

Better Measurement Better Management

Effective management of the Government estate



As economic pressures continue to grow on all organisations, property is increasingly being seen as a strategic enabler – moving away from the view of it as an inert overhead of doing business. Property needs to be integral to the business planning process and its efficiency and effectiveness needs to be measured in the same way as other business resources.

This document illustrates the outcome of the OGC's pilot study, including the methodology adopted and outlines the plans for rolling this out across central government. It will be of interest to strategic decision makers, project and programme directors, heads of estates, facilities managers and all those engaged in the development and delivery of departmental asset management strategies.

Measuring efficiency and effectiveness of property and facilities management is a critical component of better asset management and provides opportunities for increased productivity and delivery of savings. It allows organisations to benchmark property against industry best practice, informing strategic decisions about buildings and their impact on delivery.

For government departments to succeed in effective management and rationalisation of the estate, access to base data on what is best in class – in order to match and then exceed expectations – is fundamental.

The challenge

The central government Civil Estate represents a considerable asset. It comprises more than 300 individual property centres, covering 13 million square metres of floor space, with an annual cost estimated at £6 billion. Even modest improvements in performance of the estate have the potential to deliver significant efficiency savings.

Sir Michael Lyons in his 2004 report to the Chancellor *Towards Better Management of Public Sector Assets*, quantified the challenge:

“A key component of asset management is to take a strategic view of which assets are best retained and efficiently exploited, as well as to identify those which should be disposed of to generate resources for reinvestment. For example, my initial work suggests the scope for efficiency gains of at least £760 million a year by 2010-11 as a result of more efficient management of offices alone.”

Individual departments are accountable for procuring and managing their own estates, facilities and workplace portfolios to support effective and efficient service delivery. While many individual departments have systems in place to measure how efficiently they are managing their property (including outsourced facilities management), little has been done to measure the efficiency or effectiveness of the Civil Estate corporately.

It is in this context that the Office of Government Commerce (OGC) has put in place, for the first time, corporate, cross-government benchmarking of property performance, using external expertise for data gathering and analysis, and access to cross sector and international benchmarking data.



Better Measurement Better Management

The Property Benchmarking Service

OGC's aim is for property performance measurement and benchmarking to be embedded into the regular management and reporting of overall business performance in government departments. This should also become widely recognised as an essential tool to support continuous improvement in active asset management, as it is in many high performing private sector businesses. The establishment of a performance measurement service – *The Property Benchmarking Service* – will be the catalyst for this. This service will enable organisations to measure the performance of accommodation in relation to a number of key performance indicators of both efficiency and effectiveness, and to compare that performance against others in central government, and with benchmarks derived from the wider public, private and international sectors.

The service will provide:

- A best practice tool with key performance indicators to enable departments to measure and manage their own estate performance, with the aim of improving efficiency and effectiveness
- Consistent measurement of the efficiency and effectiveness of management and use of the Civil Estate as a whole
- Identification against commonly agreed metrics of space utilisation and ways in which management and use of the Civil Estate can be made more efficient and effective
- Cross sector, national and international benchmarking as part of a process of continuous improvement in the management and use of the Civil Estate.

For the first time, the Government will have in place an overall view of its real estate performance, not only taking costs and space use into account, but critically, appraising building and management effectiveness in the same

performance assessment. This will provide the opportunity to compare – on a large scale – key aspects of occupier performance, including, for example, how employment density interacts with costs per person, and ultimately, the productivity of the workplace.

Developing our thinking – the property benchmarking pilot

OGC has commissioned Investment Property Databank (IPD) Occupiers as its industry partner to take forward development and validation of an appropriate performance measurement system to support the establishment the Property Benchmarking Service. Critical to developing a methodology has been the importance of producing a balanced view of performance that takes account of both efficiency (cost and utilisation) and effectiveness (sustainability, workplace productivity and operability). The selected methodology brings these two elements together in simple integrated statistics. It offers the potential for performance improvement to be presented at a number of levels – for individual properties, for property centres, for each department, or for the central government estate as a whole.

Many of the techniques and standards proposed have been developed by IPD Occupiers, including the use of their *Total Occupancy Cost Code*, to help identify potential efficiencies. Techniques, such as workplace productivity appraisal, are used to collect qualitative data for assessing effectiveness.

