# THE TERRIER

THE JOURNAL OF ACES - THE ASSOCIATION OF CHIEF ESTATES SURVEYORS & PROPERTY MANAGERS IN THE PUBLIC SECTOR

VOLUME 23 ISSUE 4 WINTER 2018/19

ACES

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# The Terrier

The Journal of ACES - The Association of Chief Estates Surveyors & Property Managers in the Public Sector

VOLUME 23 - ISSUE 4 - Winter 2018/19

# EDITORIAL

Betty Albon

Welcome to the 2018/19 Winter Terrier.

As you see from the cover, Graeme Haigh has taken on the mantle as ACES President. Those attending at RICS' headquarters at Parliament Square, London in November (surprisingly quiet outside, given the Brexit disruptions) enjoyed an excellent meeting, hosted by the then President John Hughes, with 2 presentations on housing, and of course Graeme's inaugural speech. All aspects are reported in this issue.

The challenges of meeting housing demand feature heavily in this Terrier, especially how to diversify residential stock and modern building construction methods - both aspects should be promoted by the public sector. There is a wide range of professional material, including the DRC valuation guidance, rating caselaw, energy performance measurement, and agreements for IT wayleaves.

At ACES' AGM, important changes were made to the constitution, and these are outlined in the notes of the meeting, and in a fascinating 'past and future' opinion from a past president. Fortuitously, one of ACES' advertisers has prepared an apposite take, of tendering from a consultant's viewpoint.

I'm sure readers will find many useful articles to absorb and pass on to colleagues. My grateful thanks go out to all authors and advertisers who help to make the Terrier a professional and relevant property journal for public sector surveyors.



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Cover photo: Graeme Haigh, ACES President. Photograph kindly provided by Marcus Macaulay.

# ACES ANNUAL MEETING 2018

## PRESIDENT'S KEYNOTE ADDRESS, LONDON 16 NOVEMBER 2018 Graeme Haigh

Ladies and gentlemen, ACES members and distinguished guests. I would like to extend a warm welcome to all of you and thank you all for attending this ACES Annual luncheon event. I can see a good many of you have travelled a long way to be here and we especially thank you.


I first got involved with ACES 7 years ago when I moved south. And it wasn't entirely by my design that I did get involved. A few weeks into my new job, an ACES branch meeting appeared in my diary. I'd never been involved with ACES before; I was busy; and my first thought was to give my apologies and not go, but I didn't and I've been to virtually every meeting since. What I found at that meeting was lively discussion around issues that meant something to me and I was able to make a contribution that meant something to others. And it was great CPD. Fast forward a few meetings and Paul Brookes reinvented the position of Junior Vice Chair so I'd get more involved and I'm glad he did. A couple of years later, I was Branch Chair and that brought me into contact with the national set-up. And here we are.

Surveying is a small world anyway and I'm always totally amazed by how connected we all are, but don't necessarily appreciate it. You might have heard of the theory of 'six degrees of separation'. It's the idea that all people on the planet can be connected to any other person through a chain of acquaintances that has no more than 5 other people in it. Well, I think ACES and the RICS help to reduce that number in the UK surveying world, to possibly one or 2 acquaintances. It's amazing how closely linked we all are in this room.

Years ago, long before I was involved with ACES, I wanted to work in London, which most people want to do at some point. I was interviewed for 2 jobs and in both cases, I was interviewed by people who later became ACES Presidents. I was offered one of those jobs. Thanks, Jeremy. But I couldn't take it in the end. And I don't think Jeremy remembers me from that interview. I didn't get the other job, though. So not so thanks, Andrew. And when I'm recruiting surveyors, I usually find I know somebody who knows them. Rarely, any more than 2 degrees of separation, even across the breadth of the UK. For every CV that passes my desk, I know somebody who knows that person, and it is only one phone call away. And the outgoing President, Neil, and I share an alma mater, Portsmouth University.

I attended a CPD presentation at the University in 2013 and Michael Newey, the then President of the RICS, was speaking. After a while I realised I'd met him some 20 years before, too, but only when he showed a photograph with some of the old Portsmouth University buildings in the background. He visited the faculty when I was a student there, to talk to students about surveying. And the next time I saw him, he was President of the RICS. Small world. I keep bumping into the same people; regardless of how unconnected we might think our paths are, they cross all the time, whether we notice it or not.

And at this year's conference, I was talking with Olly Freedman from Datscha after he gave his excellent presentation. I thought we'd met before, but I couldn't quite place it or understand why we would have met; and neither could he, until we realised we had met in Yorkshire about 9 years ago when we both worked for different organisations. He travelled up from London to give a presentation, only to find the person he'd arranged things with had been off sick for some time and the presentation wasn't in anybody's diaries and nobody relevant was available to see him. I tried to gather some people together, but it was impossible. I clearly remember how polite Olly was, considering, as we sat in my office with me trying - and failing - to pull together an appropriate audience. And when I met him this year, he said we taught him a valuable lesson that


day. And now, he always confirms his appointments **before** he travels. Olly, we were happy to help.

We all think we're in a difficult period at the moment and we're right. The public sector property professional has had to put up with a lot over the last decade. But I had a realisation recently when going through some of my late father-in-law's papers. He spent his life as an architect working for a lot of organisations, including several different councils. I found a programme for an event he attended on 12 March 1991 called: "Doing more with less – Managing in a period of retrenchment and change". Sound familiar? And he'd written notes all over this programme. Those notes, although 27 years old, looked like they could have been written by me - yesterday. It was a stark reminder that nothing's really new. It just looks different in a fresh context. And with the right support networks, like ACES and the RICS, it's easier to recognise such things for what they are, and deal with them.

Life, for me, is all about relationships. And ACES is about relationships: communication across boundaries, making connections, meeting new people with similar problems, and keeping in touch with them. Those people may be at branch level, national level, in other branches, or in other organisations we work with. ACES has the infrastructure to put those people together. ACES does that – it does it very well, in fact.

Branch meetings are the backbone of the Association and the national group is what keeps it all together. Many members diligently attend their branch meetings and don't know about the other work that is being done throughout the ACES community: in other branches, other regions, and at the national level. That's fine if they've chosen to put their efforts where they can best be used, but in many cases, members, and potential members for that matter, are just not aware of the extent and aspirations of ACES and the opportunities within. We need to forge greater links between members, their branches, the National Council and across the branches. By increasing awareness of what ACES is and how it works, we'll naturally engage more and get more people on board.

Running an association like ACES takes effort and coordination, and I recognise the importance of that. A lot of work has been done over the last year to capture the way we'll take the Association forward and we've drawn up a new business plan and made 2 new officer appointments at the national level to help with this. Neil Webster is the new Business & Marketing Manager and Keith Jewsbury is the Branch Liaison Officer. And I'll thank them both now for all the hard the work they've been doing, and for all the help we know I'm going to need over the next year. Thank you very much, guys.

The Business Plan sets out the purpose and vision for ACES, that being, and I'm paraphrasing here, to support our members "to realise the value of public property for the public good". And we're going to do this by: influencing regulators and policymakers; promoting opportunities and best practice; and equipping, supporting and developing our members.

We have clear ideas. Delivering the business plan and ensuring the resilience of ACES into the future will be a main focus for ACES - and me - during my Presidential year.

In 2019, we'll also be launching the new ACES website that will not only be easier to use with more functionality, but it will also help us to promote ourselves better. It's not just about what we do, but how we are perceived. And we're encouraging members and partners to become more active with the website and more active with the social media content. And I promise I'll try and become more active on social media, as well. I've just never done it before.

And I'm also very much looking forward to visiting all the branches and learning about ACES from all perspectives. I intend to meet as many members as I can and try and get a real feel for what we can do in the future. And there are a few things I would particularly like to concentrate on:

1. Growing membership. ACES' Constitution says we are "to seek representation from every local authority and appropriate public sector body", and we will do that. Do all potential members know about and understand the benefits of ACES? I'm sure many don't. Have we been in touch with them? How can we best reach out?

2. Succession planning at branch level. How are things looking for the future? Do some branches need help?

3. CPD. We know CPD at branch meetings is hugely valuable to our members and improves attendance. Can we expand the way we deliver CPD, so that more members can benefit? Sharing speakers across branches; presentation materials and contacts across branches is useful and welcome, as is extending invitations to neighbouring branches sometimes, especially with the geography involved. Sometimes it is easier to travel to a neighbouring branch than your own

4. And I want to encourage people to participate more. Make ACES more part of the day job, rather than 'in addition to'; to get more involved.

And I'd now like to acknowledge and thank a few more people. Thanks need to go out to the rest of the ACES family:

- Our Treasurer, Willie Martin, without whom, we'd all have to worry about the things he has to worry about

- Betty Albon for all her hard work and for making the Terrier and Asset and ACES all it is

- Our National Secretary, the tireless Trevor Bishop. He's spent the last year realising what he's bitten off. Tremendous first year, Trevor

- All the liaison officers who ensure our technical expertise in all the different areas is kept up to date. That's fantastic

- I'd like to particularly thank all those branch members who have given up their time to make ACES the esteemed association it is. Especially those who take on additional roles such as Branch Chair, Treasurer or Secretary. Without you, there would be no ACES; we all know that

- I'd like to thank the RICS for being our closest partner through all this. Thanks, John [Ed – John Hughes FRICS, President of ACES, pictured above]

- Our valued sponsors. We couldn't do what we do without your backing and we look forward to your continued support in the future

- The rest of the Presidential team. Vice President, Peter Gregory (right in the photograph opposite)) and Junior Vice President, Simon Hughes (left in the photograph). I look forward to our year ahead, gentlemen

- Our fantastic outgoing President, Neil McManus. Building on the great work of Daniella the year before, Neil has shown us great leadership and has moved the Association on tremendously. Thanks, Neil

- My employer, the Isle of Wight Council. Their support and understanding allows me to do what I do with ACES. Being, literally, an island, we understand the benefits of branching out. A truly broadminded employer and I'm thankful for that. Many of us who have been in my position know how important it is, and how much our authorities can benefit from us being active members of ACES

- I would like to thank my colleagues of the South-East Branch, some of whom are here today. A better bunch of people I really couldn't

hope to meet. We have fantastic meetings, thank you very much for your support

- My wife, Frances. I shall thank Franny for everything, so when she reads the Terrier, she'll know I've done that! And talking about growing membership, I should probably start at home. She's been a public sector surveyor longer than I have, but she's never been to a meeting. She's very much involved, though

- And finally, with these thanks, I'd like to thank everyone here at the RICS Headquarters for such a splendid do and the hospitality and service we've enjoyed today. A better venue we couldn't have hoped for. Thanks for having us.

The last time I was here, I was with a colleague. We'd had a long couple of days in the city interviewing developers who wanted a site we were selling. We decided to walk back to our train stations, Victoria and Waterloo. We stopped off on a few places along the way, and I said I'd take him to the RICS headquarters and buy him a drink. He's a planner so he'd never been before and I wanted to impress him. The sad thing was, we couldn't get in. They were refurbishing the building and the bar was closed. I told that chap I'd buy him that drink someday, and today's the day.

Thanks very much for coming, James [Ed – see response to the President, James Appleton, in this edition of Terrier].

And now to plug the Annual Conference 2019.

Property changes lives and it's in that vein that I would like to extend a warm invitation to you all to come to the Solent next year. The theme will be 'Adding life with property'. Arrangements are still being made, but it will be held somewhere on the Solent. The dates for your diary are 19-20 September and I look forward to seeing as many of you there as possible.

So, to wrap up. If I could sum up succinctly what I'd like to achieve over the next year, I'd like to get more people more involved. And I'll need your help.

My wife, Frances, often asks me how I do a serious job when I'm not very serious at all. And that's just it. The best work gets done when you can have a laugh and I intend to have fun this year and I invite you all to join in and help me out. Being part of ACES is a journey, not a destination: having fun along the way is all part of it.

Let's do it.

I am humbled and honoured to be your President.

Thank you.

## *ACES Award for Excellence 2018*

And now, let's move on to the main event. It's been my pleasure this year as Senior Vice President to preside over the ACES Award for Excellence in Property Management and today I get to present the award.

The Award for Excellence is our way of recognising and celebrating the high quality of work that goes on in our organisations. It's too easy for ACES members to get on with the job and not take the time to reflect on, and recognise, what their skill and efforts can mean to the lives of those around us. A nomination for this Award, like an article in the Terrier, is an opportunity to share the achievement, so others may be able learn from it, be inspired and possibly emulate that success.

This year, from a shortlist of 6, the judging panel assessed the submissions against a range of criteria including, but not restricted to: innovation; professional skill; value for money; timeliness; and contribution to social community value. We eventually managed to reduce the field to 2 entries whom we felt best exemplified what we are able to do. It was hard selecting a winner and a highly commended runner up, but we did it.


So, firstly, let's congratulate the runner-up in the 2018 ACES Award for Excellence. And the winner of the Highly Commended Award – Bleddyn Evans and Conwy County Borough Council for the transformation of the administrative estate and the development of the new civic offices in Colwyn Bay. Bleddyn has not able to join us today. We'll make sure his award and our appreciation get to him and the team.

And now, the Winner of the 2018 ACES Award for Excellence in Property Management - Raymond O'Kane, Property and Technical Services Manager of East Renfrewshire Council. Raymond isn't able to make it here today and Alan Stewart will accept the Award on behalf of East Renfrewshire Council, so please welcome Alan to the stage.

Raymond and East Renfrewshire impressed the panel with how they contributed to community cohesion and protected education provision by bringing together 2 faith schools of different faiths onto a single site, the only site that was available, while maintaining the individual identities and requirements of each school. And you can read all about what Raymond and the team did in the 2018 Summer Terrier. And we'll be able to catch up on how things have progressed in East Renfrewshire in 2019, as they will be presenting their achievement at the annual conference.

Alan thanked ACES for recognising the work of his colleagues and making the Award to Raymond and the East Renfrewshire team in finding a solution to the faith challenge for the new schools, saying that this made the difference.

This marked the end of the proceedings. The audience was thanked for attending, as was the RICS for hosting the event.

## *The submissions*

| | | |
|---|---|---|
| ***East Renfrewshire Council*** | Joint faith school campus | Requirement for 2 new schools of different faiths, combined facilities, separate parts for religious needs |
| ***Conway County Borough Council*** | Colwyn Bay office development | New offices development in town centre with new ways of working |
| ***West Lothian Council*** | Scottish community asset transfer | Governance arrangements put in place for new community asset transfer legislation |
| ***Essex County Council*** | Employer's agent perspective | The contractual requirements from the employers  agent's point of view |
| ***Suffolk County and West Suffolk District Councils and Concertus*** | Mildenhall Hub | Collaborative partnership involving the county and 2 district councils and other public sector partners for new services hub |
| ***Barnsley Council*** | Land delivery framework | Innovative partnership to set up land delivery framework, including working for other councils |

# RESPONSE TO THE PRESIDENT'S KEYNOTE SPEECH

James Appleton, Head of Planning and Development, Adur & Worthing Councils


Thank you, President, ACES members and guests.

I am honoured, Graeme, that you chose me to respond to your excellent keynote speech. Although I now know why: you just thought that this would be a way of getting out of that free drink. We did end up just up the road, where I had the most expensive pint of Guinness that I've ever had – about £10 – and that's why Graeme still owes me a drink! I would also like to reiterate my thanks for a wonderful occasion. It has been a superb lunch, excellent company and I have really enjoyed meeting the President of the RICS, other guests, and ACES' members.

Of course, I took a slight risk writing this in advance of hearing your speech, but Graeme, I should not have worried.

Now, before I start, I have a confession. I am not an ACES member nor a Member of the RICS; I am not even a surveyor. I am afraid to say that I am a town planner. I was therefore slightly concerned about being surrounded by so many public sector property folk and responding to the President's speech in these wonderful surroundings (far better than the RTPI offices I should add, which are pathetic, compared to these). But I wouldn't expect anything less from an institution of property surveyors.

I was concerned about being a town planner, but then I began to think that those old professional prejudices and snobbishness really are a thing of the past. Our professions now work so closely together across the country, with property and planning teams often under the same head of service or director. As the speakers identified this morning, we need to have a thorough understanding of the issues facing both professions, as they impact on all aspects of land valuation, construction and the delivery of development.

From my own perspective I do not see myself as a planner. For the last 10 years, I have been involved in regeneration, economic development, and more recently as a property developer. And that really is part of the issues of the changing nature of all of our jobs. As a result, my job title keeps changing; I was Head of Growth, then head of Economic Growth, but at my insistence, I am now back to Head of Planning and Development. People understand that title: at least that's a recognised role. We all do need to have a such wide range of skills and competencies these days to operate at a senior level in the public sector; there is a blurring between professions which is healthy and a necessity.

As a planner these days, most development proposals seem to involve some form of viability review. I am involved in endless arguments

about what an appropriate existing use value should be and then we add a premium (whatever that means). Now the National Planning Policy Framework requires all appraisals to be made public, so suddenly everyone is an expert on land values, construction costs, sales values and developers' profit margins. All professions involved with land and property need to work closely together in this increasingly complex and competitive world.

So I can truly say that I am very comfortable to be here and want to tell you something about your new President. A couple of people have mentioned to me that this speech should be like a best man's speech. However, Betty did put me right on that, so I won't dig out too much revealing information, but let's see how this goes. I did want to talk about some of our joint negotiations that highlight the importance of strong links between our 2 great professions.

I first met Graeme 7 years ago when he came down from 'up north' to take on the Estates Manager's job for Adur & Worthing. Graeme had already proved himself as an accomplished surveyor, quickly gaining various promotions while working at Wakefield Borough Council. I say 'up north' because I am not quite sure the Sussex coast was quite prepared for this rather large, brash Yorkshireman, but Graeme quickly established himself as a very competent and respected manager, and we immediately struck up a good professional working relationship and became good friends.

Graeme joined at a point when both Adur and Worthing Councils were still trying to merge their officers' structure. It's not easy, this joint working with a joint officer structure and serving 2 political masters, where both councils wanted to do things slightly differently. The new combined estate teams were still trying to come together and were grappling with a huge workload, staff leaving, challenges about how to move to a joint property database – all these issues you know about. And of course, trying to work out what we owned and what we did with our assets.

Graeme helped to bring the teams together, start to review the councils' assets and more importantly, set the procedures for both councils to start acquiring property. As with many councils up and down the country, suddenly we are all competing to buy property to offset the loss of government grants. Probably your Association has discussed this many times, probably distorting the market as we do so. I learnt a lot from Graeme as we reviewed yields, credentials of tenants and negotiated land and property deals.

I look back in particular and smile at some of our joint negotiations with a certain Premiership club wanting to buy some council-owned land in Shoreham, which had been given to it as part of community gain for football pitches. I think that is when I really understood the dark art of land valuation, which was certainly highlighted during our many months of negotiations. I remember the District Valuer struggling to find precedents or knowing where to start valuing a Premiership training ground. We worked seamlessly together; I sought to negotiate maximum planning gain for the loss of public open space and you were also trying to make sure that elected councillors did not give the land away for free as they were desperate to have the investment of a Premiership club within their district. We must have struck a good deal, as every time I see the director of the club, who is now trying to put a big Ikea on the site, he tells me that the club was stitched up by our parallel planning and property negotiations – he paid too much for the land and I struck too hard a bargain on community gain. By the way, Graeme, we are still spending the s106 money we received!

What can I tell you about your new President then? Graeme is the sort of person that always has an anecdote, a funny story and he is great company. Graeme can talk on most subjects - for hours - and a quick drink with Graeme is never quite 'quick'!

Graeme's most endearing quality though, and what I was always struck by, and why he is ideal for the role of President, is his incredible passion for his profession, and all property matters. I think that he will bring drive and enthusiasm to his role; I am sure he will have a great year as your President. I really wish you all the best.

Finally, may I raise a toast to the Association and your new President. May the forthcoming year bring you all success and happiness in all aspects of life. Thank you.

# RICS PRESIDENT'S ADDRESS

John Hughes FRICS


Thank you for giving me the opportunity to highlight some points I wanted to make.

The first and most important is to congratulate Graeme and the Association on electing Graeme as your new president. Speaking as a president, I know what it means, and I know you are going to have an amazing year ahead of you. I'm sure you will have a wonderful time, and congratulations.

The second thing I wanted to say is to welcome you all to our wonderful headquarters, as I think everybody here realises that it is an absolute jewel. I cannot tell you how it benefits the Institution that it is in this location. We have the enormous honour that next Tuesday we are going to receive Her Majesty the Queen for a visit. This will be a special time.

I would like to take this opportunity to talk to a room full of surveyors about the future of RICS and the forthcoming vote. I want to implore everybody to look at the information on the website about changing the structure of the Governing Council, to add a new role of Chair of Council, and to bring together a new board which will combine the regulatory and standards elements of RICS. This is an important vote [Ed – voting closed on 26 November. See https://www.rics.org/uk/news-insight/topics-trends/future/ for the latest information].

