

Developing a roadmap to cultural change: the stewardship of the NHS's property portfolio



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This publication is a compilation of the presentations made to a conference jointly run by the Cambridge University Land Society and NHS Property Services Limited, held on 8th November 2013, at the Royal Academy of Engineering, Prince Philip House, Carlton House Terrace, London, SW1.

The papers have been written by Victoria Ormond of the Department of Land Economy in the University of Cambridge and edited by Roddy Houston and Paul Disley-Tindell of Telereal Trillium, and the publication has been made possible through the sponsorship of Telereal Trillium.

Foreword



Roddy Houston
Director, Asset Management

Telereal Trillium

and *President* of the
Cambridge University Land
Society

Roddy Houston is a Director in Telereal Trillium's Asset Management team, and is also the President of the Cambridge University Land Society. Roddy joined Land Securities Trillium (as it was then) in 2003 to lead the Asset Management team working on the BBC contract, having previously been a management consultant in KPMG Consulting. He joined KPMG in 1998 after 6 years with Coopers & Lybrand, where he was a manager in the firm's Business Recovery & Insolvency division's property team. Roddy trained initially with Knight Frank & Rutley after serving with the Royal Green Jackets. He read Economics at Cambridge.

"A set of brilliant talks on the stewardship of property estates, relevant not just for NHSPS but for any property business"

Welcome to this publication of the presentations given by the various speakers at the CULS/NHS Property Services conference held on 8th November 2013. This was attended by over 100 members of the Senior Management Team of the NHS Property Services company ("NHSPS") and a number of invited stakeholders such as NHS England and the Department of Health.

The Cambridge University Land Society ("CULS"), which is described more fully on p37, is pleased to be supporting NHSPS and the public sector generally. For this event, CULS was able to bring together some of the leading figures in the property world today, including the heads or former heads of a number of Britain's leading property businesses including FTSE-100 companies, London's great landed estates and the BBC, together with non-executive directors of NHSPS. Many of the speakers are members of CULS.

Our speakers gave a series of brilliant talks on the stewardship of property estates, relevant not just for NHSPS but for any property business. They provide insights from the property industry which can be useful for a business like NHSPS which is not run purely for profit, and the summary on p8 gives a flavour. I hope you find these articles useful, and wish NHSPS all the very best in your ongoing integration and going forward.

Thank you to the speakers, who gave up their time to prepare and deliver their presentations and to review the papers; to Douglas Blausten, one of my predecessors as President of CULS and amongst other things Vice-Chairman of NHSPS, who orchestrated the event; to my employer, Telereal Trillium, for sponsoring the day and this publication; and to all the team involved in its production.

Programme

On the 8th of November 2013, the Cambridge University Land Society ("CULS"), in partnership with the NHS Property Services Company, held an event at the Royal Academy of Engineering in London. The conference, entitled "Developing a roadmap to cultural change: the stewardship of the NHS's property portfolio", saw numerous thought leaders come together to share best practice on running a successful real estate portfolio. This publication is an edited version of the proceedings by Victoria Ormond of the Department of Land Economy in the University of Cambridge, together with Roddy Houston and Paul Disley-Tindell of Telereal Trillium.

Welcome and introduction	Douglas Blausten, Vice Chairman, NHS Property Services Limited
Developing our new business	Simon Holden, Chief Executive, NHS Property Services Limited
Shaping a commercially run property portfolio with a publicly accountable owner	Peter Bennett, City Surveyor, The City of London Corporation
Comparing and contrasting a property PLC's strategy with the public sector	Ian Coull, Member, Government Property Advisory Board
Panel Q & A	Peter Bennett Ian Coull Adam Dakin, Joint Managing Director, Telereal Trillium
A Chief Executive's view: running a single-shareholder, publicly-accountable, property portfolio – for profit	Roger Bright, former Chief Executive, The Crown Estate
Leadership and change: some personal perspectives on the journey in the private sector	Paul Marcuse, Chairman Designate, Royal Institution of Chartered Surveyors
Panel Q & A	Roger Bright Paul Marcuse Ian Marcus, Non-Executive Director, The Crown Estate
A Chief Executive's view: running a large public property company compared to stewarding a large, private, single-shareholder-owned estate – for profit	Francis Salway, Non-Executive Director, The Cadogan Estate
Developing and implementing a real estate strategy for the BBC – lessons learned	Chris Kane, CEO, BBC Commercial Projects (formerly Head of Corporate Real Estate, BBC)
Panel Q & A	Francis Salway Chris Kane Rachel Kentleton, Director of Strategy, easyJet Plc
Obtaining value for money from public sector assets – are there implementable models from the private sector?	Kate Barker, Senior Visiting Fellow, Department of Land Economy
Panel Q & A	Kate Barker, Adam Dakin, Rachel Kentleton & Lucy Armstrong, Chief Executive, The Alchemists
Closing remarks	Douglas Blausten

Introduction



Douglas Blausten
Vice Chairman

NHS Property Services
Limited

Douglas is Senior Partner of Cyril Leonard, Chartered Surveyors, where he is responsible for Strategic Corporate Real Estate Consultancy Services, as well as for their offices in Munich and affiliate office in Paris. He has acted and continues to act for corporations such as ALSTOM, AEA Technology Plc, MAN, MTR Corporation of Hong Kong and Abbott Laboratories. He has held a number of executive and non-executive directorships in public companies including Grosvenor Land Holdings Plc, Oakburn Properties Plc, Terrace Hill Plc and Mirland Development Corporation Plc. He continues to hold the same in private companies whose activities include real estate, insurance, financial services and mergers & acquisitions. He was a General Commissioner of Taxes until 2009 and is the Chairman and Trustee of a number of Charitable Trusts and Funds, Past President of the Cambridge University Land Society (2004/05), a member of the Cambridge Land Economy Advisory Board and a Centre Fellow of the Cambridge Centre for Climate Change Mitigation Research. Since April 2013 Douglas has been the Non-executive Director and Vice Chair of NHS Property Services Limited.

“Putting our new company into a fresh cultural space and understanding how to move forward together on a path of cultural change.”

This conference marks the start of the Cambridge University Land Society's (CULS) work with the public sector. The programme consists of extremely high quality speakers presenting their experiences, with the aim of putting our new company into a fresh cultural space and understanding how to move forward together on a path of cultural change, so we can have the best rather than the worst of the public-private arena, in terms of the way we operate and the outcomes we can achieve.

This is of paramount importance as this Company is the result of merging 161 businesses with different platforms and databases, making us one of the largest property companies in Europe and indeed one of the largest M&A¹ transactions of recent times. It is a bold 'ask' but a challenging and innovative one which can and should become an exemplar for the public sector. As Vice Chairman of this new organisation, I see a starting point of individuals with the same job title but very different roles, all asking for a common sense of direction and wanting to know how to get to it. This is what the conference aims to start to address.

What follows is a selection of case studies including the City of London Corporation, the BBC, The Crown Estate and The Cadogan Estate, as well as the sharing of experiences, best practice guidance and thoughts for the future of NHS Property Services Ltd by our speakers. They are linked by the commonality of having a single shareholder and the aims of both stewardship and profitability, or, in the case of easyJet, having recently gone through significant customer-focused transformation.

I will start by presenting to you a possible benchmark example of the Howard de Walden Estate, north of Oxford Street in London. This estate includes a world-

¹“M&A” = Mergers & Acquisitions

famous cluster of internationally renowned hospitals, celebrated doctors' surgeries, and top international medical care & diagnostic centres. All pay rent and service charges, or own long leases, and all demand the highest standards and an exemplary physical quality working environment. If they didn't receive this, they would not be there. So how does this work? Because estate management is not just about short term returns but also about maintenance and stewardship to keep the fabric intact and provide a top quality service to tenants. It also involves a constant reshaping of space-utilisation, and that demands a landlord responsive to tenant demands – within sensible economic boundaries. What can we do today to achieve the same?

To reiterate, this new company is not the NHS, we are a property company seeking to provide the best-in-class facilities for those who operate the National Health Service and who are our tenants. We need to be totally energised in bringing this about, so our stakeholders are happy and we help enable our shareholder fulfil its national obligations.

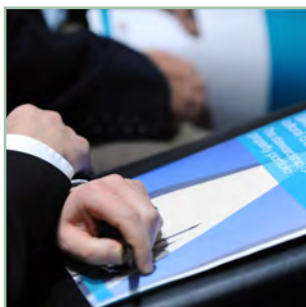
The Conference itself will be followed up with a mentoring programme including private sector led workshops including Professor Sir Malcolm Grant CBE, Chairman of NHS England, presenting a CULS Whitehall lecture on 'The extraordinary challenges of future healthcare and the estates implications for the NHS'. This is part of our roadmap to achieving the right cultural change we need so as to achieve our aspirations.

Thank you to Jeremy Peters of NHSPS, Marie Reynolds of Eventpro UK Limited and the Royal Academy of Engineering for all of their help and support in making this event happen, both in the run-up to and on the day.



Douglas Blausten

Overview



Victoria Ormond
Department of Land Economy

University of Cambridge

What follows is a summary of the experiences, advice and case-studies from senior figures in the commercial property sector, commonly with experience in entities with single shareholders. These organisations include The Crown Estate, the Corporation of the City of London, The Cadogan Estate, the BBC and the Government Property Unit among others and are united by a remit of combining profitability with stewardship, integrity and excellent governance. Indeed they show that profitability, stewardship and excellent governance are the hallmarks of some of the most successful players in the commercial real estate sector.

The experiences shared point towards the following necessary ingredients for the successful transformation of NHS Property Services Limited:

- Be in the market, and part of shaping that market.
- Join organisations such as the IPF and IPD and develop dialogue with market key players.
- Own problems, a customer problem is your problem.
- Communication is key; foster an environment of open communication and collaboration with your employees, where success is shared.
- Focus on two or three items that can be changed over the two years and aim to succeed with these using the 80:20 principle.
- Use the Board to support and back you up.
- Be open with your customers and other stakeholders, work with them to shape plans and manage their expectations.
- Benchmarking is key. All portfolios have an element of uniqueness. Use your size to encourage the data providers to work for you. Consider your key benchmarks and whether to link senior management performance to them.
- Be careful and strategic with partnering. It is unlikely one partner has the expertise of all aspects of property development and management. Invest time at the front end to ensure you fundamentally share a vision over the longer term. Consider long term contracts to enable the partner to undertake capital investment.
- Consider your property needs now and in the future, and in determining value do not forget option value, particularly in locations where it will be hard to purchase land in the future.
- Use forecasting tools such as scenario analysis and sensitivity analysis.
- Community is key, get the community on board.
- Use your strength to be able to take a long term view.