To validate the recommended approach, a six-month pilot was undertaken. This encompassed four departments – the Department of Trade and Industry, the Department for Environment, Food and Rural Affairs, the Department of Health, and OGC. The pilot sample comprised 130 buildings (300,000 sq metres), with the relevant data from the participating departments sourced, collected, validated and analysed.

The emerging methodology and key performance indicators (KPI) were agreed in consultation with a project board comprising the pilot departments, together with the Home Office and the Department for Work and Pensions.

The outcome of the pilot was presented in an overall report based on the data from the participating government departments. Additionally, each participating department received an individual report relating to each of their specific buildings.

The full report of the pilot project is available on the OGC website, www.ogc.gov.uk

Pilot achievements

- Introduced a **standardised framework** capable of delivering a performance measurement system for a target community of 60 departments, with 260 property centres and 8,000 property holdings, to enable departments to measure and manage their own estate performance
- Created a **consistent, cross-departmental database**, allowing performance to be tracked annually and be compared with other departments and the IPD dataset
- Supplied **performance reports** to departments, with detailed efficiency and effectiveness analysis for individual buildings, and for the estate as a whole
- Provided a **springboard** for a substantial improvement in the quality of asset management in the civil estate.

The performance measurement system model

At the outset, two of the main benefits of this project were seen to be the:

- Provision of a performance measurement system to enable departments to measure and manage their own estate performance, with the aim of improving efficiency and effectiveness
- Consistent measurement, corporately, of the efficiency and effectiveness of management, and use of the Civil Estate as a whole.

A key feature has been the development of a standardised framework, as a tool for reporting, and subsequent analysis of the base data. Through this framework, key performance indicator data and relevant benchmarks are clearly presented. Like for like comparisons can be readily made for each individual building, and the results for any individual building can be aggregated and compared for any group of buildings, or for an entire department.

This allows departments to measure their performance at varying levels:

- They can examine their results by broad categories, such as by location (e.g. London versus the rest of UK), by size of building, by number of employees and by tenure
- They can compare costs, space and effectiveness indicators for all key buildings or across all buildings
- Each building can be compared with government and other norms.

Traditionally, property performance measurement adopts a hierarchy of key performance indicators to analyse the *efficiency* of a real estate, or facilities management function. For the first time, on such a wide scale, this approach measures *effectiveness* alongside *efficiency*.

The hierarchical performance measurement framework model allows the outputs to be used by a wide range of stakeholders, from strategy and policy makers to line managers responsible for, say, space planning or environmental sustainability.



