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# Collaboration in property and facilities management

## The experience of the Grampian Public Sector Property Group

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### Abstract

**Purpose** – The purpose of this paper is to examine the problems that different public sector bodies' face in joint planning to develop and share facilities and property services and how they have overcome some of them. It examines those difficulties that remain outstanding as the public sector strives to meet changing demands on its services and public expectations within limited resources. It is designed to help facilities managers facing similar problems and to stimulate researchers to investigate some of the outstanding issues.

**Design/methodology/approach** – This paper examines the history of the North East of Scotland Public Sector Property Group (NESPPSPG) since its inception in 2001 and examines its successes and its outstanding problems as a case study for the wider "Efficient Government" agenda.

**Findings** – The NESPPSPG has been innovative and successful in addressing a number of difficult facilities management (FM) problems. There are some problems that are less tractable and require assistance and reform outside the control of the constituent members of the group if more progress is to continue and the "Efficient Government" agenda may provide some of the solutions.

**Research limitations/implications** – The paper presents recent historic material describing the NESPPSPG projects to help in identifying issues that need consideration by the FM profession. It sustains the debate between FM practitioners, central and local government policy-makers and academic researchers on the efficient collaborative use of public sector assets in Scotland's public sector.

**Originality/value** – The paper is a viewpoint paper and an exposition of a practical case study illustrating the problems faced by public sector facilities managers in a particular locality and considers how this sheds light on wider FM issues of collaborative working.

**Keywords** Property management, Central government, Local government, Scotland

**Paper type** Viewpoint



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### Introduction

At grass-roots level, there has been a lot of practical work completed between various Scottish public sector bodies to improve joint working and the sharing of facilities. The bottom-up work has resulted in the improvement service (IS) looking at asset management in local government and the Scottish Government Asset

Management Review (AMR) looking at general principles which will further more efficient management of public assets. This paper examines how a group of public sector authorities have worked together to address practical problems of co-operating in efficiently managing public sector assets and notes the problems and the solutions they have devised and some of the outstanding issues which need further work.

By getting the facilities and asset management arrangements for joint working right, the aim is to promote more efficient joint working between the emergency services and between local authority social services and the National Health Service in particular.

While the central government efficiency agenda was developing through Gershon (2004) and Lyons (2004) who produced their reports three years later, in November 2001, under the auspices of the North East of Scotland Joint Public Sector Group (NESJPSG), a group of public sector facilities managers in North-Eastern Scotland, much of which used to be called Grampian Region, decided there were great potential benefits to be gained from joint working, and so founded the North East of Scotland Public Sector Property Group (NESPSPG). Its task was to address the "Joint Futures Agenda" and to improve community planning. The following list shows the PSPG membership organisations:

- Aberdeen City Council.
- Aberdeenshire Council.
- Grampian Fire & Rescue Service.
- Grampian Police.
- Grampian Primary Care NHS Trust.
- Grampian University Hospitals Trust.
- NHS Grampian.
- The Moray Council.
- Scottish Ambulance Service.
- The Robert Gordon University.
- The University of Aberdeen.

Also invited to attend meetings were the three Planning Development Control Officers from their respective Local Authorities of Aberdeen City, Aberdeenshire and Moray, so they were aware of the planning implications of property proposals at the earliest opportunity.

All the member bodies were faced with providing services from facilities spread over an extensive 3,375 square miles of predominantly rural hinterland from the economically powerful regional centre of the city of Aberdeen in the East, and a network of smaller towns with a total population around 544,000.

The membership of the NESPSPG broadly reflects that of the parent group the NESJPSG. The NESPSPG has a formal constitution approved by the members of the NESJPSG. The NESPSPG is also represented on the Scottish Government's Joint Premises Project Board (JPPB). The JPPB was established in 2004 and has undertaken

work to support the implementation of the joint premises agenda in accordance with the following principles:

- focus on adding value;
- additionality; and
- evidence of micro management.

The membership structure of the NESPSPG is interesting. It includes bodies which are not public sector, such as the two universities. It includes bodies funded by central government through the Scottish Government, such as the NHS bodies and local authority funded bodies. It did not include Scottish Enterprise Grampian, HIE Moray or Communities Scotland, organisations which have since been dissolved as a result of the present Scottish Government programme for streamlining the public sector. Neither does it include the Aberdeen College or Banff and Buchan Further Education Colleges who provide education services in the locality, although there is no reason in principle why they should not participate.