Developing our new business



Simon Holden
Chief Executive

NHS Property Services
Limited

“An opportunity for applied learning to hear how transformation is undertaken”

“Change is happening in an environment of huge demographic shifts and a large economic deficit”

The timing of this event is perfect. Transition is complete and we are currently undergoing a business redesign process to transform from 161 Primary Care Trusts into one company with one culture and one vision. This seminar is an opportunity for applied learning to hear how transformation is undertaken.

We need to be clear this change is happening in an environment of huge demographic shifts and a large economic deficit. In under twenty years, the number of 65-85 year olds will have increased by a third. Even more importantly, the number of people 85 years and older

will have doubled. This section of the population tends to have comorbidity, uses premises in the community and accesses our accommodation. There will therefore be more people, demanding more of us. At the moment, Sainsburys is open at midnight but we can't get to a doctor on the weekend. How we view healthcare is changing.

This increase in complexity of demand is within a country which is currently running an economic deficit. A deficit means that no one is paying back the loan. NHS Property Services Limited has surplus vacant property, which costs the NHS to hold vacant, with borrowed money. Meanwhile as a nation the interest on our borrowings alone is three percent of GDP, about the same as our defence budget. Even though our deficit is falling, our expenditure is still greater than our income.

While we have in our portfolio circa 4,000 properties, this amounts to only approximately eleven percent of the total NHS estate, and we need to remember this as we move ahead to the future.

This seminar will focus on strategic asset management. Consideration of strategic facilities management will be covered at a future event.

Shaping a commercially run property portfolio with a publicly accountable owner



Peter Bennett
City Surveyor

The City of London Corporation

Peter Bennett was appointed as The City Surveyor for the City of London Corporation in January 2008. Previously Peter was the Deputy City Surveyor (since 1990). Peter also leads the City Property Advisory Team. He received his Master's Degree from Cambridge and is a Vice President of the Cambridge University Land Society.

Background

The City of London Corporation is an elected body, predating parliament, which provides local authority services to the City (although it is not a local authority), otherwise known as the Square Mile. The Corporation collects circa £700 million per annum of business rates for government and receives approximately £100 million per annum in grants.

Whilst the Corporation has just a single shareholder, it is firmly in the international public eye. The business activities carried out in the City are key contributors to both the national and world economies, and so it is vital to create and maintain an environment that will attract and retain business occupiers.

The Corporation's portfolio has a very diverse community services element. In addition to operating housing estates within and outside the City, five Thames bridges and open spaces such as Hampstead Heath, the Corporation provides court facilities including the Old Bailey. There are also a variety of schools, including the City of London School, one Local Authority school, a college and three academies outside the City. The City has a residential population of nine thousand, not least Mansion House, the tenant of which is the Lord Mayor, plus internationally renowned cultural and leisure facilities such as the Barbican, in which two new cinemas have recently been created. Over 600 properties of about 580,000 sq m (or over 6 million square feet) provide accommodation for operational services.

The investment portfolio of 300 properties, valued at nearly £2.5 billion and covering 16 million sq ft, is a major generator of the City's income. The Corporation uses property to encourage business development and economic activity and, through the City Property Advisory Team, to influence the property and business communities.

In addition to owning circa one quarter of the City's property stock, the Corporation also owns the City streets. Outside the City, the portfolio includes assets in Tottenham Court Rd, New Bond Street and Oxford Street, most of which are subject to long leases.

Performance Measurement

The City's investment and operational property needs to perform, so internal and external benchmarking is utilised to ensure rigour in analysis and decision making. Through the annual IPD benchmarks, each City property fund is ranked against 244 other funds from the wider market, assessing total fund return, increases in capital value and increases in rental value.

There is a conscious balance of risks and return. The portfolios consist of a conservative element, with circa fifty percent of the assets having long term secure ground rent, whilst the other fifty percent is more volatile, meaning it can outperform at the top of the market or underperform at the bottom.

The City has the distinct advantage from being able to take a long term view on its investments. It invests therefore, in its existing portfolio through redevelopment as well as acquiring new assets, keeping local in areas where it has a track record and there are synergies with other holdings.

Linking Facilities and Asset Management

In order to successfully manage the operational elements of the property portfolio, facilities management is closely linked with asset management activity and the following strategies are employed:

- Positioning property so that it is close to and integrated with business operations. By being able to educate the market and occupiers, operational teams know what can be delivered and the accommodation

they can justify.

- Treating operational and investment property in a similar way, subjecting both to rigorous benchmarking analysis whilst acknowledging the different requirements of operational assets.
- Ensuring quality service and encouraging existing customers to use space as efficiently as possible. Maintenance and repairs are an opportunity to challenge what is going on.
- Decisions are made having been considered from all angles. Does a team really need more space or is there an alternative solution? The Board needs the right information so it can understand the risks across the different components of the business.

Freehold assets are preferred for the operational elements of our business so as to provide long term certainty of occupation. Ownership and clusters are vitally important, so in the same neighbourhood there are often a mixture of tenures and uses.

Partnering

Partnering can be challenging and as a public body the selection process can be bureaucratic, but it is paramount for strong governance to ensure that the system works. To do this the Corporation always invests time at the front end of a procurement process.

Good management of live partnering arrangements is essential. This means owning problems when faced with issues, with any problem from the outside being dealt with collectively. Resolving problems should pull a team together, not drive it apart through a culture of blaming others.

In terms of development partnerships, the City has undertaken a joint venture with Hammerson to develop the Old Spitalfields Market area. A large office building was created, which now houses the lawyers, Allen and Overy, and produces a good ground rental income. This

scheme, along with One New Change, also illustrate how retail has been encouraged into the City. There is currently about five million square feet of retail space in the City, encouraging visitors throughout the week and increasing levels of economic activity.

It's not just about major developments however: of the 17,790 firms in the City, around 90% employ ten people or less. It is therefore vital that asset management helps nurture the economy of the City for small and medium sized enterprises. To that end, facilities such as 4-5 Bonhill St have been set up where, in conjunction with Google, seven floors of flexible work space are available to business start-ups.

Conclusion

The experiences of the City of London help illustrate one approach of how a publicly accountable owner can run an operational and investment property portfolio in a commercial manner.

It can be seen how it is important for NHSPS to be in the property market, as both facilitator and a player, benchmarking its performance against peers and identifying the most suitable accommodation solutions to meet operational requirements. NHSPS should seek to work with property partners where it is appropriate to do so and look to develop new products as customer demands evolve over time.



Networking at the event

Comparing and contrasting a property PLC's strategy with the public sector



Ian Coull
Member

Government Property
Advisory Board

Ian Coull was appointed to the Government Property Advisory Board on 8th November 2010 and became Chairman on 1st July 2011.

Until 28th April 2011, Ian was Chief Executive of SEGRO Plc. He was previously a main board director of J Sainsbury Plc, and also a non-executive director of Pendragon Plc until 28th January 2013. He is a non-executive director of London Scottish International Limited, a Senior Adviser to Oaktree Capital Management and to Stonehaven Search, and a member of the Government's Property Advisory Panel.

Whilst the creation of NHSPS involves many challenges, there is much guidance to be obtained by looking at the operations of other property led organisations in the both the private and public sectors. Although what NHSPS is taking on appears to be daunting, the vast majority of the issues encountered will have previously been resolved by others.

To assist in identifying what NHSPS can learn from listed property companies, it is instructive to compare and contrast how they and NHSPS interact with key stakeholders. These stakeholders can be grouped as follows:

- Shareholders
- Employees
- Customers
- Community

Within the private sector, the number of shareholders may vary from thousands for a PLC to just a handful for a fund or a privately owned company. Having invested their capital in a business, shareholders will primarily be seeking a financial return and will exercise control over the business via the board or voting rights that accompany the shares. In contrast, NHSPS's shareholder is ultimately the British taxpayer, who provides a large budget but has very little influence on how money is invested other than through their vote every five years in a General Election. It is not about financial return for the taxpayer, but value for money and quality of service. Taxpayers want the public sector's buildings to be well designed, accessible, and effectively used. They want to be proud of their community buildings, without wanting them to be excessively specified.

Employees are what make a business tick and require a high level of engagement to enable them to be as productive as possible. Private sector HR surveys have demonstrated several themes applicable to both sectors. Recognition, for example, potentially as simple

as “well done, thanks”, works in both sectors, as does career development. This is not only considering how an individual's career could develop for the next decade or two, but also managing individuals who have reached the zenith of their career, helping them understand that they are unlikely to progress further, but that they should continue to do a good job and that they will be looked after.

For both sectors, pay is of less significance than recognition and career development and it is likely to be even lower priority within the public sector, where motivation comes from a vocational desire and a pride in the organisation. HR surveys also find that facilities are important. Employees want to work in a good environment which is easy to clean, has adequate restrooms, is in a good external environment, and is accessible. NHSPS therefore has a vital role in assisting the wider NHS in providing suitable environments for staff.

Customers and their expectations of a business vary enormously across the private sector, with businesses such as Tesco having millions of customers, while some property companies may have just a handful of tenants. NHSPS's customers are from a similarly broad range, with both internal and external customers. External customers are the patients and their visitors, whilst the internal customers are the medical staff and support staff who work in the facilities that NHSPS provides. NHSPS should be aiming to provide them both with excellent customer service.

In 1982, the electronics firm Black & Decker produced a seminal work on customers. They found that, while there was great focus on the end customer, the internal customer was being ignored. As a result, each employee was tasked to find out which customers they had, finding out, for example, who read their spreadsheets and reports they produced. Through this exercise, the internal customers became every bit as important as the external

customers, and the level of service provided to internal customers improved significantly.

