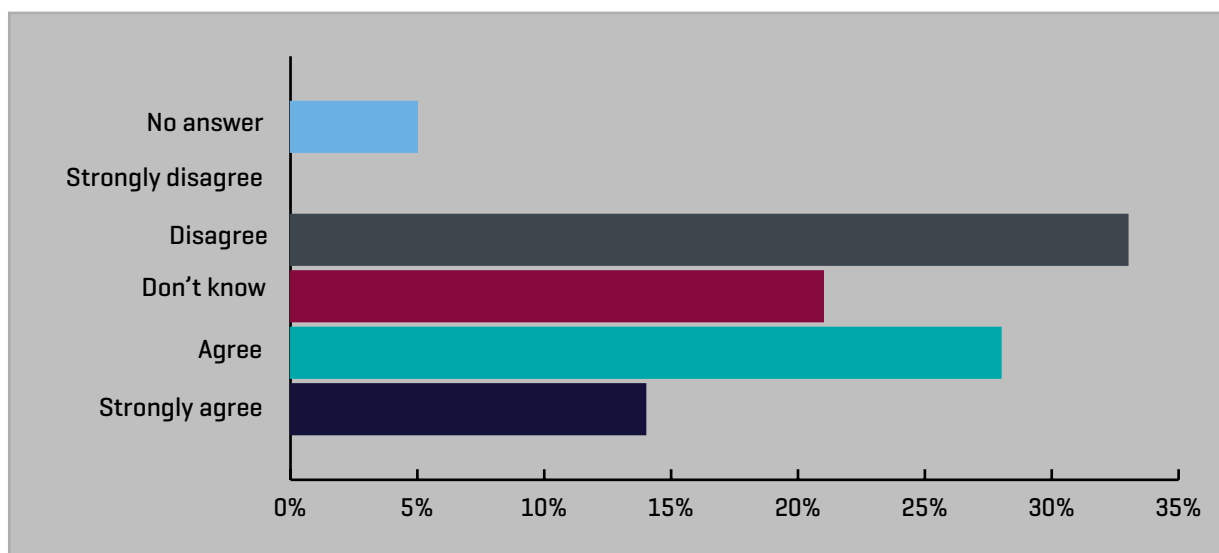


Figure 9: Costly and time consuming

3.3.6 'Shared service resources will lack the necessary commerciality'

Respondents delivered a vote of confidence in the commerciality of public sector property professionals: 52 per cent disagreed with the statement even though very few had taken part in a shared services arrangement. In contrast, 25 per cent of respondents agreed with it, three quarters having participated in a shared services arrangement.

In the final analysis, the level of commerciality will depend on various factors, including the service specification, the expectations of the parties, and the contract management processes to make sure you get what you pay for.

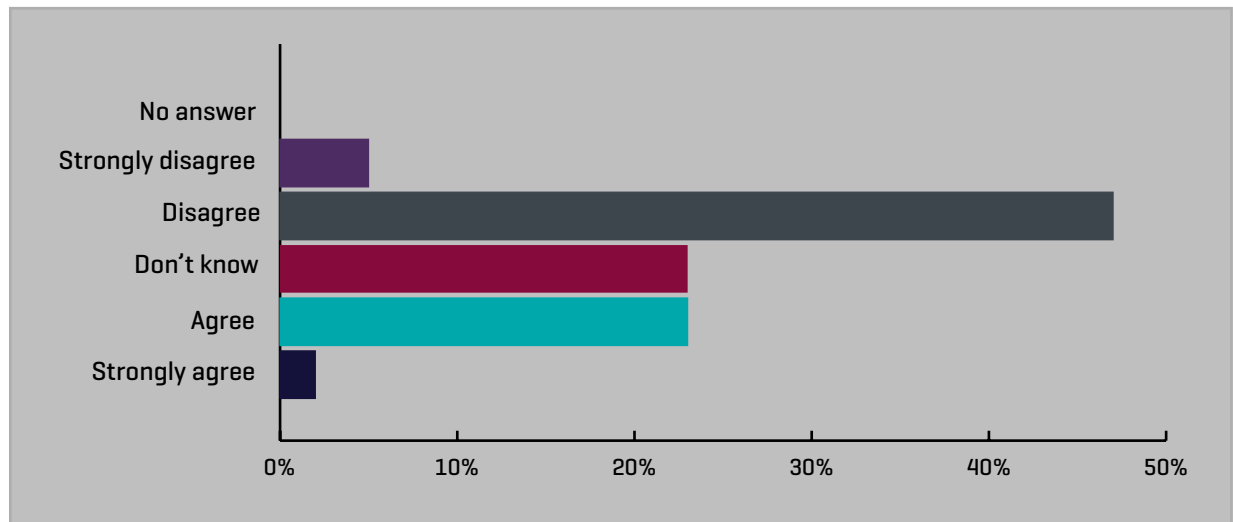


Figure 10: Commerciality

3.3.7 'The sharing of property expertise is likely to become more common over time'

There was widespread agreement that the practice of sharing resources will become more common. But 5 per cent of respondents disagreed with the proposition, even though they had all previously said that sharing provides better value for money.