Thank you all for being here and finally again to congratulate Graeme and ACES.

# NOTES OF ACES ANNUAL GENERAL MEETING HELD AT RICS HQ, 12 GREAT GEORGE STREET, LONDON ON 16 NOVEMBER 2018

Trevor Bishop MRICS, ACES Secretary

The Secretary reported 49 apologies for absence. The minutes of the Annual General Meeting held in Cardiff on 17 November 2017 were approved as a correct record.

### *Annual report of Council*

The President, Neil McManus, and Secretary, Trevor Bishop, presented a comprehensive report on the work of Council and the Association for the year 2017/18 which was approved by members. The Secretary thanked all the liaison officers and branch representatives for their reports and for their valuable contribution to a successful year for the Association.

### *Financial matters*

The Honorary Treasurer, Willie Martin, presented his report (photo overleaf) containing the accounts for the period ending 30 June 2018, with recommendations for subscriptions for the coming year.

It was agreed to adopt the accounts as presented and to maintain the annual subscriptions level at £125 for full members, £80 for additional full members and associate members, and retain the current £40 for retired members. It was further agreed to retain Wortham Jaques as the auditors for the coming year.

## Annual conference 2018, Cambridge

The President reported on the Annual Conference 2018 held in Cambridge.

The President noted a very successful event, providing good value for money and excellent feedback from delegates on the speakers and networking opportunities. The conference was held over one day, comprising 14 speakers, followed by the gala dinner.

It was noted that several lessons learned from the event need to be carried over into the 2019 conference, particularly with regard to input required for a successful conference.

## Membership review

Following the recent member survey on membership of the Association, the President presented a report on proposals put forward by National Council to extend ACES' membership to private sector individuals who are wholly or substantially working for or on behalf of the public sector.

The proposal was approved.

## Business Plan and Business & Marketing Manager

The President presented a report which set out proposals for the adoption of the ACES Business Plan for 2018-21 and the appointment of Neil Webster to the new role of 'Business & Marketing Manager'. A copy of the business plan as an appendix to the report was made available to members for information.

The following proposals were approved by members:

a. The final draft business plan attached as the appendix as the agreed framework for formal sign-off

b. That the business plan is a 'living' document, with responsibility for updating it including setting target dates and identifying the owner for each action in the 'Action Plan' being delegated to the ACES Council.

c. The appointment of Neil Webster to the role of Business & Marketing Manager.

## ACES Constitution

The Secretary presented proposals for amendments to the ACES Constitution and Rules, following developments with the business plan, member review and other matters. The changes comprised a new set of ACES' objectives, an additional criterion for ACES membership, and an additional paragraph relating to the financial position of the Association.

The proposed amendments were approved.

## Rebuild of ACES' website

The Secretary provided an update on progress with the proposed rebuild of the ACES website. Following the procurement of specialist advice, a detailed requirements matrix had been developed for the new site and this was attached to an invitation to tender. At the time of reporting, details of tenders were awaited, and the Secretary undertook to keep members informed of developments.

## MHCLG/ACES Working Party

It was agreed that the following members serve on the Working Party for 2018/19:

B Albon, L Dawson, H McManus, N McManus, G Haigh, P Over, J Pilgrim, D Barrow, N Webster and T Bishop.

## Officers of the Association

The following were approved as officers of the Association for 2018/19

| | |
|---|---|
| President | Graeme Haigh |
| Senior Vice President | Peter Gregory |
| Junior Vice President | Simon Hughes |
| Immediate Past President | Neil McManus |
| Secretary | Trevor Bishop |
| Treasurer | Willie Martin |
| Editor | Betty Albon |
| Business & Marketing Manager | Neil Webster |
| Hon Auditor | Wortham Jaques |

## Liaison officers

| | |
|---|---|
| Compensation | Roger Moore |
| Valuation | Michael Forster |
| Rating & Taxation | John Murray |
| Housing | Rachel Kneale |
| Corporate Asset Management | Vacant |
| Commercial Asset Management | Andy Kehoe |
| Rural Asset Management | Rachel Howes |
| Performance Management | Jeremy Pilgrim |
| Sustainability | Lee Dawson |
| Consultation | Peter Gregory |
| RICS | Sam Partridge & Daniella Barrow |
| MHCLG/ACES | Heather McManus |
| Post Graduate Courses | Malcolm Williams |
| Health & Wellbeing | Neil Webster |
| Regeneration | Paul Brooks |
| Branch Liaison | Keith Jewsbury |

It was proposed that Corporate Asset Management and Commercial Asset Management be merged and the Secretary would request Andy Kehoe's acceptance of this merged role.

## Council membership

Richard Allen and Tim Foster were elected to serve on Council for 2018/19 representing Past and Honorary members of the Association.

Chris Rhodes, Tom Fleming and Paul Over were elected as directly elected members of Council for 2018/19.

## Future meetings

The following meetings were noted (see below):

As there was no other business, the meeting closed and was followed by 2 presentations from Tom Walker of Homes England and Nick Taylor of Carter Jonas [Ed – see this edition of the Terrier for full notes of these presentations] and the annual lunch. Thanks to Carter Jonas for sponsoring the event.

| | | |
|---|---|---|
| Annual Conference | 19 September 2019 | The Solent |
| Annual Meeting | 15 November 2019 | Glasgow |
| Annual Conference | September 2020 | Rochdale |
| Annual Meeting | November 2020 | London |
| | | |
| ACES Council | 25 January 2019 | Guildhall, London |
| ACES Council | 12 April 2019 | Guildhall, London |
| ACES Council | 12 July 2019 | Venue tba |

# MEMBERSHIP Trevor Bishop

I list below the changes in membership between 1 October 2018 and 31 December 2018

### *New members approved*

There were 11 new applications approved during the period:

| First Name | Surname | Organisation | Branch Ref |
|---|---|---|---|
| Alison | Boote | Tandridge District Council | SE |
| Monique | Clarke | Taunton Deane Borough Council | SW |
| Antonio | Fernandes | Mole Valley District Council | SE |
| Audrey | Greenwood | Lowland Reserve Forces and Cadet Association | S |
| Howard | Lock | London Borough of Greenwich | L |
| Simon | Marsh | London Borough of Greenwich | L |
| Robert | Morris | London Borough of Greenwich | L |
| Belinda | Prichard | London Borough of Harrow | L |
| Moira | Walker | West Dunbartonshire Council | S |
| John | Wiggins | Preston City Council | NW |
| Ben | Winstanley | Vale of Glamorgan County Council | W |

### *Members transferred to past membership*

2 members transferred during the period:

| First Name | Surname | Branch Ref |
|---|---|---|
| Tony | Bell | NW |
| Julian | Stanyer | L |

### *Resignations*

The following 14 members resigned during the period (Note, some of these left their organisations during the year without formally resigning, but have not taken up membership in the 18/19 year):

| First Name | Surname | Organisation | Branch Ref |
|---|---|---|---|
| Dave | Beament | | L |
| Martin | Bovingdon | | SE |
| Kelly | Dickerson | Kier Business Services | NE |
| Ian | Hoole | Lancashire County Council | NW |
| Joe | Keys | | L |
| Jessie | Lea | London Borough of Lew-isham | L |
| Toks | Osibogun | London Borough of Wand-sworth | L |
| John | Overs | | NW |
| Anne | Parker | Government Property Agency | L |
| Mary Anne | Robb | North Lanarkshire Council | S |
| Ruth | Rutter | Leeds City Council | NE |
| Rob | Scott | Northamptonshire County Council | HE |
| Debbi | White | St Albans City & District Council | E |
| Dave | Wood | Wood Strategic Property Consultants Ltd | NE |

### *Membership:*

Summary of current membership at 31 December 2018:

| Total membership | |
|---|---|
| Status | No. |
| Full | 222 |
| Additional | 56 |
| Honorary | 33 |
| Associate | 28 |
| Retired | 41 |
| **Total** | **380** |

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The Terrier

**ACES Secretary**: Trevor Bishop MRICS
16 Neargates
Charnock Richard
Chorley PR7 5EY

07853 262255
01257 793009
secretary@aces.org.uk

**ACES Editor**:
Betty Albon FRICS
editor@aces.org.uk
bettyalbon@gmail.com

ACES

# HOMES ENGLAND

Tom Walker

*Tom is Deputy Chief Executive of Homes England. Tom.Walker@homesengland.gov.uk. He has been Deputy Chief Executive of Homes England for just over one year.*

When I joined, it was the Homes and Communities Agency (HCA). I will talk about our role and our vision, and how we might work with ACES' member authorities. Before this, I was Director of the Cities and Local Growth Unit (which cut across DCLG and BIS), and I spoke about government plans at ACES' annual conference held at Salford Quays in 2015. The ACES tote bag I picked up there has travelled widely since, including Brittany.

If I'm honest, ACES is not the sort of organisation that leaps out and lobbies, like the Local Government Association, RICS and others. Nevertheless, it is hugely important in what members do and there are untapped opportunities in terms of the work Homes England does and the leadership you provide.

Today I am going to give you an overview, but I also welcome pointers to enable me to engage with this community of professionals, as opposed to all the other groups we see, in the spirit of being able to join up.

Tom took a straw poll of how many of the audience worked with Homes England on a day to day basis, as opposed to those of you who never worked with it. The audience was split roughly 50/50 [Ed – bear in mind that the audience included a fair proportion of retired surveyors].

### *A new agency*

Homes England (HE) has the same legal framework as HCA, which incidentally I took through Parliament 10 years ago. We're the government's housing accelerator and have very wide-ranging powers – regeneration, property, investment powers for the agency. So HE is about a new mandate, a new mission, a new political imperative. The housing crisis is a real generational crisis across the country. It is a national issue, which I think there is now – compared to presenting this talk a few years ago – genuine political cross-party consensus in believing that increasing housing supply is necessary.

The agency was formerly launched in January 2018 to play a major role in fixing the housing market by driving housing supply. We are narrowing our focus, so we are much less focussed on the traditional regeneration activities. We are growing in size and are acutely aware that we are one of the only parts of the public sector that is growing significantly: there are nearly 750 employees – with the ambition to double over the next 18 months. This is different to my last decade of employment, when I was used to reducing teams at Whitehall and generally downsizing. Clearly we will be fishing in some of the talent pools that ACES relies on, so we must work together on this, as HE has an underlying theme of working in collaboration with ambitious partners.

The graphics show HE's internal values. Although we are a public body, we are essentially a commercial organisation and the workforce is property professionals, so I am an outlier, brought in to set the strategy/policy work with government.

We are a creative, problem-solving organisation, working with whoever wants to work with us, to drive solutions to the housing market. Looking around this room, it is largely a male audience. We have a massive role to play in terms of industry leadership on diversity. ACES has a role to play here, particularly in bringing more female leadership and broader ethnicity into our organisations.

## Who are we?

- We were launched in January 2018 to play a major role in fixing the housing market
- Nearly 750 employees – with the ambition to double over the next 18 months
- Work in collaboration with ambitious partners

## Our mission & objectives

To intervene in the market to ensure more homes are built in areas of greatest need, to improve affordability

This is a challenge for the profession as a whole, and ACES' new President should address in his year the issue of promoting careers and sharing talent.

We have the appetite, influence, expertise and resources to drive positive market change. By releasing more land to developers who want to make a difference, we're making possible the new homes England needs, helping to improve neighbourhoods and grow communities. So we welcome partners who share our ambition to challenge traditional norms and build better homes faster.

### ***Strategic Plan***

The Strategic Plan was published in autumn 2018, the day after the Budget. The new HE is all about making homes happen – and our new 5-year plan sets out our ambitious new approach. We are committing to boosting housing supply, productivity, innovation, quality, skills and modern methods of construction, to help make a more diverse and resilient market.

The plan contains both detail and a very clear narrative about what HE is here to do. The agency hasn't had a plan of any sort for a few years. It talks about the national priority of housing which HE has been set up to drive over a sustained period. It covers vision and objectives. Within the next few years, we will have invested over £27bn across our programmes. Our 5-year plan sets out the steps we'll take, in partnership with the sector, to achieve our commitments.

<u>Our mission and objectives</u>

Although there is national acknowledgement of the issue, between numbers 10 and 11 and the Departments, there has never really been clarity of mission. There has been a lot of focus on planning reform and the new NPPF; we have had raft after raft of new funding envelopes at every spending review, but at HE, we have been very tied to individual programmes and output targets against inputs, rather than the sense of an organisation tasked with solving the housing crisis. There is now a fundamental shift in who we are and how we deliver, which is moving from very silo-based to a mission-based, problem-solving organisation.

Our mission is "to intervene in the market to ensure more homes are built in areas of greatest need, to improve affordability". Ministers at the top level have agreed with this mission statement. The slide illustrates those 6 objectives, working in partnership:

- Unlock land – HE has a major role in unlocking public and private land where the market won't deliver. This is number 1 priority and there is a role for national and local government in being active in the land market to drive supply. It is not about squeezing out what the private market does, but there are plenty of sites which are land-locked or have too high infrastructure costs, etc, where HE will take a role. The Budget approved a £1bn land assembly fund on top of our existing programmes to do that
- Investment – HE runs a development bank, putting investment and loan finance towards increasing equity into partners, whether for long-term infrastructure funding or into SMEs, to aid their cash flow. We are always interested in innovative approaches to finance
- Construction productivity – HE has a major role in improving construction productivity. We have a market-making power; we need to work on the skills agenda; we need to work with professional bodies like ACES
- Create more resilient and competitive markets – this was a key part of the Housing White Paper published in 2017. This is about diversifying the provider base and investing in new SMEs. This links to HE's financial instruments. We also have a commitment not just to housing numbers, but higher quality, better place-making ,etc
- Expert support for priority locations – this is really my role, to lead HE's relationship with places. In my old job, I was involved in the local growth agenda and devolution powers to city regions. Now as an agency, we know that capacity is limited in local government; using our national-scale expertise and partnering in a problem-solving way gives us the greatest chance of success
- Effectively deliver home ownership products – this is about Help to Buy, which HE administers. It is a huge loan book, with now over 100,000 customers. There are to be some changes to this regime.

That new mission contained in the Strategic Plan focuses on land, investment and place. Members of the audience involved in this field should look at the plan and have conversations with our regional offices.

### ***Unlocking land***

Northern Arc in Burgess Hill is a flagship scheme which will deliver more than 3,500 homes plus schools and leisure

## Strategic Partnerships

- We've announced **15 Strategic Partnerships**
- with over **£1.2bn investment** delivering
- **27,755 additional affordable homes** by March 2022

facilities. The site had been stalled for 10 years due to:

- Fragmented land ownership
- Remediation and servicing costs
- A lack of strategic infrastructure.

HE acquired that site in 2017 and is progressing its delivery. We are working closely with Mid Sussex District Council.

One of the issues in housing delivery has always been the expectations of land owners and developers towards values and levels of profit. HE's approach has adapted since mid-2017, when the Executive Director on Land, Stephen Kinsella was appointed. He has significant experience working at housing associations and at Barratts. HE teams are thinking about this issue, particularly at policy level, and in the light of the Letwin Review. It is a question of pace, profit, removing risk, and the technical issues arising out of this. HE is intervening to absorb much of the risk.

### *Unlocking investment*

We will ensure a range of investment products are available to support housebuilding and infrastructure. We will target higher risk or less commercially viable smaller businesses and infrastructure.

Investment products include:

- £100m of HE funds has been put into Barclays lending alliance to SMEs for house building. This has unlocked over £800m of Barclays' investment, which is now administering that scheme
- JV with Kier's residential arm – equity stake, to undertake direct delivery. We are interested in entering into such partnerships with local authorities, using HE's financial leverage in different ways
- 15 strategic partnerships with housing associations (see diagram), which need funding stability to leverage private finance.

### *Strategic partnerships*

These are essentially money up front for guaranteed housing delivery. We have put £1.2bn into these partnerships; delivery plans are in place. This has happened quickly through 2018. This increases the rate of delivery significantly. This is largely due to the financial certainty which HE can provide with partnering RSLs. This is a different approach – less site specific, less programme-driven, more about unlocking development through partnership.

### *Supporting local areas*

We'll offer expert support for priority locations, helping to create and deliver more ambitious plans to get more homes built. Housing affordability is a problem throughout England. It is particularly acute in certain areas such as the south east, so HE will concentrate activities here, but not to the exclusion of the rest of the country; funding is being tilted towards the areas of greatest housing pressure. In other areas, you will need to make your cases more forensically and bring it to us through your regional HE team.

Opportunities for significant growth exist in other parts of England, such as the development of High Speed 2 and new settlements - we hope to take a major role alongside major infrastructure investments, including the Oxford-Cambridge corridor and new east-west rail connection. This gives great opportunity. We have committed to form a joint delivery team with the West Midlands Combined Authority.

### *Our commitment, our expectations*

We cannot deliver alone the homes England needs. We must work with partners such as your professional institute and private sector partners, in a creative way across the sector.

In return we ask you to:

- Be more ambitious in how you use your own resources and capacity to significantly build more homes
- Commit to delivering supply at pace
- Build high quality homes and places
- Innovate and plan for the future.

If this resonates with your authority, we would love to be in touch to take it further. This is a genuine offer; HE has a huge role to play and wants to talk to you about sites, as well as talent, recruitment and diversity. Please phone or email me.


# AN INDEPENDENT REVIEW OF THE LETWIN REVIEW

Nick Taylor

*Nick is a Partner and Head of Planning at Carter Jonas. Nick.Taylor@carterjonas.co.uk*

I have been practicing for 30 years. During that period, there has never been a time when there hasn't been some kind of review of the planning system. When I started in practice in 1988, it was about the economy, with planners being accused about the situation. The debate has moved on and it is now that we are not delivering sufficient housing; the planning system is constantly under scrutiny, in most cases for the better, but here we are reporting on another review.

I will give a summary of the key elements arising out of the last year, and include my own independent view of the Letwin Review.

## *Terms of reference, Autumn Budget 2017 and MHCLG January 2018*

The Budget statement in autumn 2017 set up the review, whose definition was vague, until January 2018, when Home Secretary, Sajid Javid explained in a letter what the remit was:

The Review should seek to explain the significant gap between housing completions and the amount of land allocated or permissioned in areas of high housing demand, and make recommendations for closing it. The Review should identify the principal causes of the gap, and identify practical steps that could increase the speed of build-out. These steps should support an increase in housing supply consistent with a stable housing market in the short term, and so that over the long-term, house prices rise slower than earnings. The review will provide an interim report to the Chancellor of the Exchequer and the Secretary of State for Housing, Communities and Local Government in time for the Spring Statement 2018 and a full report for Budget 2018.

The Panel members to work with Sir Letwin were Richard Ehrman, Lord Jitesh Gadhia, Lord John Hutton, Baroness Usha Prashar, and Professor Christine Whitehead. The balanced panel included a developer, a journalist, a cross-party peer, an Emeritus Professor in economics, and former Secretary of State. The reasoning was that the government had to understand the problem first, before it could start bringing forward the solution.

## *Interim update to HM Treasury and MHCLG, March 2018*

Only 2 months into the review, Letwin qualified further what he was going to review. The first focus was to look at the reasons for delay in build out rates. He also qualified the review to focus only on larger sites, rather than all sites, as included in the remit. Large sites were defined as being over 1,500 units. This was decided, following discussions with local authorities, developers, promoters and others involved in the industry, who identified that the problem concentrated on the larger sites, which had sometimes been allocated for 10-20 years, but were not coming forward when they should do. He was also not going to address the planning side of delays, but rather at the stage when sites have an implementable planning consent and it should be able to start on site – so what are the problems?

The interim findings, posed as 7 questions, are delays a combination of commercial and industrial constraints, including:

- limited availability of skilled labour?
- limited supplies of building materials?
- limited availability of capital?
- constrained logistics on the site?
- the slow speed of installations by utility companies?
- difficulties of land remediation? and
- provision of local transport infrastructure (macro and micro)? Barking Riverside was used as an example of macro transport issues of the Docklands Light Railway being extended; at a micro level, would the local bus company divert the services through the site to serve the residents?

The main issue identified was about land and its price. This seems to be the critical problem, defined as the 'absorption rate'.

### *Absorption rate: main influence on building out rate*

The absorption rate is the sale rate at which the house builders will release their properties without materially disturbing the market price. They control the rate at which they release, because they bought the land at a price which reflects second hand and new homes in that market. They do not want to flood the market which would bring the prices down. So they are effectively controlling the market.