External customers can still be neglected however. In the early 2000s, Slough Estates Plc (which later became SEGRO Plc) had no ‘customers’, only ‘bloody tenants’. Changing this outlook was key to the turnaround of the business and resulted in significant value being created for the shareholders.

The hardest stakeholder to manage is the community, and we face significant reputational risks if we get this wrong. For the NHS and NHSPS, “community” is everyone; whilst in the private sector this may be corporate social responsibility by way of donations to good causes or providing employees with days off to undertake charity work.

In managing the community element, NHSPS has the advantage that everyone is already proud of our health service, although they want to be even prouder. This however does also bring its challenges, with any proposed reconfiguration of the estate likely to bring about a passionate response from the community, even if there is a robust business case to justify the change. Recent examples such as Lewisham Hospital show how important the NHS is to the community, and the vociferous response changes can bring. In terms of overall delivery of your goals, it will not be easy, particularly due to the political influences at work.

Government's Approach to Property

The Government Property Unit (GPU) was set up in early 2010 to lead the government's property strategy and accelerate cost savings. The Coalition Government recognised the important contribution property and facilities could make improving the nation's finances and so kept the GPU in place. To help guide the GPU, the Property Advisory Panel (PAP) was created, bringing together a mix of public and private sector experts. The

PAP wanted to make a significant impact quickly, so it had to be strategic in its focus, initially concentrating its efforts on central London and Bristol.

A mandate was issued that no new space could be acquired or leases renewed. Furthermore, all options to break leases had to be exercised. If a lease extension or new property was required, it had to get sign off from the Rt. Hon. Francis Maude MP, Minister for the Cabinet Office and Paymaster General. In the last three years, the GPU has only had one application, with the result, that by the end of this parliament, it is estimated there will be a £250 million per annum saving on rent and service charge.

While central London was a relatively obvious area in which to rationalise the office estate, the regions have been harder to tackle. Within Bristol, the PAP looked at all of the public sector buildings, including local authority, education, NHS and the MoD. It was decided that it would be difficult to replicate what had been done in London, so a single campus was planned for six thousand civil servants and council workers, with the aim of bringing together the departments with synergies. However, in order to bring about the savings this could achieve, an upfront investment of £50 million was required, and as a result this project has only made muted progress to date.

Bristol made the PAP realise that it is not always necessarily the correct strategy to dispose of buildings. If local authority buildings are closed to increase efficiency, it can also mean it becomes harder for people to get to work, which can increase inefficiencies in other ways.

Facilities management arrangements have been targeted, particularly in the areas of security, cleaning, maintenance and repair. There were too many contracts, often with 2-3 suppliers in one building. In Central London alone, there were 4,600 contracts, leading to a huge opportunity for efficiency savings to be made.

Part of the PAP's interest covered the assets of the MoD, which has many similarities with the NHS, having a large estate all over the country, and being unable to forecast future requirements more than two to three years ahead.

From our experiences in the PAP, it is vital to first understand the estate. You need to understand what goes on inside the box so you can provide the right box for the business. A better result will be achieved therefore, if NHSPS is an integral part of the NHS's decision making process and is able influence the deliverables.

Finally, NHSPS needs to understand that in addition to the core "Red Book" Open Market Value (OMV), there is additional value to the organisation occupying the buildings. Part of this is profit, but there is also the intrinsic value to the occupier in the history, ease of providing revenue and prestige. A store may have an OMV of £10 million, but may be worth say £12 million to Sainsburys as they have occupied the building for the last century. However, Marks & Spencer may be desperate to expand, therefore it could be worth £20 million to them, and this is what they are prepared to pay for it. This principle should be no different for NHSPS, and needs to be factored into the development of its asset strategies for the NHS: consider the Open Market Value, but also the value to the Occupier and the possible value to an alternate occupier.

Building a high-performing property team



Adam Dakin
Joint Managing Director

Telereal Trillium

“Getting out and understanding the market better helps teams to develop a stronger commercial edge”

Telereal Trillium is of comparable size to NHSPS, owning and managing some 8,500 properties totalling £5.5 billion by value. We work with some of the UK's largest occupiers, including the Department for Work and Pensions, Aviva and DVLA, but of all our clients, the most relevant comparison to NHSPS is BT.

Between the late 1990s and early 2000s, BT started a journey that enabled it to build what was regarded as one of the best corporate property teams in the market. There were three key drivers of this transformation. The first was centralisation: BT moved from regional teams to a centralised property function, created a single property data source, consolidated its call centre, and rationalised processes. Centralisation delivered significant efficiencies and provided solid foundations for further changes.

The second driver was professionalisation. Instead of expecting to run its property function with general managers, BT went into the market to recruit specialists in property, capital projects and facilities management.

The third driver was structural. When Telereal acquired a majority of the BT estate in 2001, BT's 350 person property team also transferred. Property moved from being a back office function within BT, to having a frontline role within a dedicated property company. Crucially, this team became closer to the market. Working competitively and collaboratively alongside other property professionals, and getting out and understanding the market better, helped the team to develop a stronger commercial edge.

Through centralisation, professionalisation and by becoming closer to the market, the BT property team has become more innovative, significantly rationalised the BT estate and driven cost reduction. NHSPS is well placed to follow a similar journey. You already have the benefit of being a separate organisation. There are also potential advantages from centralisation, for example by creating a single, improved property data source. You should challenge whether you have enough relevant expertise and ask how you are going to keep close to the market. The biggest challenge is timescales: after all, unlike BT, you are under pressure to do it all at once.

Panel Q & A – Peter Bennett, Ian Coull, Adam Dakin and Rachel Kentleton



L - R: Rachel Kentleton, Adam Dakin, Peter Bennett and Ian Coull

QN: “We don’t have great choice about tenants and money. Rent is paid from the Department of Health via the commission, so how can we bring money into the estate?”

PB: We have a similar issue at the City of London Corporation. Schools, markets and open spaces all provide a service, but we can also look at using them in a different way. For example, a cemetery we own in East London: at the gatehouse, we have changed its use, for it to sell flowers and coffee. We are also re-using graves. The graveyard is full of mausoleums only 25% full, so we’ve turned the Victorian monuments around and put new names on the front.

The key is to engage people who have the assets, to think about how to monetise them. It takes time and engagement and also the ability to think laterally, but you can encourage the right mind-set to take a broader perspective. Just keep asking, how can we generate more cash-flow out of this particular operation?

IC: The PAP has kept challenging the way things have been done in the past – so keep breaking down walls. Don’t accept the norm, just because it has been done for the last seventy years. Challenge it.

DB: Rent and service charge are a way to talk to the customer, not a threat. It encourages partnership

between the landlord and tenant. Look to the tenant to become more efficient.

QN: “With a mixed use portfolio how do we select priorities?”

PB: Our priorities are decided by elected members. With a 25% turnover, the agenda changes over time. Twenty years ago, we didn’t talk to our neighbouring Boroughs, there were no visitors out of hours and the City closed at 8pm, but we are now seen to be offering much wider services to the whole of London. Our members decide priorities and drive change, much like NHS Property Services Ltd has a political agenda, and the issue is how the political translates into the property world. However, while we are given direction for priorities, we can influence them also. For example, we’ve found that in the retail trade visitors really do pay their way – so a political objective to increase economic development makes us think how to use our property assets to make changes that accord with general business imperatives.

AD: 90% of rationalisation/cost savings are led by property teams, who can save big money. Property is a catalyst for business change. In terms of selecting priorities, it’s about saying here’s a valuable building, could you get out a bit more with a bit less?

A Chief Executive's view: running a single shareholder, publicly accountable, property portfolio - for profit



Roger Bright CB
Former Chief Executive

The Crown Estate

Roger Bright joined The Crown Estate in June 1999 as Director of Finance and Administration, and was appointed to the Board in April 2000. In June 2001 he was appointed Chief Executive of The Crown Estate, taking up the post in September 2001 and holding it until the end of 2011. In addition, he is a member of the Governing Council of City University; a Non-Executive Director of both London First and Heritage of London Trust; a member of the London Board of Royal and Sun Alliance Insurance Plc; and an Honorary Vice President of the Cambridge University Land Society. Roger was awarded the Order of the Companion of the Bath (CB) in the Queen's Birthday Honours in June 2009.

"Clear vision, clear values, clear strategy"

"Get or develop the right skills & expertise"

"Carefully and sensitively balance stewardship and commercial objectives"

"Benchmark against IPD – and seek to consistently out-perform it"

In having to balance commercialisation with the stewardship of public assets, The Crown Estate has much in common with NHS Property Services.

Having first clearly defined its investment strategy, The Crown Estate has, in recent years, worked in partnership with like-minded investors sympathetic to a long-term relationship and investment programme, and ensured that the ethos and integrity of its approach are maintained by the selective use of outsourcing.

The Crown Estate manages £8 billion of assets, with a turnover of £330 million and profits of £250 million. It is a large and diverse portfolio, much of which is in Central London's West End, including Regent Street's high-end shops and offices. Outside London, The Crown Estate owns business and retail parks, as well as well over 300,000 acres of rural (agricultural/forest) and coastal land. The Estate includes farms, parks, mines, quarries, ports, harbours, marinas, about half of the UK's coastline and coastal waters out to 12 miles from land, and Windsor Great Park.

The organisation arose out of an arrangement created by King George III, whereby the Crown kept the titles of the property whilst the Government managed them and made a profit in exchange for the monarch getting a regular and predictable income from the Civil List, now the Sovereign Grant. The deal is not, however, inviolable and has to be renewed within six months of every change in monarch.

From 1760 until the 1950s, the portfolio was largely static and low key. There was no proactive investor or developer stewardship and the portfolio was known as the "Commissioner of Woods and Forests". As a result of the Crown Estate Act of 1961, the organisation became arms-length from the Government with the mandate "to maintain and enhance the value of the estate and the return obtained from it".