In section 2.0, there is a summary of trends and events that have combined to support and encourage parties to join forces. It is difficult to see this reversing or even slowing down in the next decade – survival for some will rely on meaningful collaboration.

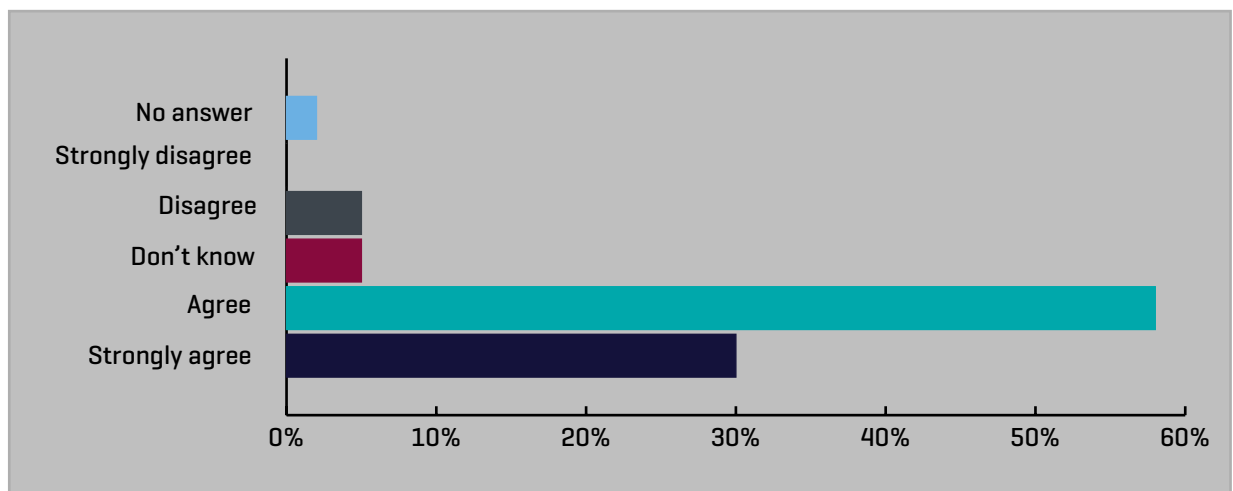


Figure 11: Rise in popularity

3.3.8 'Some public bodies will resist buying from or selling to others for local political reasons'

The day-to-day realities of life in local government are evident in the response to this statement. Most of the respondents agreed that local politics can, in effect, trump rational decision-making. For example, there is anecdotal evidence that some local authorities have not applied for One Public Estate funding because the programme originated in a Conservative-led coalition government. Respondents who agreed with the proposition were from both local government and central government, the health sector and emergency services.

We can work it out: the human hurdles to collaboration in local government highlights the absence of trust we sometimes find within organisations we expect to be reliable:

'As local authorities come under pressure to reduce their spending, collaboration is one way to protect public services from cuts. The government is encouraging councils to explore opportunities to work with one another, and with the private and voluntary sectors. But there are some very human obstacles that prevent collaboration happening as smoothly as it might.'

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One respondent commented that 'sovereignty...is a roadblock to general shared property management services'. The implication is that ceding the management of property to another authority is politically unacceptable – yet many authorities cede the management of their estates to the private sector. If there are fundamental concerns around political interference by another authority, or concerns about service quality, continuity and assurance, these can arguably be taken care of through an appropriate service contract. On the other hand, if the concerns are founded more on emotion than economics, the tightest contractual arrangement will still not resolve these issues.

A further issue may relate to split loyalties: can a property investment adviser employed by one authority, for example, provide investment advice to another authority? The answer must be 'yes' since no public sector body could successfully seek exclusivity from its private sector property agent or adviser commissioned to bring forward investment opportunities or advise on the buying, selling or letting of space. The answer to this potential dilemma is to construct a clear service specification and confirm at the outset how potential conflicts will be dealt with. In other words, act in a commercial manner.