The rate is a function of the type of house being sold (size, design, context and tenure) and price. It is under the control of a single housebuilder so there are no different price-points and/or different tenures: it is an homogenous product, commonly of 4-bed houses; there is generally no internal competition; and there is only a finite market. The big housebuilders will not compete against each other on price and product.

Tenure/cross subsidy is a significant factor and delays affordable housing delivery. An unintended consequence of the planning system is where the LPA requires the market and affordable housing to sit alongside and integrated in the development. If the market isn't releasing its properties quickly enough, it won't be releasing the affordable housing sites either, which is frustrating for this sector (and is something Homes England (HE) wants to address).

Letwin stated the options to be considered:

- would the absorption rate, and hence the build-out rate be different if large sites were 'packaged' in ways that led to the presence on at least part of the site of other types of housebuilder offering different products in terms of size, price-point and tenure? Or the major house builders offering markedly differing types of homes and/or markedly different tenures themselves? Diversity is a key theme in the review

- would the absorption rate be different if the reliance on large sites to deliver local housing were reduced? Some LPAs have very large sites allocated to meet housing targets, and these can be the ones which take 10-20 years and still may not be delivered

- what are the implications of changing the absorption rate for the current business model of major housebuilders, if the gross development value of sites starts to deviate from the original assumptions that underpin the land purchase? Letwin returns to this point.

### *Draft analysis, June 2018*

Letwin identified that land pricing is the single biggest problem which has to be dealt with. He also said that the supply of sites to the market needs to be increased, through less reliance on big sites, and bring forward more smaller sites. In summary:

1. Implications of gross development value deviating from assumptions of land purchase:

    - The number of new homes will not put downward pressure on the price of second-hand homes, which is the benchmark for the value of new homes

    - The absorption rate is critical and it should not weaken the market

2. Increase build-out rates by reducing reliance on large sites with a combination of:

    - Package large sites into smaller sites

    - Planning system deliver more small sites

3. Differentiating product to address differing markets

    - On the larger sites, offer varying types, designs and tenures, and distinct settings, landscapes and streetscapes – by doing so, absorption rates and thus build-out rates could be substantially accelerated. The sites would still include an element of the standardised house type, but have the variety of open market sale, open market private rented, discounted or affordable rented and social rented, and specialist housing (student, retirement etc).

<u>Other potential constraints</u>

Of the 7 points that Letwin identified for further consideration, he drew the following conclusions, most of them being delay:

1. Lack of transport infrastructure (delays the start, not the build rate): "construction of major infrastructure is driven by the need to release large, allocated sites for development"

2. Difficulties of land remediation (delays the start, not the build rate): complications of ground conditions

3. Delayed installations by utility companies (delays the start, not the build rate): inadequate provision of notice and confusion on roles and responsibilities; they are problems to be fixed, mainly due to a lack of joined-up thinking and communication between utility companies and housebuilders

4. Constrained site logistics (not a constraint): once on site, large housebuilders know what they are doing

5. Limited availability of capital (not a constraint, but could impact SMEs on large sites): when you bring more of them onto larger sites, they do not have the working capital and will need help (HE finance will help)

6. Limited supply of building materials (only bricks): not a major constraint, while they can easily access European sites

7. Limited availability of skilled labour (bricklayers).

A recommendation to government is to encourage discussions between government departments, major housebuilders, the Construction Industry Training Board and trade unions, for new models of employment/ training programmes.

## *Land banking by the major housebuilders*

This has been a fundamental question for recent years. Letwin concluded that land banking doesn't happen. However, absorption rates on large sites is a form of land banking, but not for the reasons you think. The general proposition has been that developers have been hoarding land, controlling the market, and by releasing the supply of land, they were forcing up the price. Also, value was increasing over time, so there was interest in holding the asset for as long as possible.

There was no evidence of this. While they do hold large land banks, the housebuilders said that that was a product of the way the planning system operates, and was a function of their business cycles. Housebuilders seek to replenish land portfolios as part of the planning system (5-year housing land supply and development plan reviews). Also, holding a large land bank does not drive slow build-out rates.

There was some evidence that landowners, having secured planning permission, will hold back from marketing the land, in the hope that the market will rise, but this is not what housebuilders want to do.

## *Final report, October 2018*

There are 2 key areas that Letwin suggests for change to address the slow build-out rates on large sites in areas of high housing demand: a new planning framework and financial intervention.

A new planning framework:

1. New planning rules for large sites (1,500 arbitrarily picked) – primary and secondary legislation changes, a new planning policy document annexed to the NPPF (NPPF3 or an adjunct?)

2. Housing diversification on large sites should be a reserved matter (type, size, style, design and tenure mix, also older people's housing, student housing, custom and self-build) applying to each phase. **This is key, for every phase of a large site, and should be mandatory**

3. Offsite contributions to affordable housing on large sites should not be sought: all on-site and delivered for each phase

4. If it is not viable for the housebuilder to take on market risk for the different sectors, evidence should be submitted on how the site will be offered to the market to another housebuilder, which may be able to perform. The recommendations do not explain how this will work

5. National Expert Committee to arbitrate and advise applicants/LPA (see below)

6. Apply from 2021 onwards, so short-term financial incentives to change and planning permissions/ s106 agreements may need to be amended, <u>voluntarily</u>

7. Large sites viability fund to be administered by Homes England.

<u>National expert committee</u>

The basic features:

1. Non-statutory body of independent specialists run by MHCLG

2. Meet 5 times a year

3. Chair will report to Ministers and the Department's Executive team

4. Planning Inspectorate consult the Committee for appeals where an applicant/LPA disagree on diversity

5. Members will be drawn from a diverse background and will volunteer services

6. Administrative costs to be met by MHCLG

7. Diversification criteria. This is key and explains what is meant by diversity criteria

    - Is a suitable variety of tenure, type, size, design and specialisation achieved?

    - Do the diversified homes address different local housing demands?

    - Will the masterplan, diversity plan and design code maximise the build-out rate?

Solutions for slow build-out rates on large sites in areas of high housing demand propose a new development structure. This is probably the most controversial part of the review. During the whole review period of about 12 months, none of this was particularly signposted, except broadly in terms of the question of the value of land.

A new development structure in the future. Outline of proposals:

1. LPA to designate single sites to be developed as a single site, say of 3,000 units, which cuts across all ownerships. There are 2 different models (see 3 and 4 below), both intervening to deliver houses in the local market place

2. Publish updated viability guidance (no details)

3. Local Development Company (LDC) - establish a masterplan/ design code, private capital via non-recourse special purpose vehicle (SPV), to buy land and invest in infrastructure at the lowest margins, parcel up the sites and market, receipts to SPV to ensure diversity – land purchased at reduced market value and any surplus available to LDC

4. Local Authority Master Planner (LAMP) - establish a masterplan/ design code, privately financed Infrastructure Development Companies to purchase the land, develop infrastructure and promote diverse housing types – land purchase based on lowest margin and any surplus shared with LAMP

5. Initial seed funding from MHCLG Land Assembly Fund

6. Either vehicle should have CPO powers and also to LPAs to implement for stalled large sites

7. Community Land Trust to provide and manage shared ownership properties, where land is publicly owned

8. LDC/LAMP will be vehicles which know the local market and be best placed to assess and meet market demand locally.

These models are complicated, but show how the review is proposing to deal with the major issues experienced in the current market.

## Industry reaction

The RTPI expresses support, but recommends that it needs to apply not just to large sites, as this is just a small part of the market, and the government needs to be involved right across the market. The RICS expresses support, but has concerns about the pressures on already stretched planning teams, which will not be able to cope, so how can it be delivered?

Embedded in the review is the assumption the land is worth vast sums (eg, Surrey prices of £2m an acre). No evidence is given as to why the level above which land values would be expropriated by the state without compensation (which, after all, would be the effect of the proposal) is set at 10 x EUV. So as an example, agricultural land is worth £10,000 an acre, so the vehicle will pay £100,000 and the state will take the £1.9m. This is a model that is used on the continent, and so far, the government hasn't commented further!

For pre-2021 sites, financial incentives (ie government funding) would be available for housebuilders to accept diversity changes via a s106 agreement, but what if the developer didn't want to change? Recommended voluntary action will not necessarily be taken up.

There is a rumour that Letwin had been considering a model to capture more of the uplift in value. This has parallels with Jeremy Corbyn's proposal for an English Sovereign Land Fund, where 100% of land value would be taken, and then directed to other parts of the country which have lower land values. It is thought that the Treasury does not support this idea.

Will the private sector lose interest in the larger sites, thus only leaving the public sector to progress housebuilding? Surely this is not the intention? But would it drive land speculation completely out of the market? If you take hope value out of the equation, there is no incentive to stay in the market. It would not necessarily be a good thing to drive all private housebuilders – good and bad – out of the market, and would distort the market considerably.

The Homes England Strategic Plan for 2018-2023 states that it will use "land, money, powers and influence to increase the pace, scale and quality of delivery" [Ed – see Tom Walker's presentation in this edition of Terrier]. Therefore, do we really need LDCs and LAMPs and further changes to the planning system?

With a removal on the cap for local authorities to build housing, already 60 LAs have promised to build houses at rates not seen since the 1970s. in London, we are already seeing LAs like Croyden (Brick by Brick Development Company) getting involved, but on a slightly smaller scale.

I find the subject of land value capture fascinating. There is no land speculation on the continent and therefore land is bought at existing use value. Will that happen here?

## Government reaction, Budget 2018

The budget announcement: "Alongside the Budget, Sir Oliver Letwin has published his independent review of the gap between housing completions and the amount of land allocated or permissioned. The review found no evidence that speculative land banking is part of the business model for major housebuilders, nor that this is a driver of slow build-out rates. The review concluded that greater differentiation in the types and tenures of housing delivered on large sites would increase the market absorption rates of new homes – the binding constraint on build-out rates on large sites – and has set out recommendations to achieve this aim. The government will respond to the review in full in February 2019."

This whole land value topic is just political dynamite, which is proposing intervening in the market in a way that the government has never done in this country. Development tax has often been discussed, but who knows? We might have a change in government by then and Jeremy Corbyn's Labour Government may have already introduced an English Sovereign Land Trust…

# DIVERSIFYING THE MARKET WITH CUSTOM, SELF-BUILD AND COMMUNITY-LED HOUSING

Mario Wolf

*Mario is the Director of the Right to Build Task Force, an independent body set up as an initiative by the National Custom and Self-build Association to support local authorities, community groups and a range of other stakeholders – including landowners – on ways to bring on more custom and self-build housing.*

*A chartered town planner, Mario is on secondment from the Ministry of Housing, Communities and Local Government, where he has most recently led the implementation of the government's starter homes policy. Prior to this he led the government's custom and self-build homes programme, which culminated in to the introduction of the 'Right to Build' set out in the Self-build and Custom Housebuilding Act 2015.*

*In 2015 he was seconded to NaCSBA to lead a research and development project which introduced the first comprehensive implementation toolkit for custom and self-build housing in the UK.*


Following on from the presentation on custom and self-build by Richard Bacon MP (the instigator of the legislation) at 2018 ACES Conference Cambridge (reported in 'Asset 2018'), Mario here outlines progress in this important arm of housing provision, and one where the public sector could be involved.

## *Role of the Right to Build Task Force*

In 2016 the Right to Build legislation came into force, changing the arena for custom and self-build, in that it gave everyone in England the opportunity to follow their dream of having a customised home, by signing up to the Right to Build registers.

Currently, the National Custom and Self-Build Association (NaCSBA) reports that there are over 40,000 people signed up to do this (1). For councils, this means they must have consideration of these numbers with regard to planning, regeneration and, of relevance to estates surveyors, land disposal.

The Right to Build legislation is helping alleviate the issues of finding land and obtaining planning permission, as English councils must now take note of them and permission sufficient serviced-plots to meet this demand. While most councils are working on ways of delivering this, many need expert help into routes and options, and not least the question of land supply.

This is where the Right to Build Task Force can help. Unlike NaCSBA, which lobbies to grow the sector, the Task Force has a duty to work with a range of stakeholders to advise them on ways they can bring on more custom and self-build, including local authorities, landowners and managers, developers and also community groups.

Based on the successful model that helped double the custom and self-build market in the Netherlands, the Task Force works with a range of stakeholders to advise them, helping them to diversify the housing market. Where this ties in with the Right to Build is that the Task Force is able to share examples of best practice from innovative authorities that are working to fulfil their duty under the legislation, and support other councils to permission plots that suit local needs.

## *Right to Build explained*

The 'Right to Build' places 2 legal obligations on local authorities in England:

1. Under the Self-Build and Custom Housebuilding Act 2015, local authorities in England must keep a register of people and groups of people who are seeking to purchase serviced plots of land in the authority's area and to have regard to that register when carrying out their functions.

2. The Housing and Planning Act 2016 requires all these local authorities to grant sufficient 'development permissions' to meet the demand for custom and self-build housing in their area, as established by their register, on a rolling basis. Permissions equivalent to the number of people on the register from 31 October 2016 to 31 October 2017 should be granted by 31 October 2020 and so on.

The Task Force is funded by the Nationwide Foundation, and a condition of its support is that it concentrates on promoting custom and self-build that is affordable and at scale. Not only is it helping to normalise the sector, making it a real alternative to mainstream


housing supply, but it is working to create additional streams of housing to complement the current open market.

Since the introduction of the Right to Build, the outlook for the sector has improved dramatically, with more recognition in policy of the role custom and self-build has in diversifying housing supply and building stronger communities.

In England this is evidenced in the new National Planning Policy Framework (NPPF), while the recently published Edition 10 of Planning Policy Wales references the importance of the route. Scotland is currently amending its 1997 Planning Act for Scotland to require councils to include a list of sites for self-build in local development plans.

Policy improvements have been underpinned by reports that advocate the model as a route to more and better housing. Sir Oliver Letwin's 'Independent Review of Build Out Rates' (2) [Ed – see summary of Nick Taylor's presentation at ACES' Annual Meeting in this issue of Terrier] found that a mixed approach to housing would speed up build-out. Effectively, this is about how large sites can accommodate custom and self-build, especially through the parcelling of land into smaller dedicated sites.

RIBA also showed support for the sector in its 'Ten Characteristics of Places where People want to Live' (3), which advocated putting the "necessary infrastructure in place to enable increased delivery of self-build homes", as well as an improved process of land assembly and stewardship that would support the selling and provision of custom build plots.

There's plenty of scope for growth too, as in some European countries between a third to a half of all new homes are organised or built by people themselves, while in the UK less than 10% are delivered this way. Currently the sector is producing around 13,000 homes in the UK via the route, which the Task Force is working to increase through its advice.

## *Larger sites*

Traditionally, land supply was one of the biggest barriers facing self-build, and the search for individual plots to build on remains challenging. However, custom and self-build opportunities on multiple-plot sites are changing dynamically the situation for self-build at scale.

With these models, a significant number of opportunities are brought on together, with the infrastructure and some form of planning permission typically in place before the site is marketed, offering security to purchasers and making the entire process of building much easier for the average consumer.

As in Europe, the ways these sites are delivered incorporates a range of models, with some purchasers having to choose from a developer's suite of options, such as house designs and configurations, or there may be far more freedom for people to design their own home, using an architect or manufacturer of their choice.

Sites that offer greater freedom typically use a design code and Plot Passports to create a framework for what can, and can't, be built on the plot, offering surety to planning departments and neighbours that there will be some homogeny to the finished scheme. For example, a Plot Passport might set out the choice of materials or where on the plot the home can be situated. The design code might then specify boundary and landscaping treatments, helping the area to work as part of a larger developer-led scheme. The first page of the Graven Hill Plot Passport is illustrated.


At Graven Hill (4), the UK's largest custom and self-build development, a Plot Shop was opened, where the public can review the development and discuss building and finance options, making the plot-purchasing experience more accessible. In terms of land supply, Graven Hill is interesting in that Cherwell District Council bought the land from the Ministry of Defence, and used a Local Development Order to permission the development.

For anyone looking for first-hand experience of custom build developments, the Task Force is the only organisation running professional visits to Graven Hill, and it also runs European tours to experience the wide range of routes and models.

## Land supply

There are numerous ways that councils can facilitate land for custom and self-building. S123 of the Local Government Act 1972 grants councils the discretion to dispose of land how they wish, and while this involves best consideration, this can actually mean social equity as opposed to simply financial value. Councils like Plymouth City Council are already doing this proactively.

What is clear to the Task Force is that demand is linked to land supply. The experience in Europe has demonstrated that when councils, or other landowners, provide actual plots, it creates a market that brings forward lots of general enquiries. This is why pilot projects are so important, something some councils are considering to showcase what 'good' actually looks like.

Routes for councils working to deliver custom and self-build land

- Using council land holdings, local authorities can commission infrastructure and sell off plots directly
- Using council-owned land, an authority might want to partner with a specialist developer or local builder to bring on plots
- When disposing of large parcels of land, consider selling off a portion separately or make it a requirement that a section of it will be brought forward for custom and self-build housing
- Consider making land available for community-led housing, which can often generate a better return when compared to selling to a housing association
- A strong register puts you in a strong negotiating position with landowners and developers about provision.

## Getting support from the Task Force

The Right to Build Task Force operates much like a consultancy, with a team of experts offering tailored advice, depending on the client and their needs. Its pool of experts is drawn from multiple professions and areas, and includes town planners, affordable housing specialists and members with development viability and community-led housing experience.

Stakeholders apply for support via forms on its Right to Build Toolkit, and if a proposal is considered viable and the Task Force feels it can make a difference, it will undertake the work.

However, the Right to Build Toolkit is a vast source of advice that's free to access. Of note for land supply, it has a series of briefing notes that set out best practice from the UK, and abroad, with examples of how land can be permissioned for custom and self-build. These include opportunities to bring on land through the planning system, European best practice and affordable housing/exception sites as a route to land.

For example, in Germany, proactive engagement between the authorities and neighbouring local landowners has been used for land assembly, to pool land to unlock new opportunities. Such innovative solutions reflect the NPPF's priorities:

"Local planning authorities, and other plan-making bodies, should take a proactive role in identifying and helping to bring forward land that may be suitable for meeting development needs, including suitable sites on brownfield registers or held in public ownership, using the full range of powers available to them." Paragraph 119, NPPF (5).


The Hague, Spoorzone custom built terraces


Nieuw Leden

Like the Brownfield registers, which are now part of UK law, this can feed into regeneration efforts that offer a real alternative to settlement expansion, with the European model of self-build townhouses meeting town-centre densification priorities.

Borrowing from best practice, the first steps for many councils in the search for land is a thorough land audit to identify potential sites, such as infills and garage sites, which can help satisfy local demand. A call for sites may be issued to supplement this and authorities may wish to compile a register of land opportunities.

Of the work the Task Force has undertaken so far, it's clear that garden settlements offer larger scale opportunities for private homebuilding, and the Task Force is engaging increasingly with these promoters. As made places, these schemes offer huge potential for innovation and new examples of best practice that really contribute to the diversification of supply.

The work undertaken also feeds into the wider national housing debate – the Task Force speaks at a range of events to share its learnings; over the last year, it hosted a series of regional expos for the sector, and it communicates its experiences back to government through liaison with the MHCLG.

So you can expect to see the situation improve as more examples of sites and models come to be built.

<u>What support can the Task Force offer?</u>

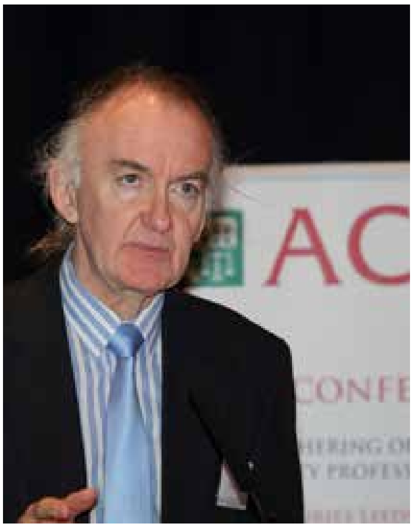
Help from the Task Force is based on the viability and scale of the project being assessed, as its core purpose is to support the delivery of more housing. This could include:

- Advice on promoting Right to Build registers and the supply of serviced plots
- Development and implementation of town planning strategies, policies, masterplans and design codes
- Holding training events for officers, councillors, employees or community groups
- Support to bring forward community-led housing
- Enabling neighbourhood planning initiatives
- Site selection and acquisition strategies
- Advice on development finance and the viability of a development
- Advice on good practice, and
- Support for larger scale projects to include serviced building plots.