With the arrival of a new Chief Executive in 1989, The Crown Estate started to become more commercial, with a further step-change on my appointment in 2001. A clear articulation of vision and values, together with the development of an investment strategy, led to The Crown Estate employing a greater number of property professionals and the insourcing of asset management, to proactively manage the portfolio with the aim of delivering a better return than gilts. Performance targets were agreed; year-on-year total returns were reviewed against the IPD benchmark; the portfolio was repositioned; and The Crown Estate entered into the landmark deal with the Norwegians on Regent Street.

The unique powers and history of The Crown Estate carry with them benefits and challenges:

- Powers of ownership and being at arms-length to government mean we can act like a commercial property company and are not confined to being a static steward of assets entrusted to us;
- A hugely diverse portfolio, with each sub-portfolio counter-balancing the overall pool of assets – yet synergies and transference of ideas are possible;
- The historical legacy includes many high quality, high value assets with additional commercial potential;
- Ability to take a long term view as not subject to the immediate pressures of a public limited company;
- Cannot borrow and has no access to fresh equity;
- Can only invest in UK property and gilts – The Crown Estate therefore, stands or falls by real estate investment and being a good landlord. Tenants are

now considered as customers who work, live and visit the properties;

- Open to intense political and public scrutiny, audited by the National Audit Office; and
- Subject to above average designations of SSSI and listed buildings.

Whilst The Crown Estate has a fundamentally public sector framework, being tasked to "manage and turn to account the hereditary lands and properties of the Monarch", it has continued to evolve, setting a clear vision with commercialisation being balanced with the stewardship of public assets. Integrity is at the heart of the organisation and is achieved by having the right staff, management and board governance. However explaining the vision and values to staff is necessary but not of itself sufficient.

The Crown Estate has sought to optimise performance by:

- Creating a single vision with integrated management;
- Seeking to improve the quality of its Asset Management but recognising that in itself that is not always enough;
- Keeping strictly inside the spirit and wording of the laws governing its formation¹;
- Reassuring HM Treasury of its good governance;
- Focussing on not risking its performance or its reputation; and
- Optimising performance in line with best practice commercialism, stewardship and absolute integrity.

The organisation has recently taken back in-house many tasks that had previously been outsourced to ensure that they are undertaken in a manner aligned to The Crown Estate's objectives.

The Crown Estate's achievements in recent years speak of the value that has been generated, with the capital value of the estate doubling over the last decade, whilst

¹ "the laws governing its formation": primarily The Crown Estate Acts of 1956 and 1961, but also successive Civil List Acts, passed at the beginning of each reign since 1760, under which the net income of The Crown Estate has been surrendered to the Exchequer by the Monarch.

delivering over £2 billion to the Treasury for the benefit of the nation.

From the experiences of The Crown Estate, it is vital for NHSPS to develop its strategy as a team, identifying measurable investment criteria and determining the portfolio's core assets. It is also important to determine that non-core holdings are identified for divestment, thereby releasing capital for reinvestment in core assets. However, be mindful that once assets are gone, they are gone.

It is also vitally important for NHSPS to employ and retain people with the right asset management skills and provide them with suitable incentives. Many long-standing staff members are keen to embrace a new vision and are invigorated by the challenges that this will bring.

Like The Crown Estate, NHSPS may need to find other ways of bringing in capital funding, whilst still preserving the letter, spirit and integrity of its statutory limitations. The Crown Estate has achieved this through partnership with organisations such as the Norwegian Government Pension Fund and Land Securities Plc. As integrity is at the core of who they are, it was of paramount importance who they partnered with.

The conclusion is that public sector property organisations, even those with a long history, should not stand still and should continue to evolve to meet new challenges. Organisations should have clear vision, values, objectives and strategies to meet their objectives, and be capable of pursuing both stewardship and commercialisation.



Networking at the event

Leadership and change: some personal perspectives from the journey in the private sector



Paul Marcuse
*Chairman Designate,
Management Board*

Royal Institution of Chartered
Surveyors

Paul Marcuse is Chairman-Designate on the Management Board of the RICS, which is the world's leading professional body for qualifications and standards in land, property and construction.

Until 2013, Paul was Head of Global Real Estate at UBS Global Asset Management, responsible for investments in direct real estate, unlisted funds and listed real estate securities world-wide.

Prior to joining UBS in 2007, Paul spent almost seven years as Chief Executive Officer of AXA Real Estate Investment Managers. Before this, he was: Finance Director of Rodamco United Kingdom BV and Managing Director of Rodamco Venture Capital Managers Limited; Head of the European Property & Hotel Group in the Investment Banking Division at the then Union Bank of Switzerland; and previously at BZW and Goldman Sachs.

Paul is a member of the Board of Directors of Mitsubishi Corp.-UBS Realty Inc., the University of Cambridge Land Economy Advisory Board, and the Cass Business School MBA Advisory Board, and has served as a Trustee of the Urban Land Institute (ULI). He holds an Honorary FRICS (Eminent Professional) and was voted 'European Property Personality of the Year' in 2005.

Your Mission Statement refers to building a shared culture: "Culture eats strategy for breakfast every time". Being part of a journey has the potential to inspire and create opportunities at both a personal and corporate level. For this journey to be successful, it is important that the right business culture is created so that the team is engaged, and to ensure that the best ideas are identified. A "can do" approach is key, as well as quality, integrity, transparency and openness in everything that you do.

The goal of NHS Property Services is clear – to provide and maintain facilities that enhance patient care. NHSPS will best contribute to this through the organisation providing a fiduciary service with the goal of reinvesting profits/savings.

There needs to be strong emphasis on people and culture. People turnover is disruptive to culture and so once you have decided you have the right team in place, you should want to keep it together.

You also need to disseminate from the top that leadership is receptive to challenge and ideas for change. The best ideas are often from more junior ranks and therefore you should encourage speaking out. This develops both a solution-orientated culture and increases motivation. Ensure your employees know that they are undertaking a personal journey and instil a sense of fulfilment. Silos should not be tolerated, as they can be divisive and a barrier to the changes required.

There needs to be engagement, including a willingness to mentor and be mentored. Some will find the journey harder and more difficult to integrate. Mentoring makes individuals feel more involved. Two-way secondments are a good way to infuse new ideas. All of this enriches careers and the belief by your employees that they are growing, which assists retention and the creation of a positive culture.

Many problems encountered are with communication

issues. Keep everyone informed both internally and externally and manage expectations on an ongoing basis. Individuals may not agree, but they will like it even less if things are sprung upon them. Communication also creates a new dynamism. Where possible communicate in person rather than just by email. Remind staff what can be achieved, and ensure you communicate and celebrate successes. If anything, over-communicate.

As highlighted already, integrity, transparency and openness are key. You need to want these values to be embedded because it will produce a better outcome. Quality and rigour has to be part of your plan too. This is non-negotiable. You are setting the standards as a new company and need to become a reference point.

Change, especially at speed, can be scary and unpredictable, and the NHSPS team should be asking whether it has the right organisational structure and governance mechanisms to facilitate this. People need to speak out if they really believe it's in the interest of stakeholders.

It's also about optimising innovation. You should be asking "what do modern asset management companies do well and how can you replicate this? How can NHS Property Services strengthen trust with clients and manage expectations with stakeholders?" You should also always be thinking how you will evolve in the future, which will depend on market conditions and the stage of the business's development.

At this early stage in NHSPS's life, there may be apprehension about the journey ahead but I would encourage you to embrace the challenge and the opportunities that it will bring.



At the event

Case study: Transforming for the customer



Rachel Kentleton
Director of Strategy

easyJet Plc

and *Non-Executive Director*,
NHSPS Ltd

“Create key measurements”

“Refocus portfolio”

“Think about the customer, and also focus on employee”

“Important that strategy is sponsored by the CEO”

I offer the perspective of being Strategy Director at easyJet Plc. As a company, we currently have more market share than Air France and British Airways. Three years ago, the newspaper headline was that we were worse for on-time performance than Air Zimbabwe. Our customer complaints were high, and we were losing weighted average cost of capital (WACC). Now our return on capital employed (ROCE) is high at 16%, versus a WACC of 8%. This shows that large impact, fast change

is possible.

To effect the change, we created key measurements, targeting value and ROCE, and linked these to executive remuneration. We looked at our route portfolio, which was split into “good” and “bad”, by identifying stronger versus lower returns. This allowed us to refocus, choosing those routes where we had the highest market share and therefore a cost advantage. In refocusing, we had to make some tough decisions, including pulling out of Madrid. We also undertook a structured programme of change where we were thinking about the customer.

As well as customers, we focussed on our employees. The cabin crew are our customer interface, so they are vital to the business, but they aren’t particularly well paid and they have a tough job, so we got behind them and understood what motivated them.

Underpinning all of our change was that, most importantly, our strategy was sponsored by the CEO and we had a seat on the Board.

Running a large property portfolio for profit or for social purpose – is there a difference?



Francis Salway
Chair

Town & Country Housing
Group (housing association)

Francis Salway was CEO of Land Securities Plc until 2012. He was previously an Investment Director at Standard Life Investments, and a past President of the British Property Federation. He is currently Chairman of both the Town & Country Housing Group and the London Community Foundation, a Non-Executive Director of Next Plc, and a Visiting Professor at the LSE where he also chairs their Real Estate Advisory Board.

During his 8 years as Chief Executive of Europe's largest commercial property group, Land Securities' assets outperformed the wider property market by £1Bn over that period. Post Lehman, he sold Land Securities Trillium, the Company's successful outsourcing business, and then embarked upon the biggest development programme in the UK. Not many Chief Executives leave as visible a legacy of their time in charge as Francis Salway has done, with developments including One New Change in the City, Cabot Circus shopping centre in Bristol, and the biggest development on Oxford Street for a generation, Park House. As Land Securities' Chairman said on his standing down: "Francis has been an excellent Chief Executive for Land Securities and has been unrelenting in his focus to build a more efficient and effective company. He leaves behind a robust business".

Francis Salway read Land Economy at Cambridge and is a member of the Cambridge University Land Society.