### **Purpose and objectives of the NESPSPG**

The five main objectives of the NESPSPG are:

- (1) support the better delivery of service strategies;
- (2) assist in achieving the “Joint Futures” agenda;
- (3) link national and local agencies to achieve joint working in real property assets, to achieve a capital asset portfolio that delivers services for best value;
- (4) focus on strategic issues and performance targets; and
- (5) encourage innovation, better working methods to release resources for better service delivery.

These are complex multiple aims which faced difficult institutional and organisational barriers to realise the benefits sought. These barriers include the different financial and accountability regimes of local and central government and integrating service delivery over a large area where the different delivery bodies have different geographic areas of responsibility that do not necessarily match.

### **The information base**

While most public sector facilities managers “know what they’ve got”, in practice, due to historic re-organisations of public bodies over many decades the conveyancing and the estate terrier never quite catches up and forgotten property rights can turn up unexpectedly. The NESPSPG is working to establish a common database of property owned and leased by members that would be accessible to all members. It is likely that each organisation will continue with its own system, however there will be a requirement for some investment to “front end” this with a geographical information system database, which can be viewed by all members.

This tied in with the report (Scottish Executive, 2000b) of the Joint Futures Group set up by Susan Deacon MSP the Minister of Health and Community Care and chaired by Iain Gray MSP Deputy Minister for Community Care as a response to the Sutherland’s (1999) Report. It sought to introduce measures for greater joint working between the NHS and local authorities. Sharing the asset information would facilitate

this “Joint Futures” agenda of joint operational care working between the NHS Bodies and the local authorities. The database would also allow the systematic development of benchmarks to allow better facilities management (FM), reduce costs and allow the development of best practice models to disseminate throughout the member organisations. Property-related benchmarks to be progressed are:

- (1) cost/m<sup>2</sup> – backlog maintenance, running costs (hard and soft FM);
- (2) energy performance – kwh/m<sup>2</sup>:
  - tonnes Co<sup>2</sup>/m<sup>2</sup>; and
  - GJ/m<sup>3</sup>.
- (3) occupancy – m<sup>2</sup>/occupant.

Earlier benchmarking of more detailed KPIs was problematic, time-consuming and required a standardisation of criteria that was currently being measured differently by each member. This simplification will save time and money when assembling data. It will also concentrate the minds of managers on improving performance of the three most basic KPI's cited above. When progress on these is made, further KPI's can be developed if required.

This initiative was introduced after Central Government developed the National Asset Register (HM Treasury, 2001, 2007) but well before the drive to get UK Civil Service Departments to put all their office properties on a common database established by the Office of Government Commerce called e-Electronic Property Information Mapping Service, which helps them exchange information, utilise otherwise underused office space and coordinate rent reviews.

### **A common property strategy**

The information system was a prerequisite for the next, more ambitious, stage which is to integrate the members' individual property strategies to develop a high-level Joint Public Sector Property Strategy for the North East of Scotland.

Potential benefits envisaged include collocation of services to benefit customers, a reduction of overheads and the release assets for disposal.

Collocation might also create the critical mass, and the business efficiencies that would make property development or refurbishment worthwhile. This could potentially help bring service delivery nearer to where service users live or work, and allow providers to work in more efficient premises.

For some of the member organisations, property and facility management were a relatively small part of their work. They therefore lacked the specialist knowledge and resources of established FM teams. Thus, another benefit envisaged was the sharing of professional expertise and knowledge and perhaps sharing accommodation that would be difficult to provide for an agency alone.

### **The planning system**

Having a ten-year property strategy is helpful, but loses some of its value if it is not integrated with the town and country planning system in which structure plans are set for ten years and the local plan is reviewed after five years. Releasing a major asset just after the local development plan has been agreed makes it more difficult for the local planners and the public sector owner to make the most productive use

of it. So one major ambition was for the NESPSPG to monitor the planning consultative process for the benefit of its members so that they better understood the influence of the development plan on their assets and service delivery. Then the NESPSPG in turn would engage with the local planning authority to maximise the planning benefit from their assets, and allow the planners to take full cognisance of where the organisations needed to provide health, education and emergency services.

Difficulties can arise because of a shortage of land allocated for public uses when a development plan gets out of date and public sector bodies find themselves competing with the private sector for high-value land. One development plan in the North-east is 16-years old. By working closely and early on with the local planning authorities, the NESPSPG hopes to minimise this type of problem.