## *Notes*

1. NaCSBA issued a Freedom of Information request to all English local authorities on 1 November 2018, requesting the numbers of people and groups of people on their registers. It found that over 40,000 have now signed up. This was based on the data supplied by more than 75% of the authorities who responded. The remaining results were extrapolated, based on the average of the responses received.
2. Letwin Review: https://www.gov.uk/government/collections/independent-review-of-build-out
3. RIBA: https://www.architecture.com/knowledge-and-resources/resources-landing-page/ten-characteristics-of-places-where-people-want-to-live
4. Graven Hill https://www.gravenhill.co.uk/about-graven-hill/
5. http://www.legislation.gov.uk/ukpga/1972/70/section/123#commentary-key-52d88f6b59d0dc7706c01515bb90f068
6. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/740441/National_Planning_Policy_Framework_web_accessible_version.pdf

NaCSBA and the Right to Build Task Force recommend anyone wanting to sign up to their Right to Build registers visit NaCSBA's campaign site, the Right to Build Portal (www.righttobuildportal.org)



Mike, a speaker at the 2017 ACES' Conference in Leeds, outlines the context for the evolving modern methods of construction, which are sorely needed to help meet facets of the national housing crisis. "MMC … can 'fill the gap' as a significant disrupter."

# THE HOUSING CRISIS AND MODERN METHODS OF CONSTRUCTION

Mike Basquill

*Mike is Associate Director in the RICS Residential Professional Group, with responsibility for housing supply, property management, and estate agency and lettings. He started his career as a planner in local authorities, before becoming a chartered surveyor. He spent 24 years working in a variety of senior roles in housing associations, mostly in residential property development. He was latterly Strategic Projects Director, with responsibility for delivering the affordable housing at East Village, Stratford (formerly Athletes' Village). He is also a non-executive director of a housing trust providing care and accommodation for elderly people. mbasquill@rics.org*

## *The need for modernisation*

The construction sector has struggled to meet the growing demand for residential accommodation, driven by rising population and rates of household formation. This manifests in skewed price points which exclude even reasonably well-paid households from home ownership in many parts of the country. This has seen the huge growth of the Private Rent Sector (PRS) since 1998, from 10% to over 20% of households, with home ownership falling from 69% to 61% of households. Strikingly, the number of households with dependent children in the PRS increased by nearly 1m, with a significant increase also, in the number of older persons renting.

Those on the lowest incomes are almost completely excluded from home ownership, and increasingly excluded from social housing, due to the reduction particularly in council stock and the switch of housing associations to the so-called 'Affordable rent' product. The affordability issue manifests in 9% of PRS tenants being in rent arrears, and 31% reporting difficulty in paying their rent.

There are, therefore, large supply and demand imbalances, expressed in extremis as homelessness, which has rapidly increased. Market-led policy interventions such as Help-to-Buy, shared ownership, and 'affordable rent', driven largely by a disproportionate commitment to home ownership, have not met the housing needs of large segments of the population in many areas.

## *Current trends in the construction industry*

The residential construction sector is characterised by low productivity, variable quality, output lagging behind target, and slim margins for builders. These margins are sometimes unsustainable, as evidenced by the decline in the numbers of Small and Medium Enterprises (SMEs) working in the sector, and the concentration of production in the top few developers/constructors. This is partly due to the cyclical nature of the residential sales-led trader model, which has created unstable foundations for the finance sector in which to invest. Interestingly, although the planning system is frequently accused of creating shortage, planning consents outstanding are running about 30% in advance of those implemented. There are many reasons for this, including delays incumbent on negotiating a s106 agreement, awaiting the expiry or outcome of a judicial review process, and the need to leverage construction finance through expensive short-term lending. The recent Letwin Report also identified the trader model as being incentivised to control market 'absorption' tightly, to maintain price points [Ed – see summary of Nick Taylor's presentation at ACES' Annual Meeting in this edition of Terrier].

The demands on the residential construction sector are substantial. At a time when we are facing a skills shortage, we have increasing workloads and aspirations to deliver ambitious infrastructure projects and targets, alongside other national strategic goals such as improving productivity.

Another key issue at play, beyond planning and developers' business planning and marketing strategies, is industry capacity. In his 2016 report on the construction industry 'Modernise or Die', Mark Farmer identified a skills crisis in mainstream construction, likely to result in a decrease of 20-25% in the workforce over the next decade. The workforce is ageing, and the rate of new entrants is lagging behind those leaving. This is likely to be exacerbated by Brexit, as 1 in 8 UK construction workers are foreign, rising to around 1 in 4 in London. In addition, the weakening pound has increased the cost of imported materials, with some 20% of bricks and brickmaking components imported, mostly from the EU.

## *The construction sector deal: government support*

Recognising some of these problems, on 5 July 2018 the government and the Construction Leadership Council published the Construction Sector Deal, allocating £420m to industry transformation.

The Sector Deal is based on 3 simple principles:

1. Digitising – delivering better, more certain outcomes using digital technologies

2. Manufacturing – improving productivity, quality and safety by increasing the use of manufacturing

3. Performance – optimising whole life performance through the development of energy efficient, smart assets.

These are applied to 5 key themes:

1. Ideas – investment in the development of digital and manufacturing-based approaches to construction

2. People – reforming industry recruitment and training to attract, retain and develop the skills that the industry needs

3. Infrastructure – taking forward the investment set out in the National Infrastructure and Construction Pipeline

4. Business environment – developing a sustainable business model for construction and establishing the UK as a global leader in infrastructure delivery

5. Places – working across the sector to strengthen the supply chain and skills base across the UK.

The residential construction industry has stepped up to the government challenge to build 300,000 new homes p.a. Achievement in the last 12 months was 195,000 new-build completions, a 50% increase on 2012. This splendid achievement is still far short of target though, which suggests that radical disrupter input is required.

Modern Methods of Construction (MMC) resonates with all the above principles and themes and can 'fill the gap' as a significant disrupter. There are also moves by Homes England to increase funding and guarantee lending to the sector [Ed – see summary of Tom Walker's presentation at ACES' Annual Meeting in this edition of Terrier]. In addition, the local authorities' borrowing cap on the Housing Revenue Account, has been lifted, in a move aimed at reviving municipal residential development, and we are now seeing many local initiatives, such as local housing companies.

## *The disruptive power of MMC*

Manufacturing production methods produce a workflow which is significantly different from the traditional model. Nowadays, much more of the production value comes at the production-managed design and assembly phase. Therefore, quality, digitisation and efficiency gains are incentivised.

The utilisation of manufacturing technologies brings construction into the modern age by transferring a substantial proportion (up to 70%) of value from the site to the factory, through greater quality control and more efficient use of materials and labour, for example by achieving 24-hour working. Employing manufacturing techniques will boost productivity, enabling faster scheme delivery with reduced risk of on-site programme disruption. With scale, increased productivity can be achieved through greater efficiency in a safer, controlled environment for workers.

Digitisation may be deployed both in the production process to achieve precision assembly, and through Building Information Modelling (BIM) and its successor models, to create a dynamic database which can track the unit through design, specification, procurement, construction/assembly, quality control, finishes and sign-off, handover, letting/selling, residential occupation and management, depreciation and planned replacement to end-state recycling and renewal. Digitisation has the potential to transform stakeholder confidence in the product including investors, manufacturers, builders, surveyors, lenders, insurers, managers, and, of course, consumers.

Performance will be much more closely monitored and scrutinised through digitisation and manufacturing. Through BIM, Prop Tech, big data, AI and the internet of things, performance can be tracked throughout the building's life, meaning there is a continuous data cycle from design, manufacture, build, and management, feeding back into design. This is consistent with the recommendations of the Hackitt Report into Building Regulations and Fire Safety, and the subsequent government implementation document. Moreover, for industry, MMC provides constructors and developers with wider options. By having a different profile and properties, MMC supplements existing capabilities. Developers will have more options to choose from when considering pricing options for a development. This introduces a new dynamic into a traditionally rigid operating environment, particularly around labour and resource factors, planning and engineering constraints, and sustainability and environmental performance.

As part of a National Industrial Strategy, wider goals can be targeted:

- Skills – modern technology needs modern skills

- MMC-specific training offer – government and industry must work together on the creation of apprenticeships and training products that support the rollout of MMC and encourage new entrants into construction

- Upskilling the existing workforce and organisations – this must be funded and otherwise enabled strategically, including the encouragement of SMEs.

This requires resourcing and incentivising newly-empowered delivery agencies such as local authorities, local housing companies, SPVs and joint ventures to recognise and utilise emerging technologies.

## *Benefits of MMC for the consumer*

RICS' 2018 MMC Case Studies paper: 'A forward-thinking solution to the housing crisis' looks at several different technologies as constructed on site. These include timber-frame, cross-laminated timber, steel-frame, and the design for manufacturing and assembly process.

The locations and design standards of the projects are impressive, and mortgageability demonstrated by sale into the owner-occupation market. The projects have in common the Build-Offsite Property Assurance Scheme (BOPAS) technological accreditation, as well as conventional insurances and assurance, e.g. National House Building Council (NHBC).

The stage is set for MMC homes to achieve scale. A smart way of getting over this line would be to 'democratise' the consumer experience by utilising the principles of custom build; within a limited range of options, on show in the factory, where the consumer, off-plan, is enabled to make a layout, fit-out, and finishes selection to the volumetric unit.

This concept has potency in the generation of a new model of home design, selection, and consumption, perhaps broken down into sub-markets:

- Older households: priorities are achieving highest levels of thermal performance and minimising fuel poverty; fit-out to be appropriate to need e.g. mobility, accessible personal facilities, and operational ease

- Council development for lower income households: amenity, especially for families, demountability, so that temporary sites can easily be utilised, and consumer choice through factory viewing, in a sector where choice is strictly limited by availability

- Build-for-rent: standardisation, increasing yield and reducing voids, void control and costs to users, variety, subject to range of offer, and specification/fit-out, for frequent tenancy turnover e.g. wider door sets, and cassette replacements.

The RICS case studies show the contribution MMC has made to alleviating the housing crisis, accommodating thousands of households in high quality homes, with added social and infrastructural value as well as supporting non-residential uses.

## *Barriers to change for MMC*

Given the stated advantages, MMC can become much more prominent in the sector. However, there are obstacles to overcome before MMC becomes mainstream [Ed – also see article on volumetric construction in this edition of Terrier].

<u>Supply chain</u>

The supply chains for many MMC technologies have yet to develop to a scale which can meet the ambitions for the sector. Demand fluctuations, unstable investment and construction cycles, and a fragmented housing market procurement model is not obviously a good fit with a 'just-in-time' factory production model. Nevertheless, some off-site products and processes have had greater longevity, and have achieved significant penetration in the conventional housebuilder supply chain, often as augmentation of the traditional approach rather than as a replacement. Roof trusses and floor cassettes are now fully mainstreamed, for example.

<u>Skills</u>

The skills issue in the construction sector can also impact on the development of off-site. If there are no skills or labour supply problems at the factory end, there will still be the requirement for sub-structure, superstructure and finishing trades on site, as well as issues around utilities. Moreover, as MMC strategies are tied into digitisation, IT literacy among construction workers will be a concern. Given the recent pattern of concentration and fragmentation in the sector, elevated levels of investment in training and education will be required, not least around encouraging SMEs and new entrants into the evolving market.

Cost and data

From a cost, value and performance perspective, modern off-site construction is relatively untested and is still in an evolutionary phase. The data on cost of construction, value and performance using off-site is not yet robust, and as techniques evolve, cost information and performance changes, and previous data becomes obsolete. This makes it hard for the industry to estimate costs, assess benefits and plan appropriately, which is a challenge for quantity surveyors. This is also an issue for investors, lenders, valuers and insurance/warranty providers naturally concerned about product durability, value retention and ongoing maintenance cost. BOPAS constitutes a significant provider of confidence and assurance in this sector.

Changing work profile and inflexibility

As the objective is for up to 70% of cost to be incurred off-site in factories and at the design phase, the points at which labour is most intensively used throughout a project differs from traditional build, with the cost curve far more front-loaded. This cost profile demands a 'right first time' ethos from initiation. This also means less flexibility to change elements of the projects later. As a substantial portion of labour and other cost is generated early, there is greater project risk earlier on in the programme, which is exacerbated by uncertainty around land and planning, and expensive development period funding.

Industry familiarity

Lack of familiarity with different off-site construction techniques can lead to risk averse decisions against its use. This is reinforced by the subcontracting model and informal supply networks.

Consumer perception

There is still consumer resistance, with an abiding image of post-war emergency housing, rather than 21st Century technology delivering better quality, safer, and far more cost-effective homes at the same or, with upscaling, lower cost.

Standardisation and scalability

Standardisation of different technologies is also critical to reducing complexity and achieving scalability. There needs to be a sense that consumers have a choice between contractors when choosing a technology, although eventually there will be a natural selection of technologies, leaving a handful in the mainstream.

## *Actions required for MMC to succeed*

Public procurement

MMC can be supported through public procurement. Government must support MMC through its influencing power, directly through investment and indirectly through planning, education and construction and design quality standards and programmes, including encouraging and incentivising construction of MMC factories in areas of high unemployment.

Private investment

Private sector investment in MMC is already widespread; however, more can be done to create an environment of cooperation and joint ventures, particularly to allow SMEs to access and invest in larger production plants.

Government risk mitigation

Government should consider how it can give some risk mitigation to potential new entrants and suppliers.

Guarantees

Investors and consumers need confidence in MMC products through the availability of mortgages, assurance and warranties. Accreditation for MMC, such as BOPAS, needs to be championed and strengthened. Stakeholders need to be satisfied that there is an industry seal of approval which gives equal or greater assurance, compared with conventional home insurers and warranty providers. Partnerships with lenders and investors are critical in this regard. Accreditation models like BOPAS can catalyse MMC into the mainstream.

Investor and lender engagement

Investors and lenders must engage with the sector, to recognise and calculate the long-term value of products. We need improved integration and collaboration between lenders and builders through schemes like BOPAS, so that lenders better understand products and build confidence in the quality, durability and marketability of the product. Regardless of tenure, investment approvals must become systematised, like mortgage approvals for second-hand property, despite, arguably, resales having a greater risk profile regarding the 3 criteria. Now, the second-hand home sales process is clear – lenders have tolerances for bulk retail lending. Surveyors and valuers also have a key role to play, and must add knowledge of MMC technologies to their reporting skillset, especially regarding their durability and cost in use.

Standards

Regulation, standards and professionalism need to be adapted to support MMC.

Regulator familiarity

Regulators need to familiarise themselves with MMC. Regulators and warranty providers like NHBC, Local Authority Building Control, British Bankers Association and Building Research Establishment, must upskill in the treatment of MMC, by getting better familiarised with products on offer and their properties, to enable the provision of the consumer protections to encourage confidence in the products.

There are great advantages to be gained from growing the volume of off-site-manufactured homes to significant levels. There are opportunities for all participants in the development process as it stands, and for the encouragement of new participants. The key beneficiaries, however, should be those households seeking better value for money, better quality, cheaper cost-in-use and higher amenity in their home.

# VOLUMETRIC CONSTRUCTION FOR SOCIAL HOUSING

Dr Gerard Wood and Professor Angela Lee

*Gerard is Associate Dean in the School of Built Environment at Salford. His areas of research include procurement, supply chain management, value management and risk management. The focus of his work on volumetric construction is related to procurement, contractual arrangements, and the out-turn cost of volumetric housing units, in comparison to traditional forms of construction. He is a chartered quantity surveyor of 30 years' standing, with practice experience of commercial management and contract administration on construction projects. G.D.Wood@salford.ac.uk*

*Angela is an architect and Professor of Process and Performance Management at the University of Salford. Her research has centred on the development of new project processes in the built environment and the application of performance measurement within organisations in the construction industry. Angela has extensive experience in leading and undertaking research projects including abridging construction innovation research across the UK and China. Her expertise in automated production lines, design for manufacture and lean construction principles helped recently secure funding to explore implementation barriers for off-site construction in Malaysia. A.Lee8@salford.ac.uk*

*Gerard and Angela were recently awarded grant funding by Innovate UK for a knowledge transfer partnership with McAvoy Group Ltd regarding the off-site manufacture of affordable volumetric housing units.*

Saviour of the housing crisis, revolutioniser of the industry, champion of sustainability – heavy hangs the weight of expectation on this emerging sector. Having set the scene in the previous article, Gerard and Angela explain the benefits of the process.

## *Volumetric/modular build*

Three-dimensional volumetric construction is a modern method of building by which large, often room-sized modules are manufactured in a factory, then transported to site and craned into place. The modules can also be fitted out before reaching site. The method is suited to buildings with lots of repetitive design such as houses, hotels, schools and prisons.

In its purest form, the volumetric modules slot together like a jigsaw and do not require a separate superstructure or extra facades. But the industry has yet to fully embrace the model, and projects often take a hybrid approach that combines offsite and traditional methods. For example, panels could be attached to a steel, timber or concrete frame, or a brick "skin" added, to give the impression that the building has been conventionally constructed.

Hybrid construction is popular with contractors, but it fails to reap the full benefits of volumetric. This is because it still requires sizeable teams of tradespeople on site, as well as complex sequencing of work. Volumetric, by contrast, has the potential to bring colossal wins in time, waste reduction and quality control.

## *Express delivery*

Buildoffsite's 2013 report "Offsite Construction: Sustainability Characteristics" concluded that volumetric construction can cut programmes by 60%, leading to substantial savings in time-related costs such as site insurance, security, waste disposal and temporary offices. With shortened delivery times, developers can bring properties faster to the market, reducing their borrowing costs.

Claims for the environmental benefits of volumetric are many. For example, waste can be reduced by up to 80% because it is easier to work with precision in a factory-controlled environment, as well as to protect materials from damage. Logistically, as deliveries to site are reduced by up to 70%, embodied carbon can be slashed.

### *Keeping it tight*

Consistency of process also drives up quality. Projects with volumetric modules have demonstrated 80% fewer defects and dramatically reduced snagging phases, compared with traditionally constructed buildings. Occupiers also feel the benefit because the modules tend to be well insulated and more airtight. It is calculated that volumetric construction could reduce a typical building's operational energy consumption by as much as 20%.

The size of the modules is usually limited by logistics: they are often designed to be just small enough to avoid requiring an escort when transported. However, this does not necessarily restrict the size of a completed room: modules can be joined together, and internal walls removed.

At present, manufacturing often involves employing tradespeople to use traditional methods inside large sheds. However, as the sector scales up to meet predicted growth in demand, manufacturers are expected to increase investment in automation. Mass-production techniques will enable them to offer more variation in standardised designs, which could expand volumetric's appeal into areas such as low-rise housing.

Volumetric is already shaking up industry hierarchies, as manufacturers expand into site management and contractors develop manufacturing expertise. To keep pace with this change, the professions will need to acquire new skills rapidly and adopt new mindsets. For example, as BIM links up with design for manufacture and assembly processes, architects and engineers will need to think about the manufacturing properties of each element that they are designing from the outset.

Quantity surveyors used to working in traditional teams will find forecasting and managing costs more challenging. At present, the industry has a lot of data about in-situ construction, but less understanding or knowledge of the time and costs of off-site processes.

### *Cost of progress*

Arguably, the fact that many people still take a traditional approach to costing volumetric projects is one reason why the sector is growing relatively slowly.

At present, volumetric construction can be more expensive than traditionally-built projects, making it unviable for sectors such as social housing. But this is at odds with theories of economies of scale.

The UK has a severe housing crisis and the government is falling dramatically short of its target of building 300,000 new homes a year. Volumetric has a vital role to play in improving productivity and creating high-quality dwellings. Its time is coming.

*Ed - This article first appeared in RICS Modus Nov-Dec 2018. My thanks to RICS for giving me permission to publish it.*

*Gerard and Angela have agreed to follow up in a future edition of the Terrier their progress in the Knowledge Transfer Partnership with McAvoy.*

# RURAL ESTATES: INSPIRING INVESTORS IN PLACE MAKING – CREATING LIVEABLE PLACES

Lauren Gibson-Green and James Farrell

*Lauren is head of the Cambridge Land Management department at Strutt & Parker. She specialises in providing clients with strategic business advice and practical management services in a rural context for residential, agricultural and commercial assets. Clients include private estates, local authorities and charities. lauren.gibson.green@struttandparker.com*

*James is Strutt & Parker's Head of Rural. He has over 25 years' professional experience, providing strategic and consultancy advice to private clients and owners of traditional landed estates and rural property portfolios across the UK. james.farrell@struttandparker.com*

This is taken from a paper and guide presented to the Country Landowners Association, which has relevance to the public sector, as both landowner and for providing services in rural areas.

## *Context*

Rural estates have a unique ability to transform how their local communities live, work and feel. They are responsible for providing housing and workspaces.

Now is a significant time for estate landowners. Agricultural subsidies are likely to fall for many businesses, with payments from a much smaller budget being paid for provision of public goods. There is significant demand for more housing in most places in the country, and the planning system is being revised to enable this. The demand for leisure experiences, whether visiting a historic house or a leisure attraction, is growing. This combination makes it an ideal time to reconsider the possibilities from rural estates.