"Establish what your key financial criteria are"

"Use a balanced scorecard"

"Apply a time-value of money approach to increase efficiency of use of capital"

"Facilities Management is often deterred from innovation by short two to three year outsourcing contracts"

"Think smartly about how best to structure partnerships"

"Remember you don't always need the frontage of buildings"

"Create an environment for success - focus; understand drivers of value; make decisions with pace; communicate well; appreciate contributions; invest in people; and treat money as if it's your own"

I am on the Board of the Cadogan Estate, a family-owned company owning property around Sloane Square, and I also chair Town & Country Housing Group, a housing association which owns some 9,000 social rented homes across Kent. Both have a very long term perspective when planning their business, as does NHS Property Services Limited.

Despite their very different rationales, all of the Cadogan Estate, Town & Country Housing Group and my former company, Land Securities, have very similar key metrics: at all three organisations, we need to track gearing ratios, vacancy rates, payments of rents and rent-days lost per quarter.

Both the Housing Association and the Cadogan Estate need to be commercial in all that we do, operationally efficient, and seeking to do the best deal we can. However, if at Town & Country we made excessive

profits, we would have failed in our core social purpose, as we should have ploughed more money back into social housing.

In any organisation, it is important to establish what your key financial criteria are. If profit, does it include or exclude capital surpluses? And does it include or exclude interest - whether actual interest payments or notional interest on assets under ownership? If cost, is it total cost or unit cost? Cashflow is always a good secondary financial criterion, as it is hard to paint a false picture about cashflow through special accounting treatments.

In addition to financial criteria, many organisations I have been involved with use a balanced scorecard including non-financial criteria relating to people, customers and wider social or community impact. It can be a challenge to set criteria in all these areas and difficult to get them right, but nevertheless worth the effort.

In terms of financial criteria, it is very important to be able to translate between revenue and capital, to consider the time value of money, as well as understanding the most appropriate time horizons for measurement. Historically, the biggest difference between the public and private sectors is that the private sector is focussed on time value of money. The public sector has tended to be more relaxed about this. Applying a time value of money approach will tend to speed up decision making.

Once you have selected your key financial metrics, you have to decide over what time period you measure them – whether daily, monthly, or whatever. And it makes a difference. In terms of timescales, many companies look on a rolling twelve months' basis – for example, as I did, when I was a property fund manager at Standard Life. Land Securities took at a longer period and benchmark on a rolling three year basis. At the Cadogan Estate, we take a longer view still and assess investment returns on a rolling five year basis.

The Housing Association business is highly regulated to ensure that social assets are not lost. Our Board is seen as being custodians of social rented homes for the next generation, and we model our business plan over 30 years. However, while different businesses and different sectors may have different time frames, the focus should still always be on efficiency, managing costs, unit costs and use of assets, whether it be to maximise returns to shareholders or to optimise your social purpose.

Outsourcing is often thought of being an easy way to reach cost targets. But facilities management companies are often disincentivised to innovate and invest in productivity improvements by short two to three year contracts which are constantly being re-tendered. At Land Securities, we used long term outsourcing contracts, to enable our service providers to make suitable capital investments to improve productivity. With longer term contracts, considerable effort needs to be invested at the beginning, to ensure you are engaging the right service provider, but the selected provider can then invest to improve productivity, and thereby reduce costs in the medium-/long-term.

PFI has an excellent track record on risk transfer and on delivery of new buildings. However, while there are benefits from outsourcing, you should question whether there are inefficiencies under an all-embracing PFI contract. Can the same company be best in construction, maintenance, soft facilities management and financing? Not many organisations deal well with all of these, so you may not get the best solution in all areas, and you need to be wary of layering of contingencies, risk pots and profit margins. These can be applied to each component part and then also at the aggregate contract level. So you need to think smartly about how best to structure partnerships.

While facilities management is about the status quo, it can still be a complex and demanding task to look after what we have. Asset management on the other hand is

about change management – whether the client wants to acquire new accommodation or to adapt existing accommodation; or it could be you pressing the internal client to change his or her processes to reduce property costs or improve productivity.

Twenty years ago Housing Associations tended to be focussed on maintaining their existing old stock, or on building new homes, but now Housing Associations have to look at their existing asset base and ask whether or how they get the best value out of it. For example, is a block of homes excessively expensive to maintain and to run? Or is a particular asset so valuable that one can sell it, release value and re-invest better elsewhere? We are constantly thinking about how an alternative use might create a higher value and the opportunity to build more homes on a cheaper site. The key is efficiency: managing costs, unit costs and use of assets to maximise social purpose.

In my experience, when things go well it is often because there is the right organisational structure in place and the right people in key roles. With regards to people, Jim Collins, the management guru, poses three questions:

- How many key roles do you have?
- What percentage of these key roles is filled with the right people?
- What are your plans for the others?

Success comes from having the right environment for the people in your organisation. For this you need focus, avoiding distractions and non-core activities. You need to be able to understand the drivers of value, and make decisions with pace. Communication needs to be done with clarity, and employee contributions should always be recognised and appreciated. Investment in people is key; and your managers should always manage the money of the company as if it was their own.

In terms of asset management for NHS Property Services

Limited, you are locationally sensitive and therefore can't always relocate from expensive sites. Instead you need to look at efficiency of use and density of sites and buildings. There are many asset management gains to be had from rationalising sites. Take out old buildings on the site and remember you don't always need the most valuable street frontage of sites. Consider whether you can add housing development or retail warehousing on the site, i.e. is there an alternative site use that is higher? You also need to make the UK planning system work for you, and to do this you need to spend time with the planning consultants. Good luck.

Developing and implementing a real estate strategy for the BBC – lessons learned



Chris Kane
CEO

BBC Commercial Projects
and *Non-Executive Director*
NHS Property Services
Limited

Chris Kane joined the BBC in January 2004 as Head of Corporate Real Estate. Under his leadership the property department has been restructured and re-launched as BBC Workplace. Following the recent sale of the iconic BBC Television Centre building to Stanhope Plc, Chris transitioned to CEO, BBC Commercial Projects, a strategic, new, part-time role. In his former role as Head of BBC Workplace, Chris was responsible for the development, financing and implementation of the BBC's £2Bn property strategy and for managing the team that provides the right workplace for the most creative organisation in the world. In 2013, Chris was appointed Non-Executive Director, NHS Property Services Limited.

Prior to joining the BBC, Chris was Vice-President of International Corporate Real Estate for the Walt Disney Company. Before moving to Disney, he was a partner in Jones Lang Wootton, where he was integral in launching a new service for clients - Corporate Real Estate Services.

Chris has an MBA from the Henley Management College, as well as a diploma in project management from the College of Estate Management and a BSc (Hons.) in surveying from Trinity College Dublin. He also holds a master's in corporate real estate. He is a Fellow of the Royal Institution of Chartered Surveyors and member of CoreNet Global, the Association of Project Managers and the Chartered Management Institute.

"Have a very clear vision"

"Create a strategy that can be delivered"

"Hire good people to deliver it"

"Use the 80:20 rule"

"Have no silos"

"Ensure you have accurate, consistent and up-to-date portfolio data – that is key"

"Have a grasp of true business needs rather than business wants"

"It's very important to spend time on buy-in"

"Engage with the market as informed and intelligent property specialist"

"Understand the patient and how healthcare is delivered"

"Learn as you go, try not to repeat mistakes"

"Ensure boxes are fit for purpose"

It's a complicated world and we have to deal with this. Winston Churchill said: "He who fails to plan, plans to fail":

- In 1998 the BBC's Governors approved the 2020 Vision: a twenty-year plan to make property fit for purpose at minimal cost.
- The BBC's goal is to become the most creative organisation in the world by enriching people's lives with programmes and services that inform, educate and entertain. This objective relies upon the 2020 Vision to deliver public value by becoming cost-effective, flexible, technology-fit and audience-facing,

- while attracting and retaining the best talent.
- Back in 2004, the arrival of a new Director General and Chairman of the BBC Trust heralded a new era for the BBC. As a consequence, the original ambition was expanded, as the new DG saw the opportunity to use the move to new buildings as a catalyst for change that would support the transformation of the BBC into the digital age.
- A comprehensive portfolio management framework was developed to align with the needs of the business: by 2017, following a £2Bn investment programme, this transformational programme is on target to achieve a 40% reduction in the size of the portfolio, with 60% of the estate refreshed.
- Alongside portfolio optimisation, the BBC Property Team (re-structured and re-branded as BBC Workplace) began a programme to streamline processes and reduce silos by creating a more collaborative, cross-functional team, including the supply chain.
- In order to deliver the 2020 Vision, new financing options were explored in 1999/2000. These included a public/private partnership with Land Securities Trillium, although subsequent schemes were funded via bond issues.

The transformation of the BBC's workplace strategy centred on four key projects:

- Media Village, White City, London W12
- Broadcasting House, London, W1
- Pacific Quay, Glasgow
- Media City, Salford, Manchester



Using the mantra of, "Stay on air and don't kill anyone!", BBC Workplace was the pivot in a project/supply chain of 2,200 people working across the UK. A critical factor in the success of this major project delivery programme was the ability of the BBC Workplace team to engage with its stakeholders. This involved learning to speak in the language of the broadcaster, rather than using complicated technical jargon.

A founding principle of the BBC Workplace strategy was to bring the worlds of property, facilities and projects into the "One-Workplace Team". This partnering approach has enabled BBC Workplace to manage large scale changes, by establishing a unified platform, including the day-to-day management of routine operations.

In the course of this transformational journey, BBC



Workplace was prepared to break the rules and apply innovation. The rewards of adopting such a radical approach to property development have led to success stories such as Media City in Salford Quays. Now known as “the home of creativity”, Salford Quays is recognised as a landmark regeneration site. In 2006, Bryan Gray, Chairman of the NWDA, acknowledged the BBC’s presence in supporting the Salford Quay’s development, which aims to create up to 15,000 jobs and add £170M each year to the local economy.

This bold project involved a controversial decision to fulfil the BBC’s “Out of London” policy to ensure its operations are more widely distributed throughout the UK, by relocating 1,500 employees from the capital. By working in partnership with BBC Executives and a highly-represented (unionised) BBC workforce, the move to Salford is a prime example of a successful public-sector relocation.