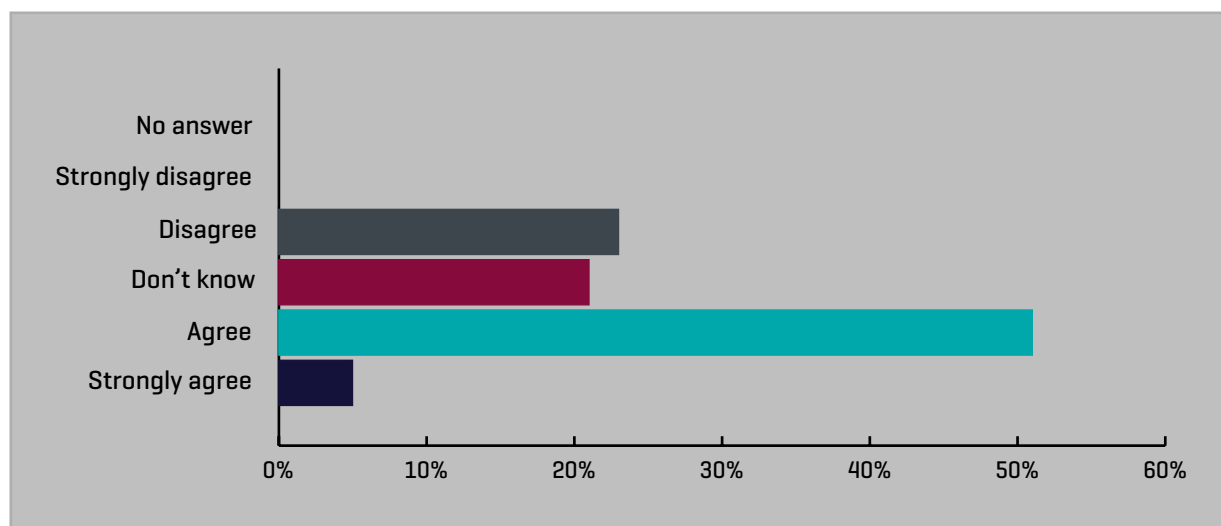


Figure 12: Resistance to collaboration

3.3.9 'Sharing resources will only work for specific property services'

The field was almost evenly split on this issue. Respondents who agreed or strongly agreed with the proposition were asked to identify services that could be 'traded'. While some referred to only one or two specific services, the range mentioned overall was fairly broad. It covered:

- day-to-day asset management
- valuation
- acquisition and disposals
- condition surveys
- procurement support and
- facilities management.

One respondent with a negative view on the potential for greater sharing commented:

'A substantial amount of local knowledge is required for a number of property services that is unlikely to be delivered by a partner.'

While it is true that local knowledge can carry added weight, it can also arguably be gained or learned relatively quickly and simply. Over time, barriers put up by those with specialist local knowledge will inevitably become easier to overcome. Echoing earlier comments on political resistance to sharing property services, another respondent said:

'Sovereignty, or its perception, is a roadblock to general shared property management services.'

This begs a fundamental question about the role of local politicians in asset management – are they owners or custodians?

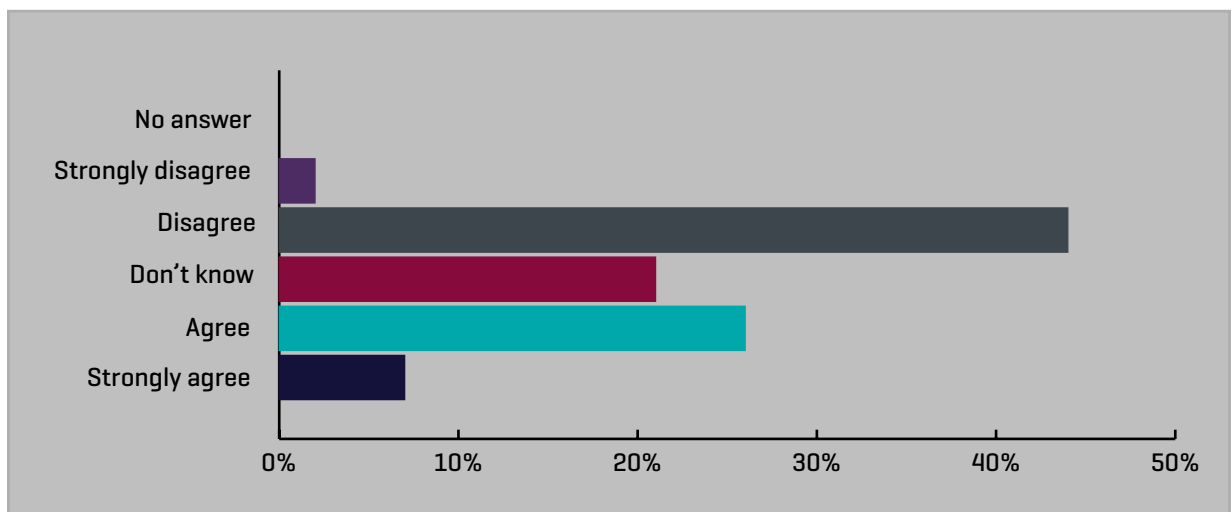


Figure 13: Selective collaboration

3.3.10 'I would consider buying in property services from, or selling services to, public sector partners'

Without any pre-conditions, this simple two-part statement sought feedback on how many respondents would buy or sell property services to public sector partners. Over 80 per cent said they would, but somewhat surprisingly, 10 per cent were undecided – perhaps because they needed to understand the conditions under which they could buy or sell services before agreeing or disagreeing.