This short guide aims to prompt 'a wider conversation' about the process behind successful 'place making', to help create places that people enjoy living in, working in and visiting. It provides a background on place making, best practice case studies, and outlines how the private sector can work with the public sector.

There is increasing evidence that creating better places translates into greater profits. Place making can add between 5% and 55% to residential sales values. Quality community facilities are the key component within schemes. The single most important factor for people choosing an area is the provision of a good school, but it is also about combining all of the services that enable people to live better - services, convenience, design and transportation. The most successful place making schemes achieved the greatest uplift on relatively small homes, indicating that young families are willing to forego space to be part of a better scheme (RICS and CBRE 2016).

## *Place making past and present*

The concept of place making is not a new one. Traditional marketplaces have been engaged in place making for centuries, acting as hubs that bring work, retail and play together harmoniously in a community environment. Some of the great estates in London had a similar role and created places that are still admired today.

However, in the second half of the 20th Century, developed areas began to move away from the concept. Post-war rebuilding and a booming economy resulted in large volumes of housing, supermarkets and a new generation of shopping centres appearing all over the UK. In many places, the sense of community that had been fostered in previous generations by mixed-use areas was eroded.

Since the 1990s, public preferences have started to shift, from spending money on goods to spending on experiences. This shift has been heralded by some as the saviour of the high street and, while it may or may not prove to be the case, it has reinvigorated the debate about what people demand from where they live. The internet is making shopping so easy that customers no longer have to visit the homogenous retail districts in their town, which have little meaningful relationship with their lives or the places they love and frequent. To make retail districts relevant, they must focus on localism.

Today, most people, and millennials – the generation now aged 20-40 - in particular, want variety in the locations in which to live, eat, work and play, so the challenge is to build and maintain successful places. One in 5 people eat out more than once a week but, while we are dining out more than ever before, we are less willing to spend a lot on each occasion: value for money has become a key factor in consumer decision-making (Eating out – today and tomorrow, Trajectory, for Sacla', 2015).

Some of the most successful places are not in fact 'made', but evolve organically in response to how people behave in the built environment. The role of the "third place" (phrase coined by sociologist Ray Oldenburg) between home and work is becoming more important.

This means place making, in many cases, should be a shared enterprise – communities, local authorities, landowners and businesses all have a role to play. It will become ever more important to understand the themes – digital, demographic and economic – that will shape the places of the future, allowing us to create places that work and respond to the needs of those who use them.

Case study – Cranthorne Estate, North Yorkshire

The estate places quality of life for its residents above all else. The pub's new landlords have created a very successful business, with local events which are helping to unite locals with paying visitors. Five Houses Farm Shop and Kitchen has moved into some traditional buildings, where everything served in the café is made from local produce that can be bought from the shop and butcher's counter. The shop employs more than 30 local people.

The estate has also worked with farm tenants, who have moved to new holding to grow their farm business, which has released buildings for 6 new homes and 7 guest rooms for the pub. The residents of the new homes are more likely to be attracted to the village due to the pub and cafe, which helps make this the sort of place where people would like to live.

## *The process of place making and creating liveable places*

The process of place making goes far beyond bricks and mortar and architectural design. Development should no longer be 'done to' a place – the creation of successful small developments, villages, towns and cities is fundamentally a shared, bottom-up endeavour that creates a 'sense of place'. The primary aim should be to create environments that are attractive to people for living, working and spending leisure time in. Experience from around the world is that key elements to achieving this are:

- Managing transport and cars well so that the places people use are largely traffic free and pedestrian/ cycle friendly
- Having a mix of uses, so that residents and office workers are side-by-side
- Having places for people to social-ise and 'be', particularly for eating and drinking, including outdoors
- A programme of experiences and events that appeals to locals and visitors. Leisure is a key element that creates social interaction and vibrancy, which in turn attracts more people.

Case study – Poundbury, Dorset

Poundbury is one of the most famous place making projects in the UK. It is an urban extension to the Dorset county town of Dorchester. It challenged many of the standard principles of architecture and urban planning and instead was based on elements in The Prince of Wales' 'A Vision of Britain'.

Although it is high-density, it gives priority to people, rather than cars, and mixes places to work with homes, shops and leisure facilities, to create a walkable community. It is large-scale – 3,000 people live and 2,000 work there – but it has been designed to feel intimate and welcoming. Many of its principles have been incorporated into the planning system.

## *The core elements of place making*

Some of the examples in this section are urban, as place making has largely focussed on urban places. However, the principles and ideas can be applied to smaller rural places. Some of the examples are from 'Place Shaping in Towns and Cities: A Guide', Locum Consulting, 2009.

Demand

The starting point for any development or place making is to ensure that there is a demand – often local – for what you are producing. A prestige 'village development' of houses, workspace and retail will not work without a large number of affluent people locally.

- Be clear what type of experience you want to create and the type of customer that is the primary target
- Aim for consistency between the different offers – housing, work space, retail, leisure, public places and activities – as they all support each other to create a 'sense of place'.

Good access

Being able to get to and from a place quickly and easily is important to the quality of experience.

- The experience when you arrive can have a disproportionate im-pact on your perception of a place – first impressions last – so think carefully about how people will 'disembark' and parking
- Some of the most successful places give the impression of being car-free
- How easy and pleasant it is to get around inside the place?

Attractors

Any progressive place should be constantly thinking about how it can add to the quality and range of its attractors.

- Provide an attractive environment and cultural offer to the people who live and work there. It does not have to be expensive – thoughtful and creative can be very effective

- Cultural facilities are often 'anchor' points in places, in the same way that department stores are used to anchor shopping centres.

Built and natural environment

The quality and variety of spaces are often the most important factor in determining the appeal of a place - think of the best village greens.

Some of the best examples of place making, in countries where people are found to be the 'most content', such as Holland and Denmark, are where places achieve a better balance between people and cars, and have high quality open spaces and communal areas

Architectural details can have a major effect, such as using cobbles in 'calmer oasis' areas to create a calming effect, and more formal surfaces like setts in flagship areas.

Eating and drinking

Eating is the activity that people most like to do on a day out, and for going out at night. Getting food right is also an important attractor for tenants of workspaces.

Pub as the hub - Pubs in particular have a positive, statistically significant impact on social engagement and involvement among residents. This effect becomes greater as other services, such as post offices and village shops, close. Places with a pub have more community events than those without, or with just a sports or village hall (Professor Ignazio Cabras, Northumbria University).

Events and programmable spaces

Events attract people to places, and the best ones have a synergy with where they take place. Think about holding some events at times when other uses, such as office working, are not happening to benefit from both day- and night-time economies.

Daytime shops can become bars and restaurants at night, streets turn into parks for recreation and leisure, and places will be re-purposed for local communities (Olly Chubb, Portland Design).

Shopping

Retail can be a core part of the experience of any place, particularly for visitors, and even for those who are not visiting a place for the shopping.

- The retail offer should complement the character and quality of the other elements of a place, such as its housing, work places and cultural activities

- The main things that people buy on day trips are clothes and jewellery; music, films and games; and ornaments and decorations for their houses.

Night life

Places, with some well-known examples in North America, have been able to attract people back by creating attractive places at night time. It can double the use and economy of places. Patterns of life are changing in the UK (see 'Making Places: Shaping urban nightscapes, BNP 2018). The working environment is changing fast, with flexible working hours, coupled with remote working, means employees can often work from anywhere and at any time. A lot of today's jobs didn't exist 20 years ago; in 10 years' time, 60% of jobs are expected to be completely new (World Economic Forum).

The average dinner time in the UK has moved from 5pm to 8pm. This means that extra flexibility should be applied to opening hours for retail and leisure, and to essential services such as doctors. Late night openings should be increased.

Resident and visitor services

High quality telecommunications, including internet and mobile, and clear signposting, make places more liveable.

### *Case study – Miserden estate, Gloucestershire*

Transforming the Miserden estate into a modern, sustainable community
- A state-of-the-art district biomass heating system was installed, which provides carbon-neutral heating and hot water throughout the village and has dramatically reduced its residential and business tenants' energy bills. Modern connectivity has also been brought to this remote community with 4G communications coverage and high-speed broadband, which has revolutionised life for tenants.

### *Garden communities*

The Government is asking for bids for new garden communities - including smaller Garden Villages (1,500-10,000 homes) - either as a new settlement or a transformational development of an existing settlement. It has described what qualities it thinks places should have:

a. A distinctive local identity, often including attractive public realm

b. Built with the necessary infrastructure to allow the community to function self-sufficiently

c. Well-designed places, ideally with mixed uses that include local employment, shopping, recreation and community facilities

d. Housing that is high quality and distinctive, including affordable housing and a mix of tenures for all stages of life

e. Designed and delivered with the involvement of the existing local community

f. Well-designed transport, including public transport, walking, and cycling

g. Plenty of accessible, and good quality green and blue infrastructure that promotes health, wellbeing, and quality of life, and enhances biodiversity and natural capital

h. Arrangements to maintain community assets, infrastructure and public realm

i. Designed, as far as possible, to be 'future proofed', which means that changes in the local age profile, growth, climate change, flood risk, water availability and technological change, such as driverless cars and renewable energy measures, have been considered and 'designed in'.

Landowners interested in promoting a new Garden Community should be speaking to their local authority now [Ed – closing date for proposals should have been submitted by 9 November 2018].

### *Success through collaboration between the private and public sectors*

Collaboration between built environment practitioners, local residents, planning departments, highway authorities and public health departments is a key part of creating healthy places, but it does not happen enough (Design Council and Social Change UK, Healthy place making, 2018). And more place making should be based on identifying local priorities: only a quarter of place makers access and use local data to identify local priorities when working on place making projects.

### *Case studies – Hathersage Hall, Derbyshire and Wickham Hall, Hertfordshire*

Hathersage Hall - Perseverance brought knowledge-based businesses from towns into an inspiring setting, that mixes restored farm buildings with new build. "The philosophy was to use the space for commerce rather than tourism, allowing for sustainable business growth and better job opportunities in a traditional rural setting" (Michael Shuttleworth, owner, Hathersage Hall Business Centre, Derbyshire). But such place making can be challenging – it took 23 years of work in planning.

Wickham Hall - This mixed housing and workspace development has diversified a mainly farming business and found commercially sound new uses for redundant vernacular buildings. It has also generated capital to rebuild a listed 17th Century barn ('enabling development') and preserved the set of traditional buildings. It has created an upmarket and beautiful environment in which people will want to work, play and shop. A second phase of development is being considered: letting the space is not the main challenge, it is getting planning permission!

# COULD OPENING MEMBERSHIP TO THE PRIVATE SECTOR BE THE KEY TO ACHIEVING THE NEW ACES VISION?

Richard Allen

*Richard is a long-standing member of ACES and Council. As ACES President in 2004/05, he now represents Past and Honorary Members on ACES Council. He was an integral member of the team tasked with considering ACES' constitution, in particular the criteria for membership to the Association, and how to invigorate branch attendance.*

This report from Richard is an opinion on the potential effects of the constitutional changes outlined in Notes of the 2018 AGM and in Neil Webster's report, both contained in this edition of Terrier.

### *Constitutional changes*

The ACES AGM approved constitutional changes to deliver a new ACES' vision: to realise the value of public property for the public good – driving economic growth, enabling public sector reform, supporting service delivery, providing social value. It also agreed to further extend private sector membership to senior surveyors wholly or substantially working for or on behalf of the public sector. Just a few years back, private sector membership, in any form, would never have been entertained. So could opening membership to the private sector be the key to achieving this vision?

### *The early public private relationship*

To answer this question, it is worth looking back on how the role of the surveyor in the public sector, and ACES itself, has evolved. I can only go back to 1969 when I joined the British Rail Property Board (BRPB) on its graduate training scheme, having graduated from the College of Estate Management, University of London that year. Many of my fellow graduates went into the public sector; it was seen as a great training ground for young surveyors, with a career path if they wished to stay. Some went to the government's Property Services Agency, others to the Valuation Office Agency and other nationalised industries.

The BRPB was a large set-up. All work was done in-house, which was the norm across the whole public sector. In 1973 I joined Nottingham City Council. The Estates Department at the time had around 40 chartered surveyors. The age of the surveying staff of both these public sector bodies mainly ranged between 25 and 35, as did the age range of the private practice surveyors we spent much of our time negotiating with. At times it was a case of 'them and us', with the relationship on occasions quite adversarial. Some of this generation of surveyors felt that they were superior to their public sector counterparts - a legacy of the public school class structure that was still around then. Yet senior partners on the other hand were generally very friendly and supportive of young surveyors in the public sector.

The generation that followed were very different. The class structure had virtually gone. They seemed to understand the bigger picture, were very open in their approach, sharing comparable and other property information willingly. They valued the benefit of networking widely. We were slowly moving together.

## *The first outsourcing to the private sector*

The first time work was outsourced at Nottingham was for the 1990 rating revaluation. Appeals for the previous revaluation in 1970 had all been undertaken by the former Assistant Chief Estate Surveyor who was long-retired. Using the project management test of 'time, quality and cost' it was decided that there was sufficient cost-effective capacity in-house, but support from an experienced rating surveyor would be appropriate for larger properties, particularly those valued using the contractor's test. Tenders were invited for this work on what we called a 'partnership' basis. The rating consultant would deal with the larger and more challenging cases, but support any issues the in-house surveyors would have, so long as it could be done by just a phone call. Beyond that level of support, the appeal would be passed to the specialist.

I had in mind the individual whom we would wish to appoint. Fortunately, his practice submitted the lowest tender. The basis of fee was a percentage of the reduction in the rateable value. The rateable value for the Royal Concert Hall in Nottingham was over £1m, valued on a contractor's test basis. The rating specialist appointed took the appeal to the Valuation Tribunal and argued that it should have been valued on the comparable basis. He won and the assessment was reduced to just over £100,000. It became a landmark case. Savings to the council each year, as a result of this appeal, of nearly £500,000, are ongoing. The rating specialist got a very big 6-figure fee. It was never queried and was more than earned from the rest of the appeals put together.

I would like to say that this all resulted from my membership of ACES. But it did not. What I did learn was the value of using a specialist, appointing an individual or team rather than a surveying practice, and to always put a cap or introduce phasing on a fee.

## *Joining ACES*

On being appointed Acting Director of Design and Property Services at Nottingham City Council, I joined ACES in 1997 for 2 reasons. I thought it was what all chief estate surveyors in local government did. The other was, that as my only experience of local government was at this council, I felt that I could learn from others in similar positions. Unbeknown to me at the time, probably the biggest benefit would be getting to know the private sector. I would need them in the future.

## *Turning to the private sector*

Although very few of us actually had that title, the ACES I joined comprised mainly of local authority chief estates surveyors. My Heart of England Branch met 4 times a year. Meetings moved around the large geographical branch area. They were afternoon meetings with a very flexible agenda. Members would bring issues and problems that we would discuss openly. There was much to discuss, as we were faced with one government initiative after another. One of these, Compulsory Competitive Tendering, opened up to the private sector the opportunity of bidding to take over the whole of a local authority in-house service. Some services were transferred to private sector providers. Some were not successful and were taken back in-house when CCT was abandoned. But it started a trend.

After CCT the government introduced the concept of 'best value'. This challenged the way services were provided. Early inspections demonstrated that property services were generally only fair to poor, as authorities did not use property as a corporate strategic resource. Reports by DTZ Pieda Consulting and the Audit Commission in the late 1990s confirmed this view. They showed that the influence of chief estate surveyors and property managers in local government had declined since the 70s. Property was no longer a core service in most authorities. This all led to the government requiring authorities to appoint a corporate property officer, who would be responsible for producing an asset management plan. The plan set out how assets would be used and managed in a corporate strategic way.

Property professionals in local government were now expected to provide a more diverse service. Added to this, budget restraints and problems with staff recruitment and retention, authorities started to be stretched. So they turned to the private sector. In 2005, when President of ACES, I was an occasional columnist for the Property Week journal. In the 4 February 2005 edition, I wrote an article entitled 'Professionals in the public sector need to be more diverse'. I ended the article by writing: "Three London Boroughs deciding to outsource their services does not necessarily represent dissatisfaction with the in-house service or the start of a flight to the private sector. But what it does represent is the continuation of a trend that is already established. It is now generally accepted that in-house and private sector property professionals have different skills, all of which will be needed to meet the drive for greater efficiency in local government property management."

## *The private sector ups its game and gets close to ACES*

Now if you want to accelerate a trend, the best way is to have a good crisis. This came with the recession in 2008. Huge budget cuts and shedding of staff forced authorities to challenge how their property assets were used. It also forced central government to do the same, which produced its own estate strategy to rationalise and modernise its property holdings. This in turn led to collaborative working across the public sector and the concept of 'One Public Estate', culminating this year in bringing back the Property Services Agency, now re-branded as the Government Property Agency. ACES also joined in changing its name from an association for just local government surveyors, to one for the whole of the public sector. As all of this was unfolding, the public and private sectors inevitably continued to move closer together. The public sector needed the private sector. A number of major private sector surveying practices took the opportunity to develop their own public sector skills to meet the demand and grow their businesses. And they recognised the benefit of building a relationship with ACES.

## *The relationship with ACES develops*

This relationship started with sponsorship, through advertising in the Terrier journal, and then the 2002 Heart of England Conference in Worcester was sponsored by a Birmingham-based nationwide property practice. Over the years, the relationship has grown and developed significantly. ACES effectively now relies heavily on sponsorship from across the private sector to run the annual conference and produce the Terrier. CPD at Branch meetings is generally provided by private sector experts in their subject.

It has always been said that ACES is like a family, and a number of private sector major players have become close friends with the family. It is true that some private sector practices have done very well financially out of this relationship with ACES. But there have been benefits both ways. Through conversations at conferences, when needing to use the private sector to supplement services, I obtained much free advice, saving me time and my authority money. I can recall one possible mistake that could still be costing this authority thousands of pounds every year that was averted through such a conversation. On another occasion, a consultant said he had told a number of local authorities, who at the time had no ACES membership, that the work they had been paid for could have been obtained for free through ACES networking.

## *The current position*

The public sector has now moved from a complete in-house provision of property services, to a cocktail of different providers – public/private sector and a mix of the two; publicly owned property service companies such as NPS, and private sector outsourcing companies such as Capita. As with any partnership, all will have differing objectives. But so long as their core objective is the same - managing public property for the public good - and these different objectives are transparent and accepted, they can be managed. This lesson has been learned, sometimes the hard way, through the many public/private sector partnerships and joint ventures that have been tried in recent years.

Many in-house surveyors no longer have the skills to deliver the range of property services that will be required in the future. ACES is a members' association for surveyors providing services to the public sectors. It is only right that all providers have the opportunity, and indeed be encouraged, to join and strengthen ACES: to focus the combined expertise, experience and perspective of its members to **influence, promote and equip**, as set out in the new constitutional objectives, which are more pragmatic than the softer objectives they replace, based just on upholding the principles and practice of good asset management. ACES is changing and raising its game; so what does this mean for its relationship with the private sector?

## *Control of the relationship*

Keen to promote their services, a consultant some years back said that what the public sector should never do is lose control of what is outsourced, or outsource strategic decision-making. As obvious as this may seem, I am aware of instances where this has happened, or is happening through the running down of the in-house intelligent client role and there is no succession planning. We know from our economic lessons that there are 3 factors of production: land, labour and capital. Yet how many local authorities and other public sector bodies have a professional property expert in their top management teams? Private sector companies of size generally have a property director alongside those for finance and human resources. The sharing of roles and the balance between public and private sector services must be properly understood. There must be a proper robust supervision regime, strong auditing, and a safety net to take services back in-house if the outsourcing is unsuccessful. Getting this important message over is a role and opportunity for ACES.

## *Managing the relationship*

I recall a conversation back in 1973 with a senior partner in private practice about the differences working in the public sector. He saw as a major benefit having just one client, who provided guaranteed work with little interference. He said that often, as much effort was put into seeking and hanging on to clients in the private sector, some of which could be awkward beyond belief, as was put into providing the service. Throughout my public sector career, it seemed at times I had numerous clients: council leader, chief executive, ward councilors, central government and other external stakeholders. One of my roles and challenges as a service manager was to be the buffer between these 'clients' and my staff. Managing up was just as important and often more challenging than managing down.

Client/customer relationships are essential; opening up ACES' membership will be an opportunity for the private sector to better understand how the public sector works internally.

## *Benefits of the relationship*

Often ACES members and guests attending branch meetings are now not chief estate surveyors or even senior surveyors in their organisations. The emphasis at these meetings has shifted to CPD; rather than networking, sharing best practice, exchanging views and providing mutual support. I have always viewed this as a backward step. Introducing private practice surveyors to branch meetings will make them more interesting and insightful. More importantly, it will increase the value of these meetings. This can only be beneficial, particularly when some members are discouraged from attending by their managers who do not see their benefit.