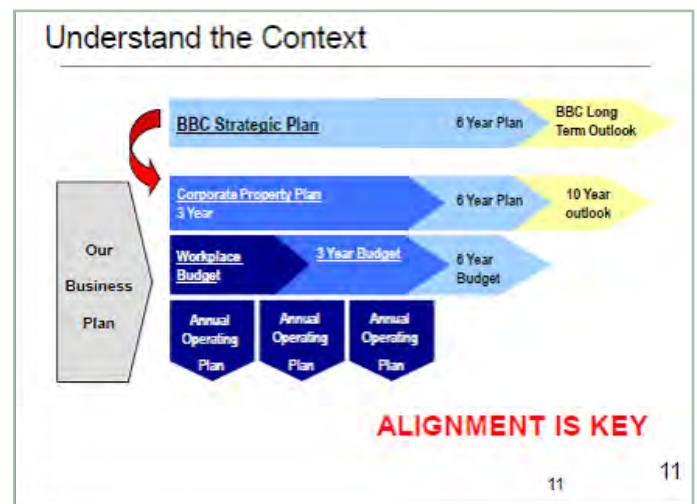
Broadcasting House in London is one of the UK’s iconic public buildings. Phase 1 of a £1Bn investment programme commenced in 2003, as part of the BBC’s strategy to consolidate its property portfolio and centralise its London operations. It is estimated that this development will produce savings of more than £700M over the remaining 21-year life of the BBC lease on Broadcasting House.

By 2014 the BBC Estate will be on-target to achieve its transformational goals for 2017. To date, the estate has been reduced in size by 30% and over 11,000 people have been moved. In addition, FM services will be streamlined to provide an efficient service across the entire estate.

The What:

How did BBC Workplace achieve its transformation objectives? First, BBC Workplace established a clear vision – “the right workplace for the most creative

organisation in the world”. Next, the team focused on researching the context, with particular emphasis on understanding client needs:

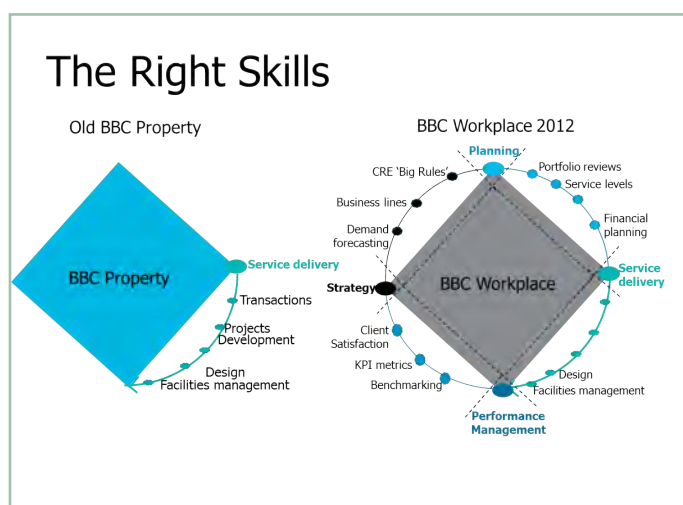


From this, the team built its Corporate Property Plan:

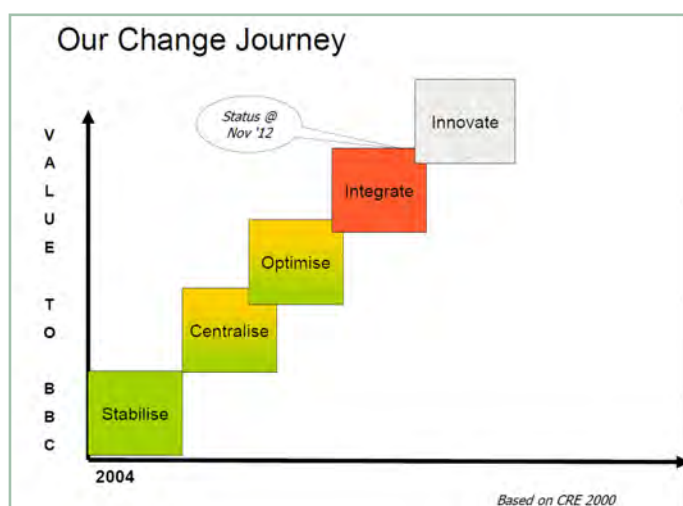


The How:

How did the team re-organise to deliver the plan?
First, BBC Workplace sought to develop the right skills, enhancing its “offer” to internal clients:



Along the way, BBC Workplace embarked upon its own change journey:



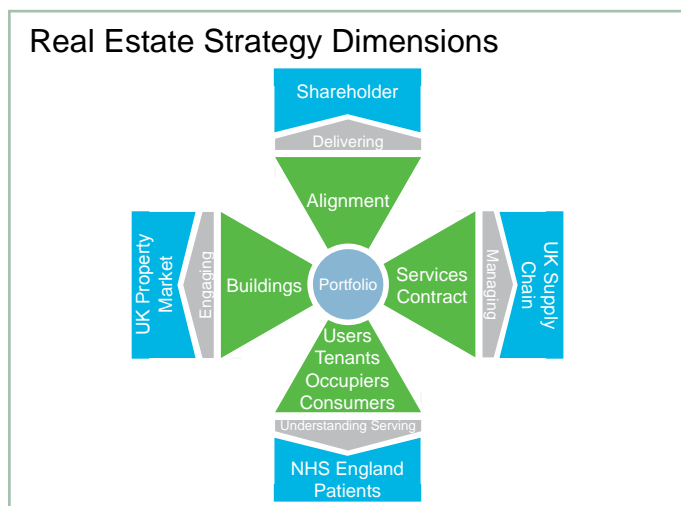
As a support function of a public service broadcaster, BBC Workplace has, or had, in many respects, many similarities with the NHS Property Services Limited. There was also a negative perception that the team worked arrogantly and introspectively. For example, at the outset of its journey, BBC Workplace did not plan and engage effectively with key stakeholders. However, the team learned by experience and, by adopting best-practice project governance across a truly integrated, multi-disciplinary team, began to achieve the rewards of collaborative working.

Property is inherently full of risks and the output is delivered over a long period of time. The BBC operates in a dynamic environment of rapid technological change. For example, for the first time in November, the BBC iPlayer registered more downloads to mobile devices than to the desktop. These technological changes must prompt everyone to consider how this will impact the consumption of Real Estate.

As part of its strategy, BBC Workplace stabilised, centralised, optimised, integrated and innovated. The team has now reached the integration stage. It has emerged from PFI with the benefit of lessons learned and minimum loss to live broadcasting, while achieving an enhanced sense of teamwork and the feeling that “we are all in this together”.

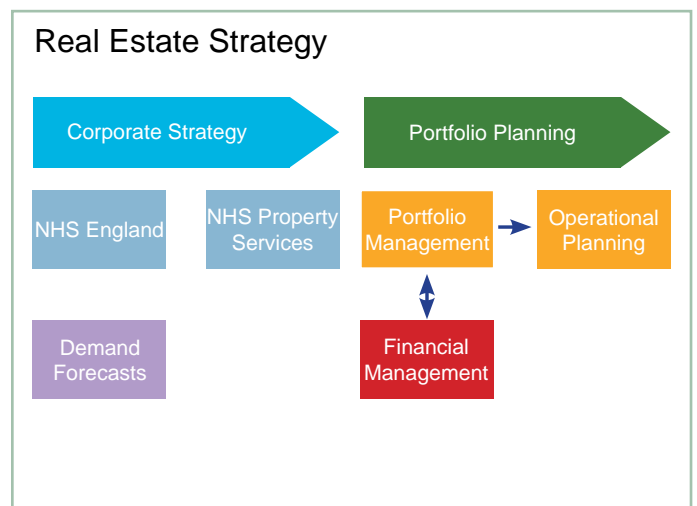
The team has also learned the value of maintaining accurate, consistent and up to date portfolio data. Such knowledge enables the property team to distinguish “business needs” from “business wants”. Furthermore, the introduction of joined-up planning, focus on obtaining buy-in and identification of the customer have improved the performance of the Workplace team.

Below is a helicopter framework to illustrate the BBC Workplace Strategy:



In this context, NHS Property Services Limited should look up to the shareholder, down to patients and across to the UK property market. It is essential for the property team to engage with the market as informed and intelligent property specialists. You owe this to the patients. You should also consider the supply chain. Your end goal must always be to pursue value for money and, to achieve this objective, the property team must become smarter with design.

Also, it is essential to understand the patient and how healthcare is delivered, ensure buildings are fit for purpose and that there is sufficient flexibility. You may be thinking: "But how can all this be achieved in just two years?" Remember that great things can happen when we work together and you have a fully integrated, strategic plan in your pocket.



The key lessons learned from the BBC change management process are:

- Understand and align with the business
- Secure a clear mandate
- Build the right team
- Simplify the planning process
- Deliver on time and on-budget
- Focus on engaging all key stakeholders

Panel Q & A – Francis Salway, Chris Kane and Simon Holden



L - R: Simon Holden, Francis Salway, Chris Kane

QN: Two of the biggest challenges the NHS has include the change in demographics and increasing strain in expenditure. How can we strategise and develop to match the pace of change and ensure we don't have a property and healthcare environment that encumbers us?

FS: We need to be clear on what is/isn't achievable, and affordable – what resources are needed, what can be delivered and what can't.

The real skill is around client management. This is incredibly important. Once clients respect you they will follow your advice.

CK: Get people into the right place to allow best output – and get clear on what can't be delivered, you'll get a better outcome. We have to understand real business needs rather than wish lists, and be prepared to say "no".

SH: One way is utilisation – how we create multi-functional space. We can't afford to have clinical space only used occasionally.

QN: How can we set up useful benchmarks and how do we communicate these? Is IPD a useable resource for us, given it does not include many hospitals?

CK: Most organisations agonise too much on this – but IPD and the occupiers' subset are as good as anything for benchmarking. Apply the 80:20 principle. Remember

that every portfolio, whether the BBC or NHS Property Services Limited, will always have specialisms.

FS: We can still learn a lot from benchmarking even if it is not like-for-like. Also, make use of your size, many providers of benchmarking will jump through hoops to get data over to you.