On the face of it, the result indicates there is a clear appetite to trade property services within the public sector.

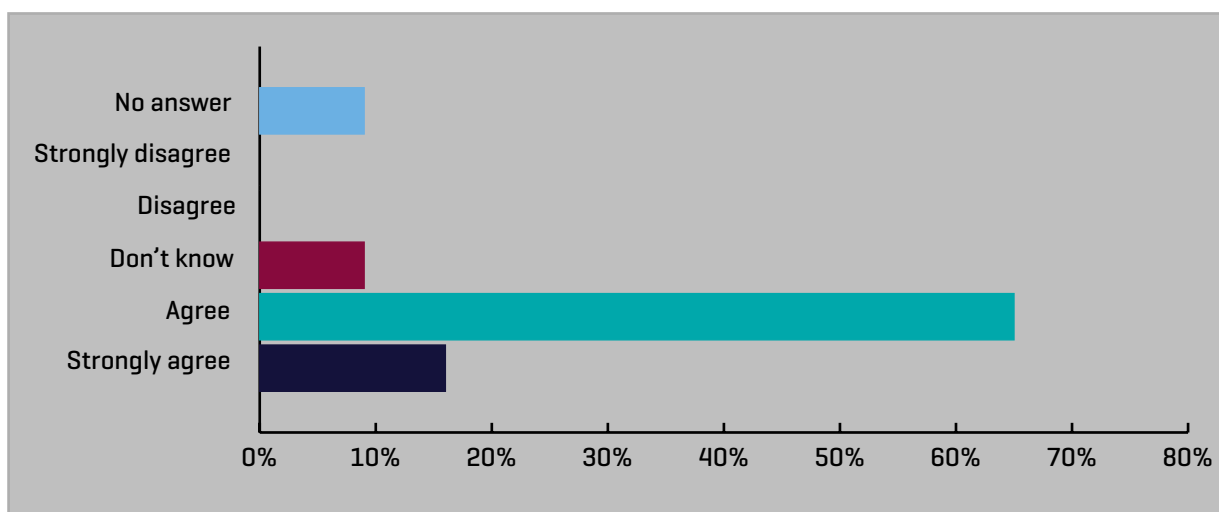


Figure 14: Appetite to buy or sell

3.3.11 'There are insufficient resources at my disposal to deploy across various partners'

Although the appetite to trade services might exist in theory, there are constraints in real life. One of these is the resource pool available.

While most respondents agreed with the statement, 20 per cent did not. This implies they have resources that could be used across other public sector partners. Of these, 75 per cent were from local government and all but one confirmed they would be prepared to trade resources with other partners.

The above findings suggest that there might be a hidden pool of resources available for sharing across the public sector. But only if the right arrangements are put in place, alongside the political will.