## *A supportive relationship*

The government has produced a new Government Estate Strategy, July 2018. It puts property at the heart of everything it does. They are strengthening their in-house team, effectively in-sourcing by setting up the new Government Property Agency (GPA) [Ed – see article on GPA in 2018 Summer Terrier]. Local government, on the other hand, appears to be going in the opposite direction. More focus seems to be on strengthening facilities management than asset management, which seems to be slipping down the agenda rather than going further up. There are exceptions. Having run down its estates team to save costs, my former authority has now built it up again to support its regeneration and property investment programmes, to 'Build a Better Nottingham'. Work needs to be done at local government leadership level to raise the profile of property to maximise its financial and social value for the public good. Having more private sector members can actually help to get over this message. Consultants have often been used in the past by in-house managers to get their views over.

## *The future relationship*

Underpinning the new GPA will be the 'Government Property Profession'. ACES is developing a relationship with this body. Its aim will be to improve skills, capability and recruit the best talent. But GPA has already found the biggest problem in recruiting staff is salary levels. Another problem will be making the public sector attractive to the next generation of surveyors. When starting out as a surveyor, the attraction of the public sector to me was the training and wide experience it offered, rather than a job for life with a good pension at the end of it.

My career peaked in 2005 when I was President of ACES. In my inaugural speech I referred to the management training story regarding the construction worker who was asked while working on a cathedral whether he was breaking stones, earning a living, or building a cathedral. As a public sector surveyor, it was the gradual realisation of contributing to the economic, social and environmental wellbeing of my community that provided the motivation and job satisfaction in the latter part of my career. This I fear will not be enough for new surveyors coming through; whose lives are being shaped by the internet and social media, rather than through a sense of community. They will need and demand more than the public sector can now offer. They may dip in and out of the public sector, but will not see public service as a lifetime commitment.

## *Dangers in the relationship*

The likes of Capita and Carillion were set up as businesses that were 'white collar, back office processing to save money and be more effective'. Property was just one of their business areas, where staff and skill sets were transferred over from the public sector. Both these businesses grew rapidly and took on risky contracts, started running front line services and got their fingers into too many pies. Their recruiting ground is no longer from within the public sector. Last year Carillion went bust and Capita has issued profits warnings. Where does this all leave their ability to manage property for the public good? Has their ethos changed totally from public service to profit only? Has outsourcing gone too far?

## *Promoting ACES membership*

Most ACES membership is still from within local government. Despite name and constitutional changes in the past, there is just a scattering from across the rest of the public sector, both the public and private sector-owned outsourcing companies, and retired local government surveyors who have set up their own consultancies. Where a whole estate service has been outsourced, there will be private sector surveyors who spend all their time on public sector work. Where it is outsourced on an ad hoc task basis; such as condition surveys, right to buy and asset valuations, property sales, commercial lettings and management, very few of these surveyors will be working wholly or substantially on behalf of the public sector to meet the membership criteria. Nor will they have much to contribute to or gain from membership.

ACES' Business Plan Action Plan proposes to increase membership by targeting the major local authorities without membership, health and local government departments in year one, and to cascade down the public sector hierarchy over the 3-year programme. Although this is where the largest growth in new membership will come from, more private sector surveyors would complete and complement the ACES family and help the association to innovate and lead on public sector property matters, which must be its goal to survive. Private sector practices are all in competition for public sector work. Once the first group joins, particularly if they are partners or senior managers leading a public sector consultancy who reap the benefits of membership, the rest will surely follow. But without promotion, achieving this momentum will take time.

## *Conclusion*

Who knows what the future will hold in these uncertain times? What I do not see is opening up membership to the private sector being the key to delivering in the short term the new ACES' vision; in the longer term maybe. The key in the short term will be the business plan, and appointment of Neil Webster as Business & Marketing Manager, with responsibility for improving the ACES profile within the public sector and property industry, and for selling the benefits and relevance of ACES membership. But Neil cannot do it alone. It will be the responsibility of all of us already in ACES, and those that join, to provide the help and support needed to successfully meet this challenge.

Neil outlines his evolving plans to boost membership and activities of ACES.

# ACES MEMBERSHIP AND MARKETING

Neil Webster

*Neil is the newly appointed ACES Business and Marketing Manager. He also holds the health portfolio for ACES, and practices as Cyclo Consulting. neil.webster@aces.org.uk*

### *Boosting public sector membership*

My role as Business and Marketing Manager is in its infancy, but the 'officers' Trevor Bishop, Keith Jewsbury and I have worked out a programme for 2019 of at least one of us visiting each branch once during the year. This is on top of the President's visit and will enable us to gain a flavour of what is required of the team, in terms of branch development. We all acknowledge that some branches are more buoyant than others and that initiatives to increase membership can be undertaken. Some branches have a good number of members, but not necessarily good representation from the authorities or other public sector organisations in their area. Others may have a good membership numbers but weak turnout at branch meetings.

We are already looking at initiatives which will incentivise authorities to join ACES and/or have more members at existing member authorities. The same applies to other public sector organisations. We have a smattering of members from Cabinet Office, health and emergency services, but could gain a better coverage from these and other public sector bodies across the country. Our aim should be to have at least one member from health and one from central government in each of our branches.

The key message: the best way to attract new members is via YOU .

Each of our 400 members, i.e. you, will come into contact with potential new members on a day-to-day basis, and we would ask that you simply let them know the benefits of membership and put them in contact either with your branch secretary, myself, Keith or Trevor. We have a flyer which can be downloaded from the website and we are drafting a brand new one which will soon be available. The membership application form is also available on the website, and we will be looking at making the application process smoother.

But we are not resting on our laurels. We will use all available channels to assist you in your efforts. Tom Walker, Deputy CEO of **Homes England,** spoke at our AGM and enthused on the benefits of ACES in his address. We hope to recruit several of his team into the fold.

Several of the senior management within estates in the **NHS** understand the benefits of ACES' membership and plan to disseminate this through their respective organisations. At the end of last year, I organised for us to speak at the NHS Property Conference, to address an audience made up in the main of health estates professionals. The session was chaired by the President, with Chris Rhodes of London Borough of Sutton and David Baughan of Public Health England giving presentations. We made a number of contacts there which we are following up on.

Over the last few years we have had several joint events with the **Government Property Profession** – London, Leeds and Birmingham - and we plan more. We have also been invited to attend the Government Property conference in London on 14 February. This is arranged by Public Sector Connect on behalf of the Cabinet Office, Office of Government Property and the Government Property Agency.

The successful London **Espresso series**, in partnership with GVA, has now been tested in Bristol, Manchester and Birmingham. These were well received and encouraged an audience, including non-members, so we will definitely do more when we find a topic with national significance.

As I was responsible for the **CPD** portfolio for some years, I am acutely aware that CPD events are great at attracting non-members and the wider audience from member organisations. I will be keeping an eye open for topics and speakers which branches may wish to use, and distributing these either via Keith or direct to branch secretaries.

After a few fallow years, Heather McManus and I managed to meet with **MHCLG** and we seem to have found some officers who are prepared to reignite the regular liaison group. We have been invited to the department's national event in Birmingham in February, so will drive this relationship forward in 2019.

### *Private sector partners*

But it is not all about the public sector. I have begun a process of engaging with our key **private sector partners** to see what they want from ACES over the next few years [Ed – see article by Duncan Thomas on procurement which follows]. It is important that we understand better what is challenging them and finding ways we can develop unique partnerships with each stakeholder; not one size fits all. Some may find the President's conference in September their best engagement opportunity, while others may prefer 2 or 3 focused regional activities more to their liking. Once these discussions are concluded they can be built into the marketing plan.

And as outlined by Richard, we may be taking on members from the private sector who are "senior surveyors wholly or substantially working for or on behalf of the public sector". Exactly who falls within and outside this criterion will be determined by ACES Council over the coming months.

### *Strategic partners*

And then we have some strategic partners through whom we can mutually benefit. **SOLACE** has membership from senior management in local government, not solely chief executives. We have met with them and believe that joint promotion of ACES and SOLACE will benefit both organisations. The detail of this needs to be worked through, but we have been invited to attend several of their national and regional events in 2019, including their set-piece national Summit in October this year.

Recently we have been having discussions with **SPACES**, whose remit covers 'Public Architecture, Construction, Engineering and Surveying'. This dialogue will continue in order to explore opportunities of mutual benefit.

We currently have some useful links with **universities** which we need to build upon. These include Northumbria University, Leeds Becket and University of Westminster. I have approached CHOBE which comprises the Heads of Schools/Departments in UK Universities responsible for research, knowledge transfer and learning in the fields of construction, property and surveying. I have been invited to their AGM/Seminar which is on 26 March 2019 at the RICS headquarters.

As well as Public Sector Connect, there are several organisations who manage events which may be useful links. I attended a DragonGate event on Health and Social Care in November 2018; another event on the government's estate strategy is planned for February. It is through such events that we can further engage with potential new members.

There are plenty of other initiatives we can pursue but these are some of the examples under way. In developing our marketing plan, and increasing membership, we will strive to maintain the key principles of ACES. We must have the right balance between improving our reach while encouraging new members who are experienced, qualified and influential senior professionals.

A marketing and communications plan will be produced for approval at April Council meeting. In the meantime, what we ask of the membership is:

- if you meet potential new members, extoll the virtues of ACES and point them at the website, or put them in touch with myself, Trevor or Keith
- look out for networking events which may be of use to fellow members and circulate details through your branch secretary, or nationally if appropriate
- let us know if you have any ideas which are not covered above and would be useful in adding new members, or encouraging the wider public sector into the fold, or for CPD topics.

# PUBLIC SECTOR PROCUREMENT – THE CONSULTANT'S PERSPECTIVE


Duncan Thomas MRICS MRTPI

*Duncan is BNP Paribas Real Estate's Head of London Development Consulting and Agency. His team provides advice on a varied range of development related issues, and maintains a particular focus on public sector clients. Duncan's current and recent clients have included Homes England, Transport for London, London Legacy Development Corporation, as well as London boroughs and other local authorities. duncan.thomas@realestate.bnpparibas*


In this extremely apposite article, Duncan provides some personal thoughts on the procurement of consultancy services by public sector organisations. "It is hoped that this will be of interest to bodies who procure such services, in the spirit of entente cordiale which ACES fosters." Maybe Duncan should join 'the dark side' of ACES?

## *Introduction*

Where to start, on the vexed issue of public sector procurement? There is much that could be said, and while we encounter many examples of best practice, it can also be a challenging process. Perhaps I can best set the scene with the following observations:

- I recognise that, now more than ever, the public sector has finite resources and requires value for money
- As someone who specialises in providing consultancy advice to the public sector, I am used to the requirements of competitive tendering and procurement. From time to time, I also undertake developer procurement on behalf of my clients, so am used to sitting on the side of the procuring authority
- I am one of those individuals – possibly rare, certainly weird – who actually likes writing tenders. However, onerous tendering requirements may put off some firms who might have provided an excellent service
- Finally, as a Council Tax payer, I certainly want to feel confident that my local authority is securing value for money, and is not simply handing out contracts to a few favourite suppliers!

I provide a range of thoughts on some of the issues and pitfalls which, as a supplier of consultancy services, I and others like me occasionally encounter.

## *Frameworks and fees*

There are a multitude of consultancy frameworks, ranging from the large national frameworks (Homes England and Crown Commercial Service, for example) through to regional frameworks, such as ESPO and the frameworks which are maintained by bodies such as some individual London Boroughs. While the desire to have a locally or regionally tailored framework is laudable, given that certain frameworks are intended to be national in scope or have regional lots, it is worth asking whether there is not, perhaps, an unnecessary proliferation or duplication of frameworks? Frameworks do have benefits for both client and supplier – for example, once the framework is set up, the tendering process should be more streamlined, without the need to provide reams of company background information or accounts on an ongoing basis.

However, what we see with such frameworks, particularly the larger ones, is that they often put a low weighting on quality and a high weighting on price (perhaps as much as 80% price-driven) with a resultant downwards effect on fee rates. Pity the poor consultant I hear you cry! However, we can probably all agree that the lowest price does not necessarily equate to the best value for money. Part of my role has involved assisting the public sector in securing development partners. For typical OJEU developer procurements (eg via Competitive Dialogue) there is often an equal weighting between price and quality. Why take a different view when appointing the advisor who will assist in selecting a partner for the largest and most high-profile projects, or for other complex transactions?

Given the scale of some of these larger frameworks, there is naturally a mentality among advisors that "we must be on framework X". While this competitive tension does help to lower fee rates, to the benefit of the public purse, it can have adverse consequences. For example, low fee rates tendered in response to an abstract framework procurement exercise do not always survive contact with the brief to deliver specific complex projects; this may mean that there are high proportions of "no bids" for work which is actually tendered.

Naturally, consultants must make their own judgements when tendering for individual instructions and this will be

informed by a range of issues around profitability, current workload, ability to resource an instruction cost effectively, and other related considerations. I have heard clients complain on more than one occasion recently that, having appointed the lowest-priced bidder, they have been very disappointed with the quality of advice received, and are receiving a service which is reactive rather than proactive, from a team whose resources are clearly spread thinly, presumably across multiple low fee instructions.

Hopefully - from my perspective at least – a case of once bitten twice shy! That being said, one of the clients in question told me that given the very low fee proposal submitted (half the level of the next cheapest bid) and the high weighting given to price, it would have been virtually impossible not to choose the cheapest bidder. The only potential alternative would have been to declare the bid non-compliant, but while the quality of the successful tenderer was "modest", the procurement team could not be persuaded to reject the tender.

A related issue is what exactly constitutes price evaluation. In many cases, we see examples of price scoring which make it explicit that the lowest tender will always achieve the highest score. I know of some individuals within a particular national agency who, when undertaking price evaluation, will always look at the fee breakdown to understand the number of days assumed and relative seniority of the staff involved, in order to adopt a holistic view of the pricing response – effectively an additional element of quality evaluation by stealth. However, this approach is not consistently applied, even within that particular organisation.

## *Briefs*

The quality of briefs issued by procuring organisations is variable. A good brief should provide clarity on the project, objectives, timescales and outputs. As they say in computer programming, garbage in = garbage out. This is particularly important when time is pressing, as a poorly written brief may mean the difference between a decision to submit a bid, or to pursue no further.

## *Timescales*

In common, I am sure, with many of my competitors, I am used to having to juggle the competing demands of servicing existing clients, with the need to submit tenders for new work. Tenders are like the proverbial buses: nothing for a while then 3 come along at once.

I suspect that occasionally, procurement officers may fall into the trap of assuming that "these big firms have teams to write the tenders for them". Well, that is not entirely true. Business development teams often help with standard tender elements such as the input to Supplier Questionnaires (SQ), generic information, or case studies, and also with the formatting of tender responses. However, in reality, it is the fee earners who must write the methodology, following an appreciation of the brief and all the issues involved, and who will have to assemble the team, consider resourcing, and formulate the all-important fee proposal.

Too often we see a flurry of tenders being issued in July, in the expectation that procurement officers will have the answers waiting for them when they return from their summer holidays. Even us consultants like the occasional rest (!), and particularly for complex tenders which may require senior input, it is perhaps worth bearing in mind that those of us with families tend to be tied to school holiday periods. Again, conventional wisdom would dictate that it is far from ideal to launch a site to the market over the holiday period - in which case the same would presumably apply when seeking high quality consultancy advice? As I write these words (in December), colleagues are preparing yet another framework tender with a deadline of the beginning of January [Ed – bit like the deadline for Terrier?]. With the best will in the world, while we theoretically have circa 4 weeks to prepare the combined SQ and Invitation to Tender response, the reality is more like 2.5 weeks at best, at one of the busiest times of the year.

## *Contracts*

When reviewing framework tenders and similar, there is usually a draft contract to review. Occasionally, we are invited to comment on the contract, although it is frequently the case that no material amendments are made.

A particular trend which we have seen recently is for framework contracts to have no cap on liability. While we understand the desire for the public sector to protect itself (and we are also thankful that our clients are not typically a litigious bunch) the need for this should, perhaps, be questioned. A particular consequence of such insurance provisions may well be that, while firms sign the framework contract, they will simply "no-bid" the larger and more challenging instructions (particularly those with a valuation element or which may relate to more unusual assets) because of the risks involved. A related matter is the occasional request to receive details of suppliers' insurance policies: firms can be contractually prohibited, by their insurers, from divulging such information.

We also see 'one size fits all' contracts which may have particular implications when it comes to matters as diverse as safeguarding issues, or access to our IT systems. Such provisions may simply be irrelevant for the likely range of property consultancy services, or may be challenging to comply with for entirely valid reasons, eg around confidentiality of other clients' data etc. A common-sense discussion may facilitate the ability to reach mutually acceptable common ground, if each side is able to state its objectives, and the rationale for their concerns, but too often, there can be little or no ability to engage in constructive dialogue around proposed amendments. Our legal colleagues can be as risk adverse as our clients.

## *Feedback*

We value constructive feedback to tenders. This is not always forthcoming, and I have known procurement officers say that they are under no obligation to provide such feedback. This is un-helpful, and surely counter-productive, especially if the aim is to receive responses to future tenders? We can all learn to sharpen our game.

### *Summary*

I very much hope that the above thoughts will be taken in the manner in which they are given, as an attempt to provide some constructive thoughts on a range of procurement-related matters.

Perhaps it would be wise to emphasise that the thoughts are purely my own, rather than those of BNP Paribas Real Estate! However, having worked at a number of other property consultancies, I believe I am on fairly safe ground when I say that the concerns which I have voiced are shared among a number of my competitors, even if they are too tactful – or timid - to raise them.

Whether Brexit (if it happens – uncertain at the time of writing) will simplify procurement, only time will tell, although given the industry which has grown up around it, I have my doubts.

Now, where is that tender I need to start drafting?…..

Following on from his presentation at 2017 ACES Conference Leeds, Graham can finally report on the published changes to the Depreciated Replacement Cost method. His explanation of the guidance is essential reading for any asset valuer.

# DRC ASSET VALUATION GUIDANCE REFRESHED - DRC UKGN and UK VPGA

Graham Stalker

*Graham is a chartered surveyor with over 35 years' experience in the public sector. As part of the Valuation Office Agency's Chief Valuer Team, he is the Head of Professional Guidance for its DVS business stream, which provides valuation services and property advice to a wide range of public bodies – local authorities, central government departments, executive agencies, devolved governments and the NHS.*

*Graham has more than 25 years of practical experience in the field of asset valuations undertaken for financial reporting purposes; he served on the DRC Taskforce and on HM Treasury's Asset Valuation and Capital Charging Group (2005–2007) and in 2011 was appointed by the RICS to an IVSC working party, preparing international technical guidance on the valuation of special purpose government property. Graham has also for many years been a member of the RICS Public Sector Valuation Group, which provides technical policy input into revisions of RICS draft standards, guidance notes and information papers, and which also considers the impact of other bodies' material on surveyors in the public sector. graham.w.stalker@voa.gsi.gov.uk*

### *Introduction*

The recently published standalone RICS UK Guidance Note on the Depreciated Replacement Cost (DRC) method of valuation for financial reporting is effective from January 2019 and replaces the Red Book's former UK GN2. Taken together with the recent updating and replacement of UK appendix 4 on accounting depreciation with VPGA 1.10 in the new Red Book UK National Supplement, the RICS intends the revised material to together promote greater consistency among valuers in how they approach the DRC asset valuation of specialised property. And of course for public sector asset valuations, the UK National Supplement's new VPGAs 4 to 7 as well as VPGA 1 are also highly relevant.

As Mark Gerold explained in 2018 Summer Terrier, the former guidance, when reviewed, was considered generally fit for purpose but in need of clarification and greater explanation in some areas. Both auditors and RICS in recent years had grown increasingly concerned by very different valuations being reported for similar assets as a result of a lack of consensus on interpretation, opening the profession to potential reputational risk and putting at risk consistency in financial reporting – the latter of particular concern in the public sector where DRC is used extensively.

Desirable though consistency is, guidance notes cannot be overly prescriptive. Their purpose is to set out what is considered to be good practice, rather than be detailed 'how to' instruction manuals. Both the DRC and accounting for depreciation updates therefore closely follow the layout of their predecessors, with the revisions and additions focussing on strengthening understanding of those areas where variation in interpretations has been greatest.

These areas include: encouraging timely dialogue engagement with the entity; having regard to the impact of constituent parts when assessing lives; understanding the relationship between economic lives and useful lives; awareness of the instant building concept; how to approach multi-block sites; prevailing use site values; and componentisation.