### **Conflict resolution**

One key function was to identify areas of conflict between members, whether on the ground or competing for scarce resources such as money or sites, or conflicting regulatory regimes which preclude joint working and cooperation. By engaging with the planning authorities early, it was hoped to minimise much of that conflict in the form of late proposals that did not conform to the local plan or bring forward surplus assets that could usefully have been integrated into the local planning process. The ambition is to reach a point where no public agency is employing planning consultants to formulate objections to the local plan process. All the problems should be resolved consensually beforehand and embodied in the development plan. This should save time and costs.

### **Lay the foundations of co-operation and co-location**

Early on, it was recognised that different members had different working practices and space standards, so an agreement on office standards policy for shared accommodation was developed to make premises sharing easier and allow organisations to use each other's spare space more readily. In all, this covered some 17 different standards of which the most noticeable difference was to that for the use of accommodation. This was complicated by the different bodies having significantly differing space standards for their staff.

### **Collocation in practice**

For a successful development, developers require access to land, capital, appropriate planning consent and development expertise. Very few public bodies have all of these attributes so collaborative working makes sense. An example is the Garthdee Community Medical Centre Robert Gordon University (RGU) not only hosts the facility it acted as a third party developer. The ground was owned by Aberdeen City Council, RGU constructed the building to meet the specifications of the NHS. The building was thereafter leased by the NHS to serve the local community and RGU students by providing general practitioner care and a range of other NHS services not previously available in that locality. A similar set of services are delivered by the Old Aberdeen Medical Practice to students in a building hosted by Aberdeen University and leased to the NHS. The buildings are leased at less than market rent and provide both Universities with general practice and primary medical care for all students on

campus. Furthermore, the facilities are also used for teaching and developing medical/clinical students.

However, the best example to date of joint working in Grampian is that of the purpose-built Torry Neighbourhood Centre which has been built and owned by NHS Grampian, on land that was the subject of an excambion, an exchange of land under Scots law, between Aberdeen City Council and NHS Grampian. The occupants in the building comprise of three GP practice branch surgeries, Aberdeen City Council Social Work team and a Police Station for Grampian Police. The catalyst for the project was the Modernising Government Fund which provided monies to enable the IT infrastructure to be installed, and work continues to help integrate the systems.

The emergency services have drawn up a memorandum of understanding which has established a presumption that they will look for opportunities to co-locate in future. This agreement has resulted in joint police and ambulance facilities at Ballater, Banchory, Kincorth and Tomintoul; the Scottish Ambulance Service and police are sharing the development of the combined facility at Alford; and a proposed development of a joint vehicle workshop is under consideration along with a joint Emergency Services HQ.

Sometimes collocation is facilitated by setting up a joint body to procure and manage the building. One issue that emerges is the VAT status of the joint body when the two partners may have different liabilities one being exempt/partially exempt and one liable. NHS bodies are exempt from VAT. It may be that even when both bodies have a common status, that may not extend to the joint body. This has a potential financial impact and it may be that tax issues may force collocated bodies into inefficient management structures where one owns the facility and lets it to the other. It seems that each case will need to be teased out on a case-by-case basis. However, one vehicle which could overcome this is the development of the Hub in Scotland, of which there is proposed to be five and the North East of Scotland would form part of the North Territory along with Argyll, Highland and Islands.

### Sharing the costs of joint occupation

The *NHS Scotland Property Transactions Handbook* and the *Scottish Public Finance Manual (SPFM)* rules say that when a major occupier wishes to let space to a minor occupier this should be done on the basis of a market rent. Sometimes the partners would prefer to let the space on the basis of shared “occupation costs” but this seems to be inconsistent with the guidance manuals. As the *NHS Scotland Property Transactions Handbook* was last revised in 2000 before the joint futures initiative, there may be a case for re-examining this issue. The NESPSPG has however considered this at some length and are mindful that one public agency should not profit over the other and that by working on an open book basis means that the holding body will recover only the costs incurred by it. In some more rural areas, of course, this may exceed market rent.

### Consider joint development

All of the developments entered into jointly to date have raised a number of issues which have required to be addressed to ensure more effective and timely collocation in the future. Examples range from differing space standards which will be addressed by the Office Standards Policy for Shared Accommodation. Legal procedures, invariably

seem to be complex and time consuming, and as a result of this, consideration was given to developing a standard lease template comparable with a Memorandum of Terms of Occupancy and also to that of a Licence of Occupation. Subsequently, the NESPSPG decided to adopt a template of the Licence and this has now been developed with significant resource from a local authority and the NHS in order to reach agreement to protect all parties. However, often the issues are timing, and the resultant revenue impact for occupation and in addition, the revenue impact to the NHS by way of capital charges.