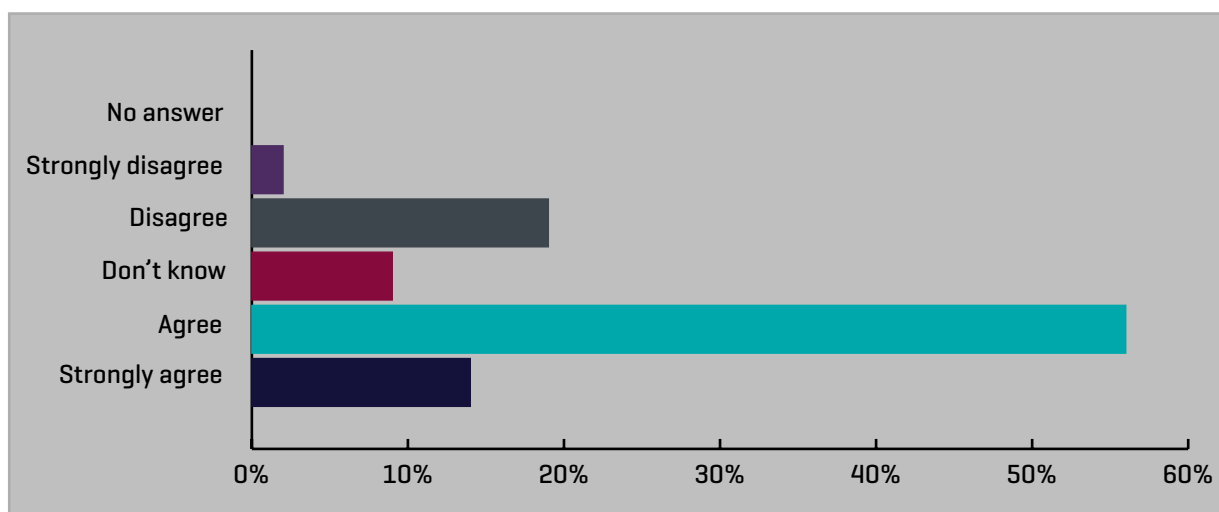


Figure 15: Availability of resources

3.3.12 'I need resources with local knowledge and my partner(s) might not be able to provide this'

For those who already feel that local knowledge is not the overriding factor when procuring resources from a public sector partner, the findings in relation to the above statement may bring reassurance.

Respondents who disagreed with the statement might actually be disagreeing with the point about needing resources with local knowledge, or the ability of public sector partners to bring this. Potentially, 40 per cent of respondents do not see local knowledge as particularly important, or they feel their public sector partners can bring this. Either way, it suggests that barriers to entry might not be very high.

On the other hand, almost half the respondents said they need resources with local knowledge, and that their partners might not be able to meet this.

A wider debate about the importance of local knowledge, and how this can be supplied by partners (with or without external expertise), will help in making choices on resourcing strategies.

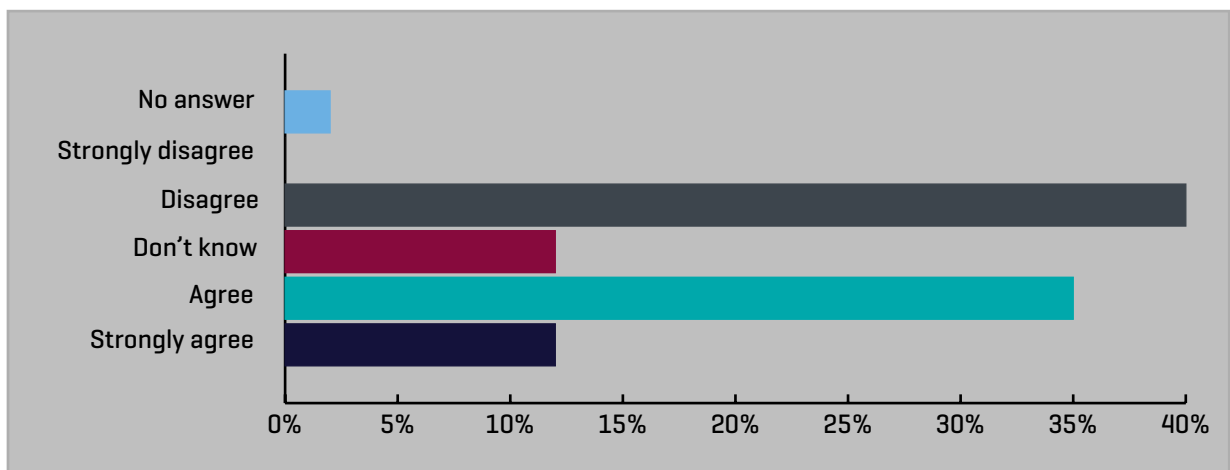


Figure 16: Local knowledge

3.3.13 'I would consider selling services to other partners, subject to internal needs being met as a priority'

The above statement is very specific on the conditions to be met before surplus resources are sold to other parties. Some might say, why wouldn't you consider selling if your needs are met? But 16 per cent of respondents were not able to agree with the statement. Perhaps the existence of surplus resources might threaten their existence – or maybe the respondents know the political reality only too well in their organisations.