A number of other small but significant features will assist understanding, such as the guidance now making reference to IFRS accounting standards as well as UKGAAP, and by the term 'depreciation' when used being prefixed with either 'valuation' or 'accounting', to clarify for readers the context and type of depreciation being discussed. Also, the instant build concept for public sector bodies receives a little more explanation, that when it is applied, provision is neither required for finance costs - there being no build period - nor for contingency allowance.

## *Dialogue*

There is an emphasis throughout on the importance of engaging in early and ongoing dialogue with the client (and, if different, the entity occupying the assets). From the outset, their positions on a range of financial reporting-related issues must be clarified - and recorded - as these factors will impact on the valuer's inputs and case handling.
In short, establish what the client's 'normative model' for asset valuation/accounting is. Acting, without seeking further clarification, on an instruction which simply states that what is required is a RICS and IFRS compliant asset valuation is a recipe for potential future unexpected surprises for the valuer and client alike.

What financial reporting type issues require client input?

- Classification: What IFRS classification has the Finance Director given to each asset? That classification determines the valuation basis to be applied by the valuer

- Asset type and use: What type of property is each asset and how is it used by the client? This will help the valuer select the appropriate valuation methodology

- Measurement basis: Many public sector bodies have existing pre-IPMS measurement records for their estate. If the client requires IPMS to be used, do they need to commission a remeasurement?

- MEA: Seek the client's views on the design and specification of the Modern Equivalent Asset (MEA). They are usually best placed to comment on what would deliver the same service potential as their existing specialised asset. Storey height? Configuration? Does it envisage replacing separate existing buildings with, say, a single building? Could the MEA deliver the same service potential with a smaller floor area than the actual asset?

- Site Location: What is the client's policy regarding MEA location, having regard to the principle that the hypothetical buyer for a MEA would purchase the least expensive site that would be suitable for its service delivery requirement? Could the service be provided equally well (or more effectively) from a less expensive location than the current one? The requirement to supply local services may constrain public bodies to varying degrees of course; for example the range of alternative locations where a prison can be hypothetically located are far greater than that of a primary school.

- Site size: Consult with the client whether the site for the envisaged MEA require to be as extensive as that currently held, or could a smaller area deliver the same service potential? Consider the size and configuration of the MEA building

- Capital Expenditure: Obtain details from the client of any capital expenditure incurred on the asset's improvement, refurbishment, reconstruction or extension since the last asset valuation

- Componentisation policy: Establish at the outset what the client's componentisation policy for accounting depreciation purposes is. This will impact on the information which may require to be collected during inspection. What is their materiality threshold - the figure above which an asset must be considered for componentisation? Are they applying the minimum mandatory provisions (IAS 16 paras 43 – 46) where only those parts with a cost significant relative to the total asset cost and also a different Useful Life to the whole require separate accounting depreciation? If so, by what measure do they measure 'significant'? Or have they elected to apply para 47 and depreciate separately any number of components they wish regardless of cost significance?

- Previous figures: Obtain as much information as possible from the client about preceding asset valuations and the approach adopted. This aids early identification of inconsistencies and assists discussion with the client of emerging issues, helping avoid those unexpected surprises at report stage. Remember that balance sheets are sensitive, not just to change in an asset's total value, but also to differing levels of value being attributed to the land and non-land parts, and to remaining life variations.

## *Multi-building sites*

The approach to the valuation of multi-building sites has been clarified, there being an expectation that each building will usually be capable of being valued and accounted for separately. Each will have their own remaining life that reflects the differing ages, lifespans and remaining lives of its constituent parts. Para 10.2 of the DRC guidance indicates that this will be the case, except in the rare circumstance of there being a strong interdependency between the buildings which would mitigate against individual replacement, eg an oil refinery. Discussing accounting depreciation, UK VPGA 1.10 expands on this, stating that for most multi-block sites such as schools, hospitals and military bases, piecemeal redevelopment is usually possible and not unusual, and that therefore each building will usually be accounted for separately as an asset. This is expected to be the case for most if not all public sector properties.

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Email : ian.carruthers@voa.gsi.gov.uk


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Only in circumstances where there is a strong interdependency present, such as an oil refinery, may buildings be grouped and a single life allocated to all buildings within the group – effectively the facility being treated as the asset and its individual buildings akin to its components. And even then, grouping buildings is not considered appropriate if they are either used for different industrial processes with different accommodation requirements, or if the client expressly requires each building to be considered individually.

## *Estimating lives*

A building comprises many different parts, each with their own physical lifespans and economic service delivery potentials. Many of these will be shorter than the period over which the asset is planned to be used to deliver services. Both DRC GN and UK VPGA 1.10 emphasise that when assessing an asset's lifespan and anticipated remaining life for, respectively, either valuation or accounting depreciation purposes, it is important that the valuer has regard to how the overall life is impacted by its constituent parts wearing out at different rates. As both documents explain, while routine servicing and repairs can be reflected, the positive impact on increasing the economic life and useful life of an asset that may arise from capital expenditure on the replacement of its exhausted parts has to be disregarded until such time as that expenditure is incurred.

The valuer, therefore, should reflect the varied lifespans of the asset's constituent parts in situ at the valuation date rather than assume their future renewal – the life assessment is a snapshot taken at that valuation date. As to how, the guidance explains that the application of approximation techniques, such as weighting by value the impact of the lifespans of the different parts, may assist the valuer to arrive at figures for the overall asset's lifespan and remaining life that faithfully reflects its parts' varied physical lives and economic benefit consumption patterns.

For example, when valuing a new asset for financial reporting purposes, its projected lifespan will neither be the lifespan of its longest life part, nor the period over which the entity intends to use the asset to deliver services, but rather a lower figure. This is because the client may intend to use the newly built asset for, say, 80 years, but by the time 2099 is reached, significant parts of the building will have worn out and been replaced at least once. The 2099 asset in use will not be the same as the asset being valued now and the capital expenditure on its replacement parts has not yet been incurred. The same principle of course applies to buildings being valued at any stage of their life.

## *Relationship between economic life and useful life*

DRC GN para 9.27 explains that the remaining economic life assessed for valuation depreciation purposes should act as a cap on the useful life used for accounting depreciation purposes. Useful life is defined as the period during which the entity in whose accounts the asset is carried expects to derive economic benefit from that asset. Many of the considerations to be reflected by the valuer, if advising on an asset's remaining useful life for accounting depreciation purposes, are the same as those considered when forming a view on the asset's remaining economic life for valuation purposes. For example, as noted above, neither assessment permits the future replacement of an asset's constituent parts to be recognised in the life calculation. In practice the useful life may often be equal to the economic life assessed for valuation purposes. What is different between the assessments is that while economic life reflects the remaining economic life for the designed purpose to both the current entity and any successors, useful life is restricted to the period over which the existing entity derives economic benefit from the asset. UK VPGA 1.10 explains that if, for example, there is an expectation on the part of the entity that an asset will be sold before the end of its economic life, the useful life may be shorter than the economic life, to reflect that intention.

Useful life cannot normally be longer than the economic (or physical) life used for the DRC valuation: useful life is effectively a subset of economic life. UK VPGA 1.10 draws attention to the limited circumstance in which an asset's useful life of an asset might exceed its economic life by a small margin.

## *Useful life and banding*

Another point worth drawing attention to regarding lives is that the previous guidance included reference to a valuer providing remaining life figures in broad bands for accounting depreciation purposes. That banding recommendation is not replicated in UK VPGA 1.10 as it is not normally sufficient for a client's financial reporting purposes.

## *Sites and prevailing use*

Establishing the value of land associated with specialised assets can be a challenge. In the absence of comparable evidence, the valuer has to consider what other uses a buyer of the site for the specialised use would have to compete with in the market – in short, what is the range of uses that prevail in the chosen location. The 'prevailing use concept' is explored in more detail in the new DRC guidance, which makes clear that it is not the same as 'optimum use', where there are a range of uses. An optimum use value would reflect the highest and best use in the locality but prevailing use effectively de-tunes that highest level value by the valuer:

- In addition to assuming planning permission for the specialised use, considering the mix of planning uses in the locality rather than necessarily opting for the most valuable and having regard to the general philosophy of the planning authority for the particular area. 'Locality' may be interpreted as the discrete area of economic activity around and in the immediate environs of the chosen site

- Ignoring certain unique attributes of the site not essential to its service delivery purpose, for example, as an irrelevant situational feature like a prominent (i.e.) valuable river frontage position. One may consider instead what the value would be if the site was, say, one street back from that river frontage.

### *Componentisation*

UK VPGA 1.10 also considers componentisation of the depreciable amount. The extent to which a client applies this at their accounting depreciation stage and what valuer assistance is required has been a topic of debate since IFRS was introduced. Componentisation has been something of a growth industry with clients electing to exercise their discretion to request componentisation of different parts of an asset, over and above the mandatory minimum provision of simply identifying separately those parts which are cost significant and have different remaining useful lives relative to the whole.

Componentisation is essentially the application of fine tuning to accounting depreciation assessments of the depreciable amount, with a view to improving accuracy. But how much is too much? Having regard to the example used in IAS 16 of an aircraft's jet engine, there may be few single components in a building that truly stand out as having materially disproportionate costs and lives to the whole. Bear in mind also that regardless of how many components or component groupings are used for accounting depreciation purposes, the level of value reported by the valuer will be unchanged. This may best be illustrated by imagining the depreciable amount figure as being a pizza. However many slices you choose to divide the pizza into, its overall size remains the same.

UK VPGA 1.10 usefully notes that in each instance, the resources devoted to componentisation should have regard to the materiality of the effect on the accuracy of the overall asset depreciation and any additional use to which the entity may intend to put the figures. It suggests that where the client requests use of the discretionary approach, it will (subject to their views) usually be sufficient for a specialised asset's depreciable amount to be split into 5 or 6 component groupings, such as sub-structure, superstructure, finishes, fittings and fixtures, engineering services and external works. For a non-specialised asset, apportionment into 2 broad groupings - structure and services - may suffice.

### *'Last resort' no longer*

And finally – one further change worth mentioning is that DRC is no longer described as being a "method of last resort". DRC is considered to be a method equally valid to others for use in appropriate circumstances. It was considered that the term 'last resort' carries a risk of stigmatising the method and has led to occurrences of valuers avoiding its use, when to do so would have been valid, instead manufacturing convoluted alternative approaches which were inappropriate to the circumstances. The key to its use is appropriateness – the guidance makes specific reference to DRC being the method to use where there is no active market for the asset being valued and it is impractical to produce a reliable valuation using other methods.

Andrew was a guest at ACES Annual Meeting. He made the fatal mistake of talking to me, and agreed to offer his recent article to 'Valuer' for inclusion in this edition of Terrier. it summarises the position following the ATM rating decision case, which was finally settled by the Court of Appeal.

# ATM RATING DECISION

Andrew Hetherton

*Andrew Hetherton MRICS IRRV (Hons) Cert Ed is a Director of Andrew Hetherton Consulting Ltd, an IRRV Council member, and Senior Vice President of the IRRV. andrewhethertonconsultingltd@btinternet.com*

### *Background*

The Court of Appeal has recently issued its decision in Sainsburys and Others v Sykes (VO) & Others and, over the coming weeks, there will no doubt be much debate about it. This article may prove "provocative" to one or other of the parties, but that is not hard, given the numbers on the team sheets for appearances, firstly at the Valuation Tribunal, then at the Upper Tribunal (Lands Chamber) and, most recently, before the Court of Appeal.

### *Scope of the case*

The case concerns the rateability of the sites on which ATMs sit. It will be clear to many experienced rating professionals that the ATM machines themselves are not rateable and, in broad terms, there were 2 types of ATM locations to be considered:

- machines sited within retail stores
- "hole in the wall" machines situated at a retail site, for example, in a supermarket facing onto a car park.

It is interesting to note that not all ATMs were considered in this litigation. For example, ATM machines situated in free standing "kiosks" in wholly separate structures outside the curtilage of the host store, or ATMs located within stores where the bank operates a concession and has control of a separate area which, in many cases, will satisfy the criteria of being a hereditament.

The ATM machines involved in the litigation were owned and operated by banks, including Sainsburys Bank, Tesco Bank and Co-Op Bank. The fourth retailer involved in the case was Cardtronics, which operates machines at various convenience stores and shops.

Each of the banks carried out the provision of services via the ATMs, including the provision of cash, changing PINs, checking balances, ordering statements and, in some instances, topping up mobile phone balances. These are all similar services to those you may find if you were to visit one of the few remaining branches of your banking provider. One area the ATMs tend not to deal with concerns deposits of cash and or cheques, which you normally need to do at your local bank branch.

The Valuation Office Agency (VOA) started to investigate the circumstances behind the operation of these ATM sites in 2009/10 in part, probably as a consequence of litigation in Scotland (Assessor for Central Scotland Joint Valuation Board v Bank of Ireland [2011] RA 195). That, of course, is not to say that other reasons may have prompted a review of the circumstances and, looking back through the course of time, a number of events are relevant. It is, of course, not the first time that such matters have become before the Courts and Tribunals - one such case being Stringer (VO) v J Sainsbury Plc [1992] RA 16, considered by the Lands Tribunal. Even prior to that, the situation concerning the assessment of kiosks and barrows was considered in Westminster Council v Southern Railway Company Ltd [1936] AC 511. Of course, much has changed over time.

The outcome of the VOA's investigations, and protracted enquiries of a number of operators into the "squadron agreements" (the collective name), led them to conclude that the ATM sites were capable of being individually assessed as separate hereditaments. This issue was the subject of litigation in the 1960s and related to the assessment of a milk vending machine in NH Platts & Sons v Hanstock (VO) (1963) (3 R & VR 344). It was determined that they were not only sites capable of being separate hereditaments, but that they were in the occupation of the store operator.

As a consequence of the VOA's investigations, rating lists were altered up and down the country to assess separately the sites of ATM machines and bring them into the rating list. This was bad news for the banks and the host retail stores, who had not had assessments in such circumstances before and now had an additional liability. Further bad news compounded the issue for the retail operator, as the separate assessment of the ATM site generally did not lead to a reduction in the host store assessment. This left a contractual problem for the banks and the supermarkets to work out who was to pay. In some instances, local authorities sought to chase who, in their view, was the "occupier" for the amounts owing, creating a number of challenges for those named on the rates demand.

## *The hearing*

This wholesale change in approach understandably created significant concerns on the part of the ratepayers affected and proposals were submitted which, in turn, became appeals transmitted in the normal way to the Valuation Tribunal for England (VTE).

As the subject of these appeals was both controversial and complex, the matter was subject to special directions from the VTE and the matter proceeded to a hearing on 11 February 2016 before the VTE Vice President, Alf Clark. In rather unusual circumstances, the appeals were heard by the VTE at the Rolls Building in London, with no less than 27 people representing the interests of the appellants and an entourage of VOA representatives. All parties had leading QCs, junior counsel, instructing solicitors and surveyors. It is no wonder that larger premises were required for the conduct of the hearing. The decision of the VTE was given on 4 March 2016.

The VTE had to consider the definition and nature of a hereditament. Taking account of Section 64(1) of the 1988 Act, which defines a hereditament as anything which would before the passing of the Act have been a hereditament for the purposes of section 115(1) of the General Rate Act 1967. That being **"such a unit of property which is or would fall to be shown as a separate item in the valuation list"**, the statutory definition therefore provides only limited assistance and whether a unit of property is a hereditament is to be determined by applying principles developed by the courts since the seventeenth century.

It was argued by the supermarkets that none of the ATM sites were physically self-contained units of property (as they can only be found within the host's stores) and, as the ATMs were a non-rateable piece of plant and machinery, their presence within the hereditament cannot be relied on in order to identify the appeal hereditament. In other words, when you remove the non-rateable plant and machinery from the site, there is nothing left to identify it.

However, the VTE identified a flaw in this argument. Namely, if the host's store is self-contained, then the ATM cannot possibly be so, as it is included within the self-contained store. Access to it will be through an enclosed area of the store. The Tribunal pointed out that many enclosed shopping centres are only accessed through areas belonging to someone else but that does not mean that they are not self-contained.

The Tribunal took the view that the supermarkets fell into a trap of automatically focusing on the host's store and its relationship with the ATM site and not on identifying the hereditament in dispute, and then determining who is in occupation. What is being rated is the site of the ATM - a piece of land clearly defined and on which the operator stores its money and machinery. This was likened to the decision in Vtesse Networks Ltd v Bradford [2006] EWCA Civ 1339 where it was found that Vtesse was in occupation of the entire network of cables and ducts which constituted a hereditament, even though it only owned a small proportion of the total.

It was identified that while it is possible to carve a hereditament out of the site of an ATM, that is not the end of the matter. The court then needed to go on to consider the test set out in John Laing & Son Ltd. v Kingswood Assessment Committee [1949] 1 K.B. 344. The supermarkets pointed out that in none of the contractual arrangements regarding the ATMs were the operators granted a lease over the particular site. Ownership of the land remained with the host's site. In some circumstances the host was granted a right of access or, in others, required the operator to have restricted access.

However, the VTE took the view that none of the contractual arrangements interfered with the enjoyment by the ATM operators of the premises in their possession for the purposes of which they enjoyed them. An analogy was drawn with a shopkeeper who has restrictions placed on him by the owner of the surrounding land as to when deliveries or repairs can be undertaken. Equally, where a landlord may provide services such as repairs, insurance, replenishing supplies to the premises or even cleaning, these do not result in the tenant no longer being in occupation.

The Tribunal accepted that a tenancy did not exist in relation to any of the sites, but that did not change the fact that the site owners "interfered" with the operator's enjoyment of the ATM site. All these factors were within the spirit of Westminster Council v Southern Railway Company Ltd [1936] A.C. 511), where the occupiers of stalls, kiosks and hairdressing salons were held to be in rateable occupation. The Tribunal found that the 4 ingredients of rateable occupation are met by the operator of each ATM site and they were, therefore, in occupation of each ATM site.

The Tribunal therefore dismissed appeals relating solely to the deletion or merger of separate entries in the rating list for the sites of the ATMs.

## *The hearing to the Upper Tribunal*

The matter then proceeded on appeal by way of a de novo hearing to the Upper Tribunal (Lands Chamber) (UTLC) and a hearing before Martin Rodger QC, Deputy Chamber President and Valuer Member Andrew Trott FRICS, lasting 3 days in January 2017.

The UTLC determined that the sites of ATMs were capable of being separate hereditaments, but the sites of in-store ATMs were in the rateable occupation of the store operator and therefore formed part of the store hereditament. Insofar as the sites of the outward-facing "hole in the wall" ATMs were concerned, these were in the occupation of the banks and not the store and therefore they should be assessed as separate hereditaments.

It was hardly surprising that the matter would progress further as neither party got from the judgement of the UTLC a decision that they were satisfied with.

## *Court of Appeal*

The Court of Appeal, comprising 3 Lord Justices of Appeal including a former President of the UTLC, Lord Justice Lindblom, heard the case over 2 days in May 2018. As before, the parties were represented by a large number of leading and junior barristers, along with an army of supporters. The Court handed down its judgement on Friday 9 November 2018 and sought to address the following issues:

- did the Tribunal err in its approach to the identification of a hereditament?

- did the Tribunal err in its approach to the rateable occupation of the ATM sites?

The Court held that externally located ATMs (e.g. those on the outward-facing walls of premises) were not separate hereditaments for rating purposes. Therefore, they did not give rise to a separate business rates liability.

In its judgment, the Court of Appeal considered the correct way to identify a hereditament for rating purposes, and the meaning of rateable occupation of a hereditament, to be as follows:

- while an ATM itself is non-rateable machinery, it could be taken into account when determining whether a separate hereditament exists. It was not necessary for the site to be specifically adapted for the ATM in order to create a separate hereditament

- applying the principle of "general control" (from the Westminster case), it considered that the involvement of the store in the operations room retained sufficient control of the ATM site (in contractual, physical and functional terms) that it (i.e. the store) should be treated as being in rateable occupation as the paramount occupier, not the bank.

The VOA sought leave to appeal to the Supreme Court against the judgement of the Court of Appeal. However, the Court of Appeal refused permission both to appeal or grant a stay in proceedings. The court ordered the rating lists to be amended to give effect to its decision. The VOA therefore has to take the necessary action to implement the Court's decision or, within 28 days of the decision, to petition the Supreme Court for permission to appeal.

At the time of writing this note, it is not known whether the VOA will petition the Supreme Court for permission to appeal.

*Ed - This article first appeared in December 2018 Valuer. My thanks to Andrew and the Editor of Valuer, John Roberts.*

# THE SMART WAY TO MANAGE ESTATE-WIDE ENERGY PERFORMANCE

Stephen Preece

*Stephen is the Business Development Director at proptech company arbnco, which develops software solutions to improve the energy efficiency of commercial real estate. spreece@arbnco.com*

Stephen outlines how using and understanding energy performance across an entire portfolio and deciding on the best retrofit strategies – not just to the least efficient buildings – can be a demanding task, made easier by using specialist software, if public sector buildings are to remain compliant with legislation and help the UK achieve its carbon targets.