SH: For generic office space, look at cost per desk or cost per office worker.

QN: NHS England and their customers may have wants rather than requirements. How do we educate customers to ensure a robust solution?

CK: We can't effectively plan for our portfolio unless we know where demand will be. It takes a long time to understand this. Move from being reactive to a proactive, trusted advisor and understand you won't be right a hundred percent of the time. Use tools for scenario planning such as Monte Carlo analysis to enable more money to be put back into healthcare.

QN: IT is a barrier to getting more use out of buildings. We need a common approach to share a building, however we have a raft of IT packages. You've illustrated that property services are a useful tool to deliver a common approach to IT. Are there any lessons to be learned?

CK: Make friends with IT, we're all in services support where a convergence is taking place. Business is much more reliant when the role of technology and property is considered in unison.

QN: We have a lot of rural healthcare. Can we propose use for other purposes, libraries, hairdressers or alternative health? How can we engage with our stakeholders?

DB: Don't treat the community as an enemy but a partner. We have to work very hard, putting in the time, being collaborative and encouraging entrepreneurial ideas.

Obtaining value for money from public sector assets – are there implementable models from the private sector?



Kate Barker
Senior Visiting Fellow

Department of Land
Economy, University of
Cambridge

Kate Barker is presently a Senior Adviser to Credit Suisse and a non-executive director of Electra Private Equity Plc, Taylor Wimpey Plc and the Yorkshire Building Society. She is also a non-executive member of the Office for Budget Responsibility. Kate was a member of the Bank of England's Monetary Policy Committee (MPC) from 2001 until May 2010. She conducted two major policy reviews for Government, on housing supply (2004) and on land use planning (2006).

“Carefully consider what kind of landowner you are”

“In addition to core value is the option value. This is crucial to consider, especially in an area where it will be hard to get hold of more land in the future”

This lecture is more about raising questions than giving answers. You need to strongly consider what will happen in the future. The economy remains in rather a mess, and there is no real progress on housing, but we can expect increased attention during what's left of this and the next Parliament. Politicians however have many trade-offs to manage.

Developers are in an inherently risky business and face many uncertainties, not least about the economy and government housing support policies. Ed Miliband, for example, has said he will introduce tax changes to encourage developers to build out housing sites faster:

“In a speech to the Labour Party's national policy forum on 22nd June 2013, Mr Miliband signalled that house-building would be a key priority for an incoming Labour government and announced that developers would come under pressure to “use or lose” the land they have accumulated”

This may be simplistic if not wrong: developers face real costs of holding and developing land sites, and have every incentive to build as quickly as they can, whilst Local Authorities may want to prevent discounts in house prices to protect planning gain. One reason developers have high returns is because it's risky – keeping their cost of capital high.

Meanwhile land is expensive and the general belief is that it will get more expensive. But today the cost reflects low interest rates, which have pushed up all asset prices as rates of return on alternative assets are generally low.

You need to carefully consider what kind of landowner you are in NHS Property Services Limited and see what the role of development is. Property investment companies have sites and master plans and look on a longer term basis than the developer. Then you have long term land owners, for example industry or farmers, where timing is less driven by the land market. Meanwhile timelines for the Crown Estate or Oxbridge Colleges may be set in centuries.

The NHS's political masters are looking for best use of land whilst "Localism" has fallen by the wayside. The pace of house-building has hardly improved in England – from 106,000 units in 2010 to 115,000 in 2012, against a rate of 200,000 new household formations every year. There are delays in government initiatives – questions on how to monitor house-building, and although the HCA is agreeing plans for delivery, this is not the same as actually delivering.

Consequently we can expect more pressure on government bodies to release sites for development as soon as possible – and this sets up conflicts between getting the best value for money/market price for the asset now against the imperative to boost economic activity and reduce upwards pressures on house-prices. Meanwhile the King's Fund report on Health & Social Care highlights the impact of lack of suitable housing on healthcare.

So where does NHS Property Services sit? You will care about the nature of development, if you are staying on site. There is a government target for the development of an additional 100,000 homes before March 2015, drawn from public sites. In reality, delays could mean we don't see these houses for another five to ten years.

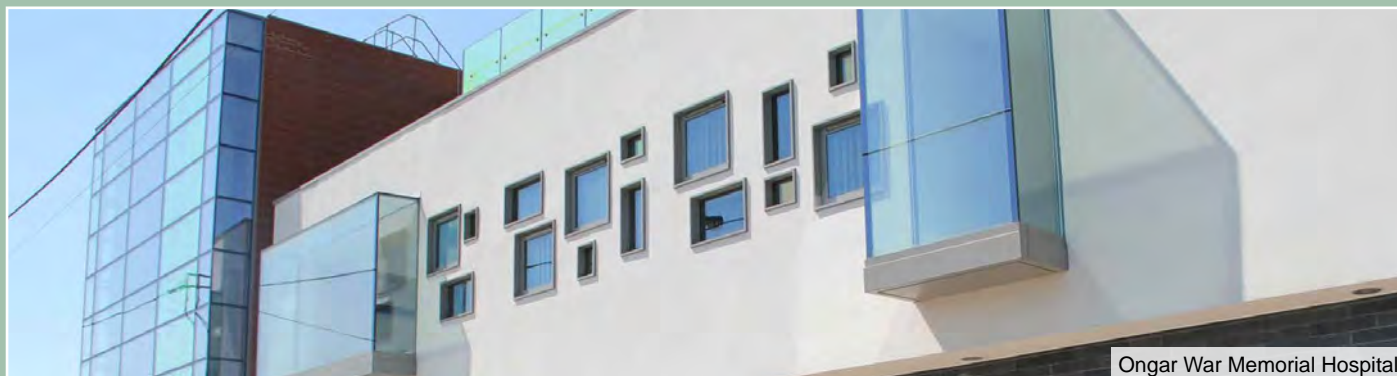
This impacts NHSPS as the need for housing is a problem for social care. Housing can be a means to keep individuals out of healthcare, although it's hard to tie in when health and social care are not funded in the same

way.

Property trading is not part of your core business, which is health. You also need to keep focus on the fact that the NHS operates in a political world. When considering disposals, don't just dispose based on the economic cycle. Consider whether the land is really something you don't need. In addition to core value is the option value. This is crucial to consider, especially in an area where it will be hard to get hold of more land in the future.

DB: We need to recognise there is a pressure to deliver housing units for the Minister, and that NHS sites have a key part to play in national housing policy, and to find the best way to get best value/balance priorities.

NHSPS – A taxpayer's view



Lucy Armstrong
Chief Executive

The Alchemists

“Decide on two to three things in your control and get those done”

I speak as an ordinary taxpayer having listened carefully today. I will discuss five key themes and explore these in the context of NHSPS. Property is a vehicle through which many other things get resolved – for example, for 40 years the Local Authority in Gateshead has sought more activity in the town centre. Building student accommodation in partnership with Northumbria University and Tesco delivered that goal.

One: at the heart of this, I think that differences between the public and private sector are over-egged. Accountability and transparency are key for both sectors, and the customer is always an important stakeholder, as is the patient or consumer. “Customer” is sometimes a “c-word” in the public sector – but we all need to meet the needs of our ultimate customer i.e. the taxpayer.

Two: leadership and culture are also vital, as change is constant rather than just between time A and time B. There is a five year political cycle, and yet you will be making decisions in a field which works in decades. However, to integrate NHSPS, we have a short timeline of two years, which means a lot of change has to happen now.

Three: use information well and understand what is really important for your business. What makes it tick? Chief Executives of retail businesses have real-time information of sales, all the time, 24/7, whilst commercial car companies track in real time numbers of cars sold. How can you develop similar reporting for NHS Property Services? Make sure you are not just hitting the target but also not missing the point.

Four: in my experience as a director or employee, it's important to decide on two to three things in your control and get those done. The rest, either delegate upwards or downwards, or park – and get the board to shelter you.

Five: finally on behalf of the taxpayer you need to focus on delivering the right environment for patients, medics and support staff. That is what we expect of you and what we pay you for. Not cheap, not the politicians' dream, but fit for purpose and value for money for all stakeholders.

Final thoughts

DB: You have been tasked to deliver in two years and there is only so much you can do in this time. You should expect to cause controversy, therefore communication is important. Remember “perception is reality”. Be aware of image. We may think Fiat cars rot, but in actual fact that was 25-30 years ago, so getting rid of a bad image is very hard.

AD: A number of models show some common and some different characteristics between the public and private sector:

- It has been done before, even if it takes time;
- Don't expect everything to be perfect – it won't be;
- You'll have seen in the case studies presented today that strategies aren't always perfectly executed;
- The size of the NHS challenge is large, therefore just keeping the lights on and not dropping the ball has in itself been a great achievement so far;
- You need clarity of strategy: questions over your role as a landowner and over the future demand pattern are not yet clear – but you need to get clear.

RK: I have found today has been a very galvanising event. As a member of the Board, yes, there are huge challenges arising from a complex stakeholder environment:

- You should be taking charge, deciding on strategy and taking up arms – no-one else will;
- The board is here to help;
- You need two to three measures to judge success and this will give clarity of communication with the government and your customers.

KB: There is a need to occupy space more tightly. In the private sector, space is used more intensely, and I had to force a University in Cambridge to do the same to get good value for the public purse. This will be a huge challenge for NHSPS, really using space efficiently is not going to be easy for the organisation and people really

hate you for it, but it's worth it.

LA: Pick a taxpayer who is a loved one and imagine how you will invest wisely on their behalf. Note, investing wisely is not the same as investing risk free – nor at getting massive returns. But none of this means we shouldn't ask questions – for example, why am I as a taxpayer paying for expensive surgical theatres and clinics which are closed at 6pm? It's a waste of my money. In summary:

- Seek forgiveness not permission
- Demonstrate your added value and entrepreneurial acumen
- Build partnerships with the community – for example, why not set up evening classes?



Cambridge University
Land Society

About the Cambridge University Land Society



The Cambridge University Land Society is a leading thought-leadership networking group for alumni of the University of Cambridge who work in the land and property industry in the UK and abroad.