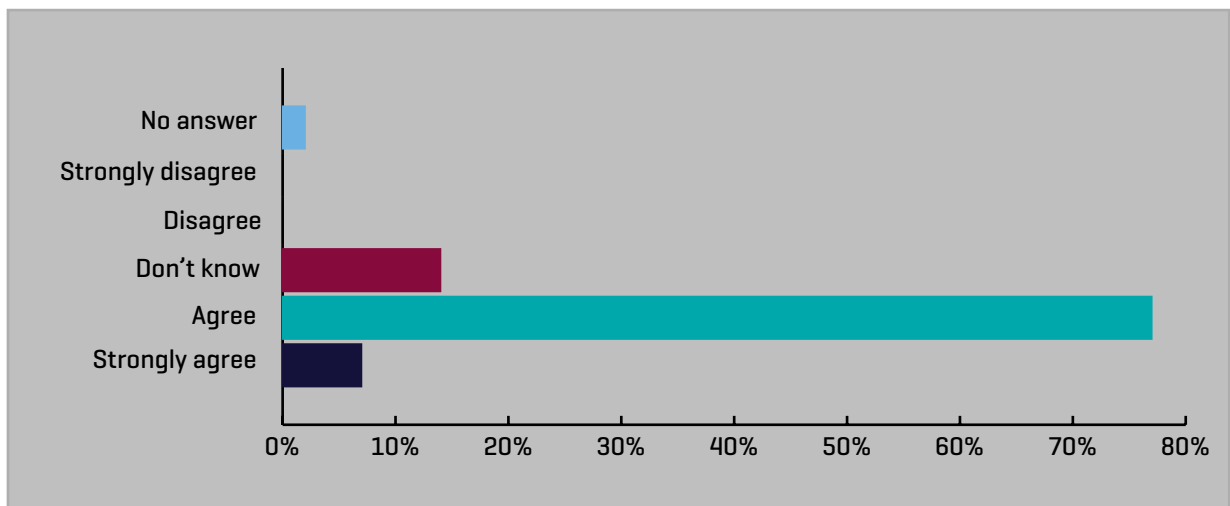


Figure 17: Preparedness to sell services

3.3.14 'I want to understand more about the alternative structures, cost and benefits for buying in or selling services'

Little previous research into the items referred to in this statement became evident during the course of producing this paper. One reason may be that commercial and confidential arrangements have been put in place to govern the buying and selling of property services. It is acknowledged that some high-profile case studies exist about creating new legal entities. But what about the less formal approaches to sharing resources covering resource management, costing of services and quality and performance management?

The vast majority of respondents said they wanted to learn more about sharing services. While 11 per cent of respondents apparently don't want to learn more, they all claimed to have experience of buying or selling property services.

Returning to the sample who claimed to have experience buying or selling property services (see section 3.2.2), almost half wanted to learn more.

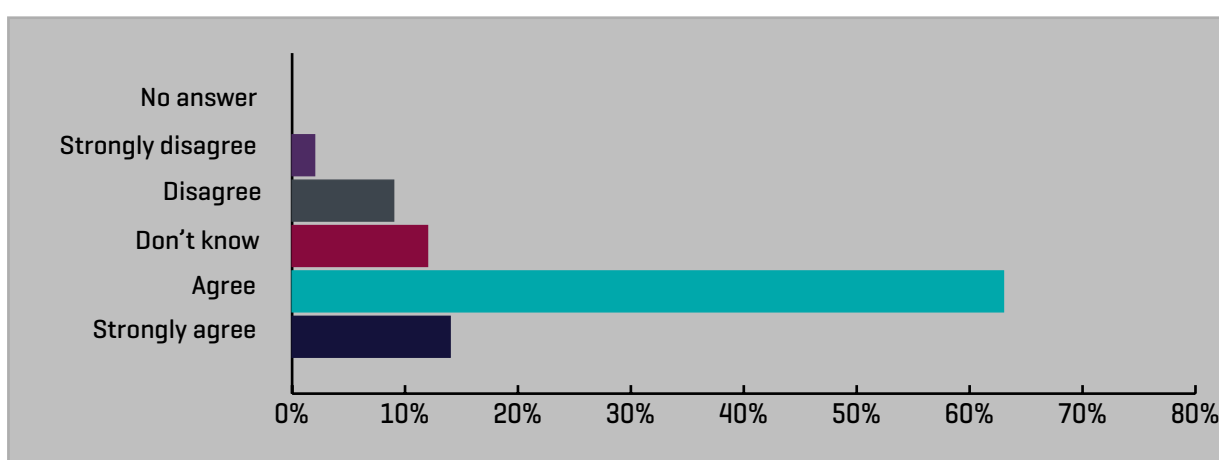


Figure 18: Appetite to learn more

4.0 Case studies

4.1 Richmond and Wandsworth Councils

Like many local authorities, the two councils were predicting substantial reductions in funding from two key sources: Revenue Support Grant and Retained Business Rates. Between 2015/16 and 2019/20, Richmond Council assumed that income from these sources would reduce by 66 per cent while Wandsworth Council was basing its financial strategy on a reduction amounting to 22 per cent. In cash terms, the total sum to be secured through savings and/or additional income streams to recover these 'losses' amounted to more than £110m.