### Asset disposal protocol

In any well-managed property portfolio, assets are released as they are no longer needed, perhaps because the service need has past, or they are obsolete and do not meet modern standards. It seemed sensible to develop a protocol where members become aware of what assets were becoming available in sufficient time to consider if they could adapt and re-use them for another purpose. "Sufficient time" implied a period long enough to assess the state of the building, work up plans for change, consider planning issues and put financial resources in place to adapt and subsequently run the new premises. However, the time had to be reasonable for the transferor who bore the burden of maintaining the property in the meantime.

Assuming that a fresh use was found for the property, there needed to be a protocol to assess its value and arrange its transfer that would be fair and satisfy the auditors and public accountability regimes of both transferor and transferee.

One such convention is the *SPFM* Guidelines (Scottish Government, 2007) on the Disposal of Tangible Fixed Assets Annex which is mandatory on Scottish Government funded bodies either directly or indirectly through the *NHS Scotland Property Transactions Handbook* (Scottish Executive, 2000a) but not binding on local authorities and their associated bodies. This enables a Scottish Government Minister to notify or "trawl" a surplus property around the other Scottish Government Ministers in case they or one of their agencies or non-departmental public bodies (NDPBs) has a use for it, before it is publicly marketed. If an interest is noted then the property is transferred on the basis of market value as determined by a mutually-chosen independent valuer acting as an independent expert, but receiving representations on value beforehand from both parties. These rules do not cover local authorities but they can be offered to them and used by them if they so choose.

Providing there is a commitment to the process from both sides, this mechanism for transferring property can work well. It is certain, quick and saves professional fees. Where difficulties can arise is where the recipient needs to make budgetary provision for the property and needs to get a valuation beforehand. When this turns out to be lower than the transfer price, this can create problems with auditors and political interests. If the property has substantial development potential, the transferee body may feel that it could lose out on the transfer. Where there are site problems or contamination, the recipient should take reasonable steps to assess these so the valuer can take them into account. With care and goodwill, the procedure works well, but is not without some difficulties.

The *SPFM* procedure is primarily an accounting mechanism and NESPSPG members encounter situations where a transfer at market value (or best price) does not necessarily capture the best value. They have encountered projects where the ability to transfer an asset at below market value has consequently created more value for community once

other quantifiable economic and qualitative benefits were taken into account. Local government procedures now allow more flexibility in this regard. A way forward for the local government-controlled organisations wanting to pursue such a route would be to support the below market transfer with a Treasury “Green Book” type appraisal to demonstrate the economic case for it. Currently, the SPFM allows little latitude for this.

There are times when bodies feel they want to transfer assets at a subsidised price, i.e. at less than market value. The Scottish Government and its associated bodies cannot do this under the SPFM as it would be a “gift”, and there has to be a minister prepared to justify this gift to the Scottish Parliament.

In the past, similar but slightly less-stringent rules have governed local government who could transfer assets at less than market value with the consent of Scottish Ministers under the Local Government (Scotland) Act Section 74, but not otherwise. This option was rarely used. The Local Government (Scotland) Act Section 11 grants more flexibility for mainstream disposals, but it will not affect transfers from Scottish Government and central government funded bodies to local authorities, where the SPFM will apply.

### Policy background

The new Scottish National Party minority administration has shown interest in this field. Through the Efficient Government team, Jim Mackinnon led the Scottish Government AMR (Scottish Government, 2008) of the office properties of the Scottish Government and its associated agencies and NDPBs. Simultaneously, the IS has been working with COSLA and facility managers in local government to provide a report on the management of local authority assets. The AMR has been completed and put before the Cabinet Secretary for Finance and Sustainable Growth who has accepted its recommendations. The IS has reported to the Scottish Government’s Head of the Efficient Government team in the next few months. The policy environment looks increasingly supportive for initiatives such as that pioneered by NESPSPG.

### Conclusion

Since its inception, the NESPSPG in 2001 has established a number of completed facilities on the ground that exemplify productive cooperative working in the creation and management of assets between public sector bodies. They have established a number of conventions and protocols which make joint working easier in the planning and property management spheres. This has led to closer operational joint working in providing more integrated NHS and social services and has enabled the emergency services operate more closely together. For the future, they have a number of schemes in the pipeline for facilities to promote more ambitious joint working. They have identified outstanding problems such as VAT inconsistencies, different provisions for spending capital and running costs and different land transfer mechanisms that they intend to address with public sector partners over coming years to allow the fullest benefits of joint working in the public sector to be realised.

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