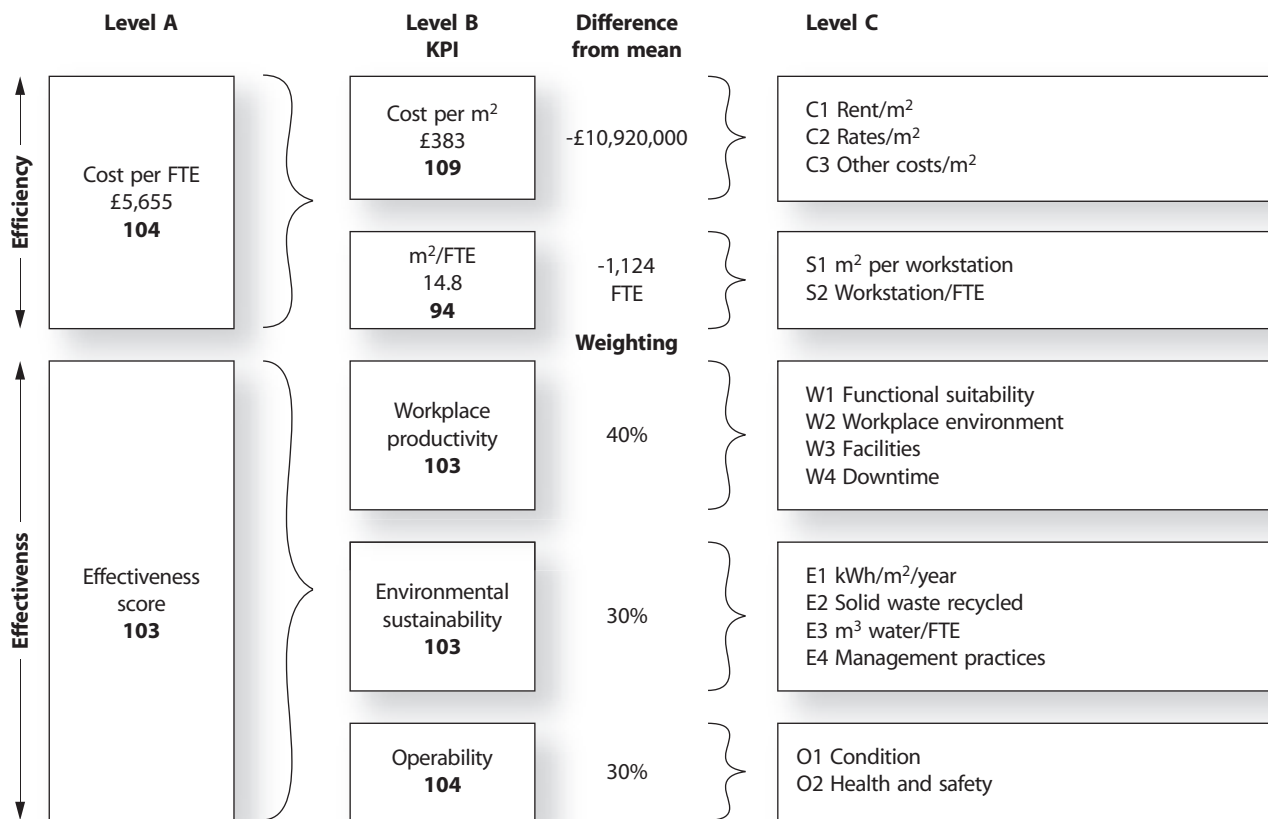
The performance framework

The pilot sample

The performance framework illustrated here shows the model at work for all the buildings in the pilot.

Sample: All buildings
Total costs: £114,702,209

Department: Pilot sample
Occupied NIA (m²): 299,796



Key to scoring system

	Score range
Above average range	110+
Average range	90-110
Below average range	<90
Instances of a missing KPI score	100

Calculations of overall performance

Effectiveness scores are calculated by summing up data for Pilot samples and their respective OPD Dataset benchmarks and comparing the totals.

The performance framework incorporates a hierarchy of three different levels:

- A. The top-level indicators for efficiency and effectiveness make up the Level A indicators. Overall efficiency, for example, is defined as cost per FTE (Full Time Equivalent i.e. full-time member of staff).
- B. Level B measures show the main influencing factors of efficiency and effectiveness, respectively. The components of efficiency at this level are costs per m² and m² per FTE.

The effectiveness indicators comprise scores for workplace productivity, environmental sustainability and operability. These individual scores are weighted to determine the overall effectiveness score.

- C. The Level C indicators explain the scores attributable at Level B. For example, m² per FTE is determined by multiplying m² per workstation, by workstations per FTE.

KPI	Score	Difference from mean	Sample
£207	109	-£6,291,000	130
£65	124	-£6,162,000	130
£110	95	£1,533,000	130
14.4	76	FTE -4,111	130
1.03	115	FTE 2,987	130
Weighting	Sample		
56%	101	30%	36
45%	106	30%	36
60%	104	30%	36
7%	101	10%	4
277	115	40%	77
34%	79	30%	28
7.9	115	20%	55
10	104	10%	43
28	111	60%	43
5.1	93	40%	43

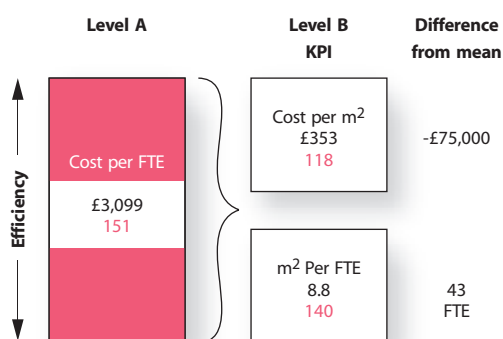
Effectiveness scores
are derived by weighting
individual building scores
by NIA

The scoring system

The scoring system is set so that the expected results for an average building produce an index number of 100, based on comparison with the IPD Occupiers' dataset and good practice or industry standards. Results higher than 100 demonstrate better than average results (over 10 per cent highlighted in coral), while the reverse is true for results of less than 100 (over 10% highlighted in blue) – the greater the difference from the 100 norm, the more remarkable are the results.