With a history of joint working with a range of boroughs across London, the councils decided to embark on a ground-breaking proposal through the mechanism of a Shared Staffing Arrangement (SSA). The SSA serves a population of approximately 500,000 which, for comparison, is not far short of the population of Manchester. Under the SSA, each Borough retains their independence but services are delivered through a single staffing structure with a single Chief Executive and one Service Director for each service area. Preparations began in 2015 and went live on 1 October 2016. Staff were transferred into the new SSA with adjustments made to align terms and conditions to ensure consistency in relation to issues such as holiday allowances, performance-related pay, overtime payments and car allowances.

It was predicted that the creation of single Chief Officer team would alone save more than £1.6m per annum. This would make a significant dent on the projected £10m per annum financial benefit each council would secure from the operation of the SSA.

Within the Housing and Regeneration Directorate, a new post of Assistant Director (Property Services) was created bringing together the property functions of the two councils, formerly operating very different business models. Wandsworth Council favoured a multi-disciplinary in-house team and Richmond Council pursued an outsourcing model. The extent of overlap and duplication of roles could have been much more significant were it not for the divergent approaches to running an estates function.

With the councils retaining their sovereignty, including key democratic and governance procedures, the SSA requires the newly integrated team of 120 or so property, project management, design and FM professionals to serve two masters, although some sections within the Property Services directorate operate trading accounts.

The creation of a single Property Services team created an initial saving of around £200,000 per annum and it is expected that there will be further savings by a series of joint procurements. A range of services are in the process of being jointly let including cleaning, some hard FM services, commercial estate management and agency. Over time, the team could potentially deliver services to other public bodies but growth into this market does not feature in the immediate plan for the team.

'Establishing the SSA and running services for two boroughs is a huge challenge. However, there has been considerable mutual learning from staff who worked for each Borough and adopting best practice from both. It has also given the service a critical mass which has created opportunities for staff development in the broad range of work the service covers.'

Andy Algar, Assistant Director, Property Services for Richmond and Wandsworth Councils



4.2 Place Partnership

Place Partnership (PP) is a limited company wholly owned by a number of public sector bodies, namely:

- Hereford & Worcester Fire Authority
- Redditch Borough Council
- Warwickshire Police
- West Mercia Police
- Worcester City Council and
- Worcestershire Borough Council.

It is the first multi-agency asset management company of its kind in the UK and provides property services to a core portfolio of some 1,400 assets across four counties. PP owes its origin to One Public Estate (OPE), the joint Cabinet Office and the Local Government Association programme aimed at delivering a range of asset and service-related outcomes through collaboration across public sector partners. In the vast majority of instances, OPE has originated or facilitated tangible projects. In this instance, a unique entity was created to support integrated asset management across the partners.

With approximately 180 employees based in Worcester, PP provides a range of advice and support to its 'home team' of partners in areas such as tactical and strategic asset management, capital projects, FM, and energy procurement/management. Since its inception in 2013, PP has recruited from the public and private sectors to enhance its capabilities. It has also widened its customer base to include public sector bodies outside its geographic boundaries. In time, the strategy for growth could see PP opening up offices in other parts of the country. While the *Teckal exemption* effectively limits the extent of PP's growth into the wider market to 20% of turnover, this leaves ample room for growth into this market as it currently turns over approximately £25m. The quantum of external business can increase as the quantum of the 'home team' business increases, which could include increasing the number of shareholders in the partnership.

The vision of the partners is embedded in a series of shared objectives. While a formal common estate strategy was not documented on day one, this can be seen as both a strength and a weakness: flexibility on the one hand, as opposed to challenges in prioritising strategic objectives in view of the demand for services that the new joint vehicle has created.

The construct is undoubtedly unique and, being the first of its kind, it is subject to scrutiny. Some in the public sector are watching from a distance while others are actively engaged in discussions to learn from this new development. Having been awarded 'Property Newcomer of the Year' in the 2017 Property Awards, expectations have been raised that the new company will deliver demonstrable performance above and beyond that which could otherwise have been achieved.

'Place Partnership is at the very forefront of facilitating change in public service delivery. Whilst multi-agency collaboration is undoubtedly challenging, the benefits can be seen in the creation of significant capital value and operational savings, which will realise so many tangible benefits for the public estate and those whom it serves.'

Andrew Pollard, Managing Director, Place Partnership



4.3 A five-council partnership

South Oxfordshire District Council and the Vale of White Horse District Council have a history of working together. In 2006, they signed a contract with Capita to outsource their revenues and benefits services and exchequer functions. As the contract came close to expiring, the two councils agreed to extend it by joining forces with other councils whose contracts with Capita were also about to expire. Together they created a five-councils partnership with Hart District Council, Havant Borough Council and Mendip District Council.

The newly created partnership then signed a nine-year contract with Capita and Vinci for various services, including property management. The property management service was delivered by Arcadis under a subcontract with Vinci. It covers 40 separate services including:

- providing a management system
- day-to-day property management
- acquisitions and disposals
- lettings
- development consultancy
- building maintenance
- statutory compliance and
- strategic property advice.