We have around 1,000 members, who include both:

- An extraordinary range of senior players in property, such as Chief Executives of FTSE100 property companies and several of the “Great Estates” of London, as well as around 300 other Chief Executives / Chairmen / Managing Directors / Senior Partners and their ilk; and also
- Most of the undergraduate and post-graduate students currently studying Land Economy and related degrees at Cambridge, who we all hope will be the leaders & entrepreneurs of tomorrow.

Our members work throughout real estate, including rural land, commercial property, housing, law, architecture, planning, construction and real estate finance.

We arrange around 20-25 events annually, most of which are open to non-members as well as members, and as such are the most active departmental alumni society in the University, as well as being the oldest and the largest, and specialise in putting on interesting and unusual events.

We raise sponsorship where possible to cover our costs and support the Department of Land Economy:

- In recent years we have committed about £75,000 for the Department, providing “top-up” funding for fellowships, support for research and travel grants; and
- We hope to be able to do much more in future, working hand-in-glove with the new Cambridge Land Economy Advisory Board.

We and our members support current students in a number of ways: we fund various prizes to reward academic excellence in Tripos and MPhil. exams; we arrange 2-3 careers events annually; we provide mentors from amongst our members for both undergraduate and graduate students; and, wherever possible, we provide “free” places for them to attend our events.

Please see our website for our upcoming events.

www.culandsoc.com

About NHS Property Services



NHS Property Services Ltd owns, manages, maintains and improves NHS properties and facilities, working in partnership with NHS organisations to create safe, efficient, sustainable and modern healthcare and working environments. It focuses on keeping NHS buildings safe, warm and clean, every day.

A private limited company, owned by the Department of Health, it is also part of the NHS family, focusing strategic and operational property management skills on supporting better health outcomes and experience for patients.

The company has two main roles:

1. Strategic estate and asset management – acting as a landlord, modernising facilities, buying new facilities and selling facilities the NHS no longer needs; and
2. Dedicated provider of support and facilities services, such as health and safety, maintenance, electrical, cleaning and catering.

NHS Property Services owns or manages about 11.5% of the recorded gross internal area of the NHS estate in England, following transfer from 161 former strategic health authorities and primary care trusts.

In its first ten months the company made a good start with tackling some challenges inherited from 161

predecessor bodies. Efficiency savings of around £30 million have already been achieved, with every penny saved benefiting the NHS.

More than 30 properties that are surplus to NHS requirements have already been sold, with many more identified for disposal in the coming year. As well as releasing capital for reinvestment in the NHS, this also saves on wasteful running costs of empty properties.

Tenants are also looking for better, more efficient properties. To date, the company has led around 50 new or improved developments.

Planned improvements for the year ahead include improving clarity of billing and leases for tenants and customers, improving responsiveness to customer needs and a capital development programme.

The current business redesign programme will simplify the structure and focus the right staff and resources to respond to the needs of tenants and customers.

The biggest improvements will come in the next two years, as the company makes best use of the national scale and purchasing power, and a challenging target of 20% efficiencies over the next three years.

www.property.nhs.uk or Twitter: @NHSPROPERTY

About the Department of Land Economy in the University of Cambridge



The Department of Land Economy, Silver Street, Cambridge

The Department of Land Economy is a leading international centre, providing a full programme of taught courses within an intensive, research-oriented environment. It was ranked first amongst universities submitting to a recent Research Assessment Exercise, and is also ranked first in undergraduate subject league tables.

Land Economy, as a subject, considers the role and use of land, real estate and environment within an economy. It applies particularly the disciplines of economics, law and planning for the analysis of the governance of land use, urban areas and interactions with other environmental resources.

The Department addresses contemporary problems as well as more fundamental analysis. This includes both the role of governments in establishing regulatory frameworks within which land and related markets operate, and the role of private organisations in owning, managing and developing physical and financial assets within those markets. This combination gives the Department of Land Economy a unique and valuable perspective of critical public and private issues.

The Department now has over 40 teaching and research staff and about 320 students. Together with the three-year undergraduate Tripos in Land Economy, the

Department has a full postgraduate programme, including both a three-year PhD and a suite of one year, intensive postgraduate programmes of both instructional and research-based MPhils. Admission to these MPhils in Real Estate Finance, Environmental Policy and Planning, Growth & Regeneration is highly competitive and global, with over half of the MPhil students coming from outside the EU.

The Department maintains strong links with other University Departments including Law, Economics, Geography and the Judge Business School. Research is both national and international in outlook, with a focus on policy and practice in the modern world, and falls into one of two research groups:

Real Estate and Urban Analysis:

- Cambridge Centre for Housing and Planning Research (CCHPR)
- Centre for Economic and Public Policy (CCEPP)
- Real Estate Research Centre (RERC)

Environmental Economy and Policy:

- Rural Business Unit (RBU)
- Cambridge Centre for Climate Change Mitigation Research (4CMR)

www.landecon.cam.ac.uk

About Telereal Trillium



We are experts in managing large, complex property portfolios and ensuring that accommodation supports transformational business change.

We have long-term partnerships with some of the UK's largest occupiers, including BT and the Department for Work and Pensions and over the last decade we have established a UK-wide estate of more than 8,000 properties totalling £5.5Bn by value.

Across our business, we focus on understanding our customers' business and property requirements and delivering them through excellent service, active asset and facilities services management and innovation.

We operate in two distinct, yet complementary business areas – property partnerships and investments.

Property partnerships

We work with occupiers of large, complex estates to provide strategic solutions to their property needs, facilitating business transformation and creating long-term value.

We seek to unlock value from our customers' property portfolios through our integrated property and services capability, combined with our readiness to deploy our capital to facilitate savings.

Our business is built on long-term relationships with our customers, and our success depends on understanding and responding to our customers, and providing services that best match their needs.

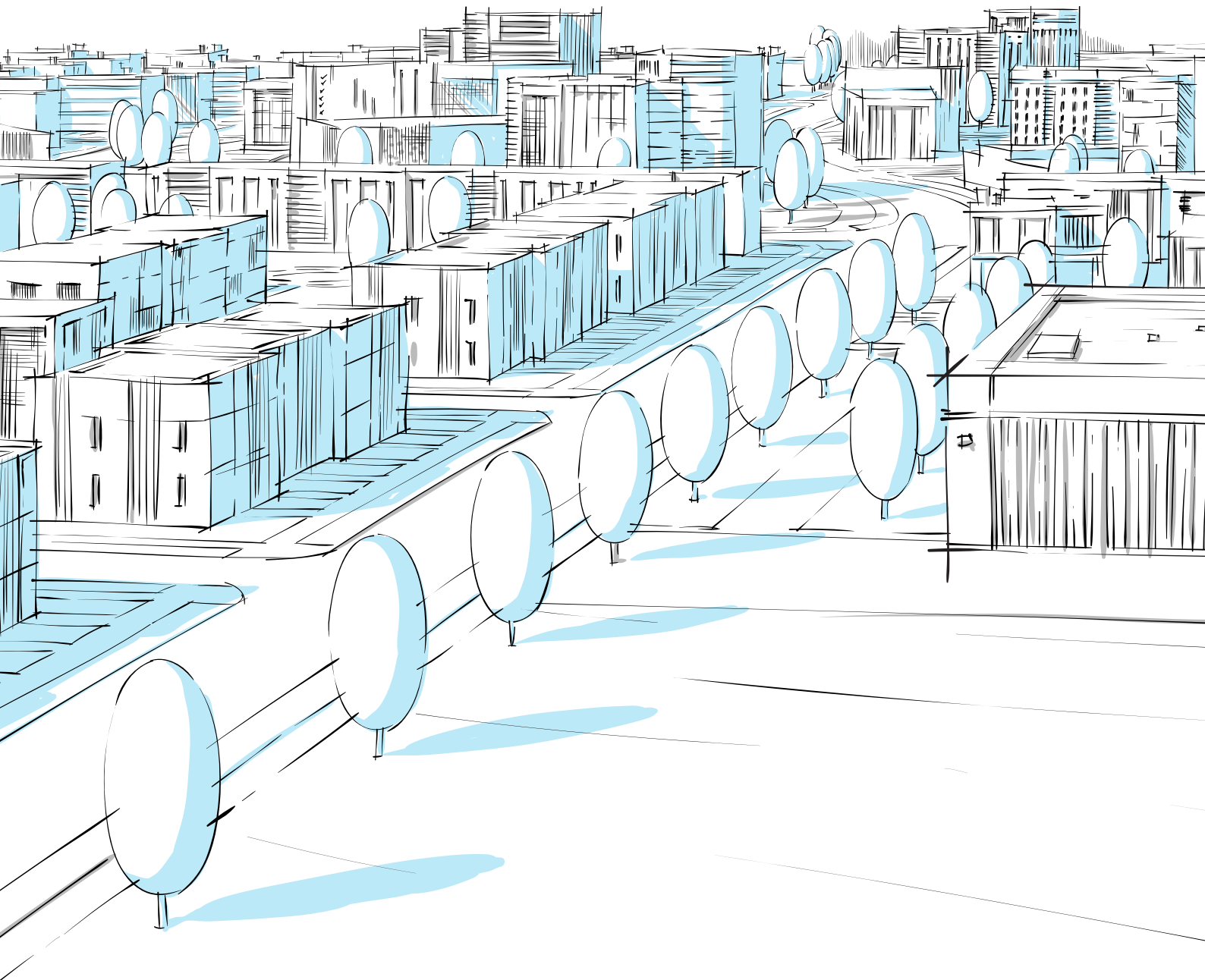
Our strength lies in our ability to bring together services at a strategic level across the property life cycle in areas such as asset management, lifecycle and capital projects, facilities management, and property strategy.

Investments

We invest in opportunities that allow us to leverage our financial strength, asset management expertise and nationwide service delivery platform.

Through active property management and targeted investment, Telereal Trillium has built a reputation for creating long-term sustainable returns for our shareholders.

www.telerealtrillium.com or Twitter: @telereal_t



Working in partnership with occupiers
of large, complex estates to drive
efficiency and support transformation

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