A sample building

The model is designed to alert the user to differences in results that exist between buildings (or groups of buildings) and their benchmarks (mean) in a systematic way. This begins by examining high-level results for overall efficiency and effectiveness at Level A. Once these differences have been identified, users can move down to the next level to examine the immediate components that drive the Level A results, namely those at Level B and so on.



In this example of the Efficiency indicators a cost per FTE of £3,099 gives this office a score of 151 for overall efficiency, which means that it is performing 51% better than expected at efficiency Level 'A'.

Moving down the performance hierarchy to Level 'B' shows that both its components are performing above expectations. The overall performance at Level 'A' is derived from above average performances for cost per m² (score 118) and m² per FTE (score 140).

These differences from the mean are shown in terms of overall cost and FTE. This office is costing £75,000 less in cost per m² than the benchmark as a result of lower cost per m². At 8.8 m² per FTE the office is accommodating 43 more FTEs in its 966 m² net internal area than the benchmark average.

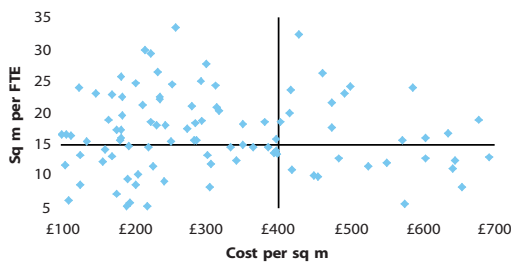


Findings

The pilot project

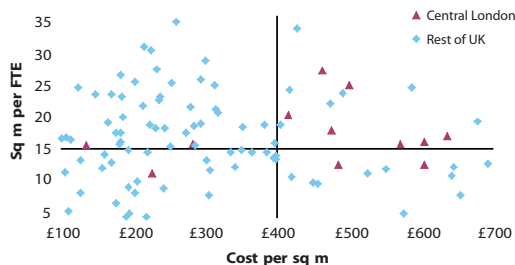
The pilot project, in addition to validating the methodology to be taken forward, provided some interesting early indicators. A selection of these is presented here. The full report of the pilot is available on the OGC website, www.ogc.gov.uk

Efficiency variability analysis



The offices are plotted into four quadrants, divided by IPD dataset averages. The results show large variations across the pilot sample, in terms of efficiency. Many of the buildings appear to be efficient, in that they have a higher density of FTEs per sq metre than the average from the dataset. However, a significant number of buildings in the pilot have a higher cost per sq metre, compared with the average in the dataset.

Cost/m² against m²/FTE by Region

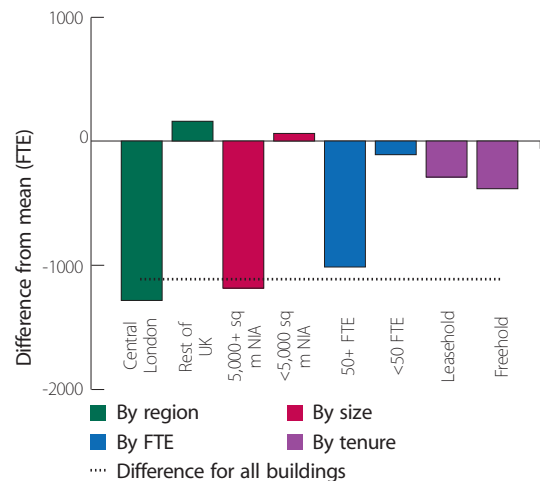


When analysing this cost by region, as demonstrated in the graph above, most Central London properties are in the top right-hand quadrant. This would support Sir Michael Lyons' observations that, if government offices were re-located outside the south east, some significant potential savings could be made.

Performance drivers

The model allows the pilot sample to be examined by region, building size, FTE and tenure, as shown in the graph below and adjacent.