This range of services gives the councils the flexibility to choose a combination of services that suit their circumstances

The contract for South Oxfordshire District Council and Vale of White Horse District Council started in August 2017, and will start for the other councils in late 2017 when their current contracts with Capita expire. Around ten estates professionals are expected to transfer to Arcadis, and it is anticipated they will provide services across council boundaries from one of two operational hubs. To help achieve this strategy, the partners can access a wide pool of resources within Arcadis at agreed rates.

One of the main reasons for creating this five-council partnership was to give the councils the ability to buy goods and services together – something that could save an estimated £50m. And the councils are already looking at joining forces with another council in the north of England for valuation services, which will give them even more buying power.

4.4 Essentia

Guy's and St Thomas' NHS Foundation Trust Hospital created the Essentia brand and organisation. It was designed to deliver property and facilities management services to the Trust with a workforce of 1,800 employees. In 2013, they created Essentia Trading Limited, a new legal entity described as Essentia's commercial arm. It employs 50 people who provide multi-disciplinary consultancy services to both the Trust and wider market. Its core services include:

- strategic asset planning
- capital project management
- healthcare planning
- sustainability advice
- IT solutions and
- procurement.

While most of Essentia Trading's business comes from clients in the health sector, it has also provided strategic estates advice to local authorities. This might reflect the inevitable merging of health and social care service delivery taking place within communities.

Essentia Trading wins new business in competition with others, but also through links and relationships that already exist across the health sector. One of its USPs is that, unlike commercial competitors, its profits are recycled back into the Trust.

With a turnover of £6.5m, the business plans to expand its current national and international customer base. It has already given specialist healthcare planning advice to clients in Australia, Qatar and the Republic of Ireland.

When the company was established in 2013, it was made up of less than ten people. Most of the new recruits over the last four or so years have come from the private sector. They generally have track records advising health sector clients on property asset management and healthcare planning.

5.0 Conclusions

Legislation has paved the way for more imaginative ventures to be created within the local public sector. This has undoubtedly had some impact on the pace of change, but a greater stimulus for change has perhaps been the 'carrot and stick' approach:

- provide incentives in the form of more devolved responsibility in exchange for driving through efficiencies, or hard cash to test and implement asset management initiatives like shared property services or
- squeeze local authorities and others to the point where collaboration and alliances (or forced marriages) become the best options.

Whatever the causal factors, the sharing of services is here to stay.

Results

The survey aimed to understand how strongly RICS practitioners feel about shared property services. Sharing can take many forms in practice, as shown by the case studies in section 4.0, which were put together after face-to-face meetings and phone interviews.

The dangers of jumping to conclusions on the back of survey results are well known. This report treads carefully and identifies the following tentative conclusions:

- Shared services are widespread, and we are likely to see many more develop over time.
- Public sector ethos is an important factor in delivering shared property services – but the distinction between the public and private sectors is becoming blurred.
- If working with public sector partners is seen as better value for money, a market opportunity appears to exist, particularly as public sector partners are seen as more likely to understand buyers' issues.
- Despite some political distaste, sharing resources might be the best way to keep specialist skills within the public sector.
- The retention or protection of sovereignty can act as a constraint – but is contracting for the delivery of day to day property management services to another public body so different from contracting with a private sector supplier?
- A wide range of property services is believed to be potentially deliverable by public sector partners.
- There is a clear appetite within the sector to learn more about shared property service models. This is even evident among people who have already bought or sold property services to partners.

The survey and research undertaken to inform this report also raise a number of points:

- Exit strategies, or at least a strategy to handle a partnership being dissolved, should be considered at the start, even though it might be unpleasant.
- A cultural shift away from public servant towards commercial professional services provider might be needed for some. This is deliberately simplistic but points to the need for a new toolkit including customer relationship management, competitive pricing strategies, time recording and quality management.
- Can an effective resource-sharing strategy among partners provide a catalyst to recruit new property professionals into the public sector? If the strategy is founded on a strong relationship and high level of trust between partners, the business case could be very solid. And if the employer is a separate company shielded from day-to-day political decisions, risks to prospective employees are reduced.

6.0 Acknowledgments

Thank you to the following for their valuable insights and contributions to this research:

- Andy Algar (Richmond and Wandsworth Councils)
- Andrew Pollard (Place Partnership)
- Neil O'Connor (Luton Borough Council)
- Peter Beer (5 Council's Partnership)
- Neil Palmer (Fieldfisher)
- Stephen Edgar (Essentia)
- Dave Pedersen (Suffolk Fire and Rescue)
- Richard Baker (Welsh Government).







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