Difference from mean: FTE by four analysis groups



In terms of FTE/m², the more expensive Central London offices are used less efficiently than offices in the rest of the UK.

Larger buildings accommodate fewer staff/m² than smaller ones. As such, more work is needed to categorise the type of work carried out in the offices which are showing higher efficiencies in terms of FTE/m².

The study found that on average, freehold properties have lower running costs (including rent), when compared with their leasehold counterparts, but this chart shows they are occupied less intensively.

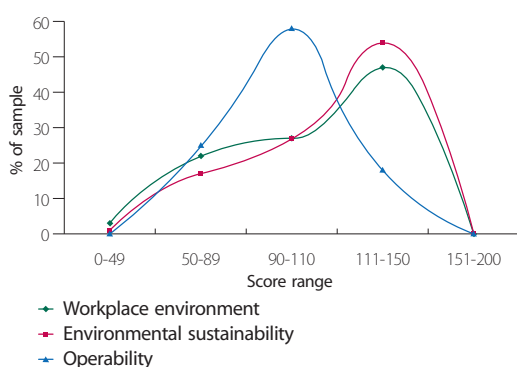
Opportunities from efficiency analysis

The efficiency analysis shows large variations do exist across the pilot sample, indicating that some departments may be able to identify significant performance improvements through a combination of:

- Setting a maximum area for space standards (IPD recommendation of 15m² maximum per FTE), combined with
- Agreeing a workstation to person ratio not exceeding 1:1 (IPD recommendation workstation / FTE ratio of 1.0).

If these levels could be achieved across the Civil Estate as a whole, there is, theoretically, the potential for savings of about 25 per cent annually. Alternatively there is the potential for additional FTEs to be accommodated in the space currently used (4,100 in the pilot sample).

Effectiveness variability analysis of the pilot sample (by three main components)



The pilot has made a good start on effectiveness measurement. Overall, the graph shows that most buildings that surveyed effectiveness fully are perceived to have above average operability, and better than average workplace productivity and environmental sustainability. However, further analysis reveals a general opinion that the perceived level of

Health and Safety standards within this sample was below average.

Effectiveness results for the 33 fully surveyed buildings

Criteria	Score	Weighting	Sample
Functional suitability	56% 102	30%	33
Workplace environment	54% 125	30%	33
Facilities	68% 117	30%	33
KWh/m ² / year	271 111	40%	24
Solid Waste recycled	45% 104	30%	9
M ³ water / FTE	7.3 121	20%	20
Management practices	11 107	10%	33
Condition	28 109	60%	33
Health & Safety	5.1 93	40%	33

Workplace productivity scores over 110 for a building or estate should be a major source of satisfaction. Small gains in workplace productivity scores can have a significant impact on staff retention. In time, the project will be able to monitor this relationship and lessons learned transferred to other buildings.

Environmental sustainability data will underpin some of the targets that the Government is seeking to achieve through the Sustainable Development Framework for the Civil Estate. The key here is that the OGC Property Benchmarking project will analyse data building by building, enabling improvements to be made at this level of operation.



Better Measurement Better Management

Delivering the benefits

A detailed programme for a phased roll-out of the Benchmarking Service across central government, over two and a half years, has been developed. As the project progresses through its phases, collating and analysing data for new departments joining the Benchmarking Service, those that joined during earlier phases, will be re-visited. Departments will be able to update the data with their latest annual figures and re-issue building manager and staff surveys. This will enable departments to monitor their efficiency and effectiveness over time, recording improvements in property performance and identifying areas that require attention to achieve improved performance.

Data collection will be via the OGC electronic Property Information and Mapping System – ePIMS – now in use across central government. This will enable departments to have constant access to benchmarking data to assist with other property-related projects. In addition, users will be supported by a website and a dedicated help desk.

The emerging results from this initiative will be crucial in informing departmental estate strategies to support more value for money from their property. As more departments join the Benchmarking Service, so more analytical work will inform lessons across the Civil Estate. In particular, there will be greater opportunity for cross-cutting analysis to understand the interplay between efficiency and effectiveness. In terms of the Government's Property Asset Management Programme, benchmarking will be pivotal in enabling continuous improvement in the management and use of the Government's property portfolio.

Further Information

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