## *The challenge*

Implementing an energy efficiency programme across an entire portfolio of properties is a considerable challenge for many public sector estate managers. Possessing a full understanding of the performance of each individual building, identifying what widespread improvements could be made, and calculating cost-effectiveness at scale can be a time consuming and complex task – and one that is made all the more demanding when we add legislative compliance into the mix.

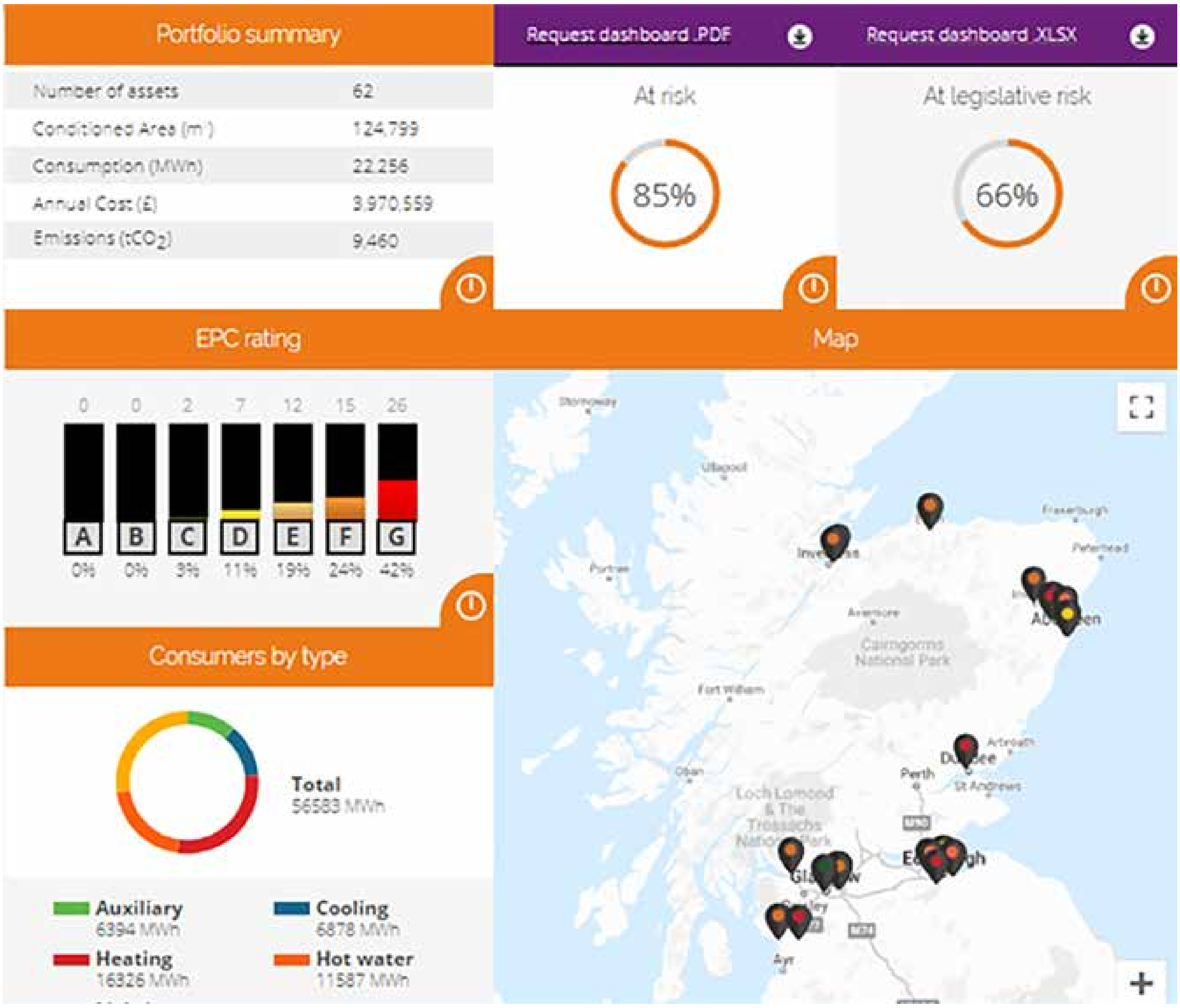
The scope of this task is likely to have widened in recent years. Data from the MHCLG shows that in the financial year to March 2018, councils spent £4bn investing in land and buildings. This is a jump of 43% from the previous year, and suggests many council property portfolios will have grown in size. Combined with the introduction of several big pieces of energy legislation in the UK, it means that for many asset managers, an increase in portfolio size has been accompanied by a new legal framework through which to navigate.

Improving the energy performance across a public sector estate need not be as challenging as it initially seems, if property managers make full use of the building data they possess – something that is often overlooked. Used alongside technology solutions that can analyse it, this wealth of data can be utilised to make quicker, more informed decisions on improvement strategies, building priorities, and the carbon and cost savings that could be achieved.

## *Drivers of change*

Operational cost savings, reduced carbon emissions, accessing funding on time, and compliance obligations are 4 of the key drivers of energy efficiency programmes in the public sector, with each factor dominating to varying degrees, depending on whether the estate properties are leased or operational.

In the UK, 2 pieces of legislation have recently been introduced to improve the energy efficiency of commercial building stock in the UK. The Minimum Energy Efficiency Standards (MEES), applicable in England and Wales since April 2018, requires properties under a new lease or lease renewal to achieve a minimum 'E' Energy Performance Certificate rating (EPC). S63, applicable in Scotland since September 2016, requires the energy performance and greenhouse gas emissions of non-domestic buildings to be assessed. An action plan then needs




to be lodged, outlining clear steps to improve the energy performance of the building and reduce emissions.

Given that the revenue generated from non-MEES compliant commercial properties goes to the local authority, it is crucial that the authority's own buildings set an example, and asset managers need to ensure that the full estate is compliant. Indeed, in the interests of transparency, many councils have proactively published online the EPC ratings for their buildings. They also need to be vigilant against tightening legislation, however, as MEES – rooted in the Climate Change Act 2008 to help meet the UK's carbon targets - is unlikely to remain fixed at the current thresholds. We can expect in the coming years the minimum EPC rating to be raised from its current 'E' level.

Likewise, s63 will no doubt also be made more ambitious as part of the government consultations on the Energy Efficiency Scotland route map, launched by Nicola Sturgeon in May 2018. Currently only applicable to commercial buildings with a floor area of more than 1,000 sq m – about 6% of non-domestic properties in Scotland – this area is likely to be reduced significantly to sweep up a bigger percentage of buildings. By 2040, legislation is expected to cover all non-domestic buildings in Scotland.

This tightening of the legislative landscape across the UK means that asset managers will need to review their portfolio again, and know whether a larger proportion of their buildings meet the necessary energy standards.

In many cases, recalculation may be required in the more immediate future. EPCs expire after 10 years, and, as they began in 2008, many organisations will have just commissioned new ones, or will be doing so this year. For MEES in particular, recalculations conducted in line with updated versions of the Simplified Building Energy Model may reveal more properties than initially thought could be at risk of non-compliance. Research conducted last year by arbnco showed that almost 20% of commercial real estate on its platform fell into a lower EPC category upon re-simulation.

## *Getting value out of asset data*

While an EPC tells us in general terms how a building is performing, as a resource to inform an energy efficiency programme, it's not that useful. Where property managers can extract value is in the data file that sits behind this EPC, which contains a very detailed model of the building itself. Alongside the certificate, property managers need to ensure that they obtain the base building model and INP input file from the energy assessor.



The building models from each property in the portfolio can then be inputted into a software platform, such as the arbn consult platform, which can take the asset data contained within the models, analyse it, and turn it into meaningful information which can facilitate better decisions. It can help property managers review their entire portfolio at a glance, identify opportunities, and prioritise retrofitting work.

In the first instance, software can be used to audit the quality of existing EPC data, and determine whether performance ratings are indeed accurate. This might flag up individual properties that require attention, which were previously perceived to be operating at an acceptable standard. Once a body of accurate EPCs for the entire portfolio has been obtained, compliance risk can be assessed at scale. For example, it could alert property managers that x% of the estate is at risk of revised MEES regulations.

The challenge then can be in knowing how to implement a cost-effective energy efficiency project across a range of different properties, that will bring about the desired result. Intelligent software can present a series of fully-costed retrofit strategies almost instantly, to reduce carbon output across an estate. These strategies can be generated based on achieving a particular outcome, such as reaching an EPC rating of D, or reducing energy costs or CO2 output by x amount. It could also be focused on one particular type of improvement, such as lighting.

In addition to calculating the cost of the retrofit, software can also calculate the cost of the pay-back period. For public sector property managers, possessing a full understanding of the financial implications in both the short and long-term is vital in determining the feasibility of a project, assisting with funding applications, and assessing the project in line with other authority priorities.

Conducting these calculations manually for every retrofit scenario is a very resource-intensive task for just one building, let alone for multiple properties. The ability of technology to do this for asset managers and free up time might enable them to look beyond just the worst performing properties. Some of the biggest savings could be made from buildings within the A-C EPC categories, yet these rarely get considered when – for asset managers in England and Wales at least – the priority is on those that are at risk of falling foul of MEES.

Possessing a thorough understanding of energy performance across an entire portfolio, deciding on the best retrofit strategies, and then implementing that action plan is a demanding task. Yet it is a crucial one, if public sector buildings are to remain compliant with legislation and help the UK achieve its carbon targets. For asset managers, the most important thing should be sourcing the data file that has been used to produce the EPC. Once they have that, technology solutions can help to inform the rest, scoping energy efficiency and low-carbon projects quickly, cost-effectively and at scale.

# ELECTRONIC COMMUNICATION CODE – ENDING THE CODE DEADLOCK

Sue Doane and Mark Talbot

The new Electronic Communications Code was supposed to bring clarity on digital infrastructure. Sue and Mark examine where it is not working and explain why there is a need for RICS guidance. The current standoff in settling agreements needs to be broken, if modern digital infrastructure is to be available to all.

*Sue is a consultant chartered surveyor with over 30 years' experience in commercial property and the telecommunication industry, having worked in local government, private practice and the corporate sector, the latter as Head of Real Estate for Virgin Media. As an independent consultant, Sue has chaired Ofcom's Code of Practice consultation workshops for the new Electronic Communication Code and sits on the RICS Telecommunications Forum board.*

*Having recently completed an MBA (with distinction) she is also a Fellow of the RICS and APC Chairman/Assessor. sue.doane@outlook.com*

*Mark is a Partner and Head of Telecommunications at Carter Jonas, with over 20 years' experience of strategic acquisition, development and management of telecommunications infrastructure assets. His expertise includes translating complex business needs into clear property strategies, delivering acquisitions and technology convergence projects as well as commercial and legal due diligence. He has also been responsible for the delivery of major national infrastructure programmes in broadcast and mobile areas and the initial deployments of distributed antenna systems within indoor and urban environments.*

*Prior to working for Carter Jonas, Mark was Head of Estates and Property at Arqiva. He is also Chair of the RICS Telecommunications Forum Board, which liaises with government ministers, advisors, civil servants and regulators, helping to shape policy and legislation, as well as providing professional guidance to the real estate industry. Mark.Talbot@carterjonas.co.uk*

## *The Code*

The Electronic Communications Code regulates the relationship between network operators and site providers in the UK, providing a statutory framework for agreements covering the installation and maintenance of communications apparatus on land and property. Introduced in the Telecommunications Act 1984 and extended in the Communications Act 2003, the code was reformed as part of the Digital Economy Act 2017 and came into force on 28 December 2017, incorporated as Schedule 3A to the 2003 act.

Reform had been necessary to reflect the profound changes in digital communications since 1984, with the sector witnessing dramatic evolution in technology and in the demand for services. The government has acknowledged this shift in the way digital communications are deployed, accessed and used. People now expect to have access anywhere to fast broadband, including at home, irrespective of where they live. The government's aim, therefore, is to give full support to the installation and maintenance of high-quality digital communications infrastructure.

The new code applies currently to the networks that support fixed broadband connections to premises, mobile broadband, voice and text services, and cable television, as well as landlines. It also looks to ensure the provision of future services to the fifth generation – 5G – and beyond (see box). It provides the legal framework for the roll-out and maintenance of physical networks that support the provision of these electronic communications services across the UK. Importantly, the code focuses on underpinning consensual commercial relationships with regulation.

A 5G and full-fibre future

The government's Future Telecoms Infrastructure Review sets out plans for fifth-generation (5G) mobile technology to be available in the majority of the UK by 2027, and for homes and businesses nationwide to have access to full-fibre broadband networks by 2033, with 15m by 2025. The government says it is clear that a mix of full-fibre and 5G broadband networks is the long-term answer to ensuring that the speed, resilience and reliability demanded by consumers and businesses are all provided. > https://bit.ly/2LrGuNA

## *Reforms*

There are provisions that aim to ensure property owners are fairly remunerated for the use of their land, but that also explicitly acknowledge the economic value of investment in digital infrastructure for everyone. With this in mind, the reforms seek to make it easier for communications providers to deploy and maintain their infrastructure through new rights to upgrade and share apparatus. From the property owner's perspective, there is recognition that obtaining vacant possession at the end of a contractual term is imperative, particularly where redevelopment is to take place.

In addition, robust changes to court processes and jurisdictions aim to improve dispute resolution, ensuring that disagreements between communications providers and landowners do not hold up investment and create uncertainty. This has been achieved through more clearly defined processes that closely mirror those found in landlord and tenant legislation, and by the engagement of the Lands Chamber of the Upper Tribunal.

The government concluded that the reforms struck the right balance between the interests of site owners, communications providers and, most importantly, the public, to support enhanced investment in digital infrastructure.

## *Payment*

Unfortunately, government hopes that the new code would offer greater clarity have not been realised, particularly in relation to paying site providers for the granting of agreements. This was one of the key points of contention under the original code, and a substantial portion of the stakeholder consultation focused on addressing both site providers' and operators' concerns about this.

In justifying the new policy, the government stated that site providers should continue to receive fair payment – a consideration – for the use of their land, and that this should be in addition to simple compensation for any damage or loss of value. The definition of both consideration and compensation was helpfully set out by the Law Commission in its report 'The Electronic Communications Code', Law Com No 336, February 2013 (https://bit.ly/2LRckTp ) which states that compensation is a payment compensating for a loss (para 5.4), and consideration is something more than compensation that can be best described as a price for the grant of rights (para 5.5).

However, in recognition of the priority the government attached to the role of digital communications in economic growth, productivity gains and social interaction, the commission also expressed concern that the cost for "rents" in the telecommunications industry was significantly higher than those enjoyed by utilities and providers of essential services. The Impact Assessment published by the Department of Digital, Culture Media and Sport (DCMS) in 2016, RPC-3329(1)-DCMS (https://bit.ly/2vvi62x), sets out the evidence for its view, and cites the Nordicity Report, 'Modelling the Economic Impacts of Alternative Wayleave Regimes' (https://bit.ly/2Km2Jih ), and 'Financial impact of ECC changes' (https://bit.ly/2G0yyeu ), produced for the DCMS in October 2013 and May 2016 respectively. Consequently, the government felt that while site providers should get fair value for the use of their land, this should not as a matter of principle include a share of the economic value created by high public demand for services that the operator provides.

## *Middle ground*

The government therefore sought to achieve a balance in the new code by defining a basis for payment that would sit somewhere between a pure compensation-based regime akin to compulsory purchase on the one hand, and the potentially higher levels of rents under the previous version of the code on the other.

In aiming for a middle ground, the basis of payment defined in paragraph 24 of part 4 of the new code shares similarities with the market value defined in the RICS Valuation and Professional Standards – the Red Book – but with very distinct disregards, in particular the assumption that the right to which the transaction relates is not concerned with the provision or use of an electronic communications network. It is also important to understand that this is not a compulsory purchase regime; nevertheless s118, Schedule 4 of the Communications Act 2003 does provide for a route for compulsory purchase.

## *Paralysis*

As such, a new hypothetical scenario, the new valuation basis and the dearth of evidence of agreements transacted on the new basis, appears to have led to a paralysis in activity. Understandably, representatives of all parties directly involved in negotiating electronic communication agreements want to ensure that such transactions correctly reflect the new code's rules and achieve a fair outcome in this respect.

However, the legal interpretations of paragraph 24 vary extensively in what is currently an absence of evidence reflecting the new code, and this has a direct impact on the potential valuation parameters. In turn, this has resulted in parties taking widely divergent positions, which are in turn exacerbating delays in reaching agreement, thanks to a reluctance to set a market precedent.

## *Need for guidance*

RICS recognises the need for substantive

best practice guidance to support the government's vision for the digital economy. Reflecting the public interest principles of the RICS charter, a guidance note would redress the current absence of any neutral professional advice on the valuation principles and best practice under the new code. Such a professional interpretation of the valuation elements by RICS would benefit its immediate membership, as well as other professionals.

In bringing some clarity to this issue, the interests of all stakeholders would be addressed. The legal interpretation will be developed by case law and precedent where there is a fundamental requirement to so do. Development of the guidance note has begun and information about the consultation and publication dates will be provided through the RICS Telecoms Forum when the time comes.

Apart from this, RICS always supports professional discussion of emerging and challenging matters by members representing all parties involved. In this respect, Ofcom has emphasised the importance of positive, productive engagement and, as a complement to the new code, it has published a 'Code of Practice', following public consultation (https://bit.ly/2DvJeof ). This provides a framework to support landowners and operators in establishing, developing and maintaining effective working relationships across a range of issues, roles and responsibilities.

It is important to note that, while Ofcom's code provides some examples of best practice, these are not intended to be exhaustive. As such, there is an expectation that members will always act in accordance with RICS' ethical and professional standards, and that conduct during the negotiation process will reflect the principles of the Code of Practice.

[Ed – this article first appeared in October/November RICS Land Journal. My thanks to RICS for making this available for Terrier.]

Cesar and NPS colleagues gave a presentation at ACES Eastern Branch meeting in September 2018, accompanied by a demonstration of drone capabilities, by flying around Downing College Cambridge! Cesar kindly agreed to write a full article outlining the massive potential of drone technology to surveying work.

# DRONE TECHNOLOGY: AN EMERGING TOOL FOR GATHERING GEO-SPATIAL DATA FOR ARCHITECTURAL AND ENGINEERING PROJECTS

Cesar Hoyos Franco

*Cesar is a Land Surveyor at NPS Property Consultants Ltd. He provides the full suite of surveying services, topographic and measured building surveys. He also has extensive knowledge/experience in engineering projects from both the public and private sectors within the UK and overseas.*

*Having experience on the use and processing of high definition surveying, Cesar is also currently being trained on the use of BIM software to integrate and produce the surveying data into the BIM workflow. cesar.hoyos@nps.co.uk*

## *Introduction*

We live in an age of constant technological revolution, producing continuous changes in the way we work and play, this tests our ability to adapt in a changing world that is becoming increasingly digital and automated.

Day by day we see (both good and bad) news about drones, or more formally known as unmanned aerial vehicles or unmanned aircraft systems, this being the correct terminology for such craft. We have all heard stories about drones that will bring our online shopping to our doorstep, or deliver the lifebuoy/line when we are drowning just off the beach.

Between 2016 and 2020, Goldman Sachs Research forecast a $100bn market opportunity for drones. - https://www.goldmansachs.com/insights/technology-driving-innovation/drones/

These kinds of stories stimulate our attention on this form of technology, but how useful are drones to us and our business needs? For example, how will drones help benefit and improve the quality of our projects? And how can we use this technology to open the door to new business opportunities?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Orthophotos from NPS headquarters



To understand this we must put aside the idea that the drone is a toy, or another new technological device for geeks. Although drone technology is still in its infancy, the drone is a professional tool and an extremely versatile and powerful platform to operate the latest surveying technologies from.

In this article, we seek to explain how NPS has adapted the use of drone technology to our activities. For example, how it has enabled us to improve in many aspects of our business, indeed offering services that would not be possible without these aerial surveying techniques, including efficiency, safety, environmental benefits and by improving the variety, quality and quantity of results/data.

## *Equipment and opportunities*

Apart from taking high definition images and gathering video footage, the drone has proven to be extremely useful in carrying out visual inspections of buildings and infrastructure (solar PV panels etc), while also working at heights in potentially high-risk areas, or over large expanses of land.

NPS uses an industrial drone - DJI Matrice 210: Dual batteries for improved reliability, self-heating encasing for flight in sub-zero temperatures, built-in ADS-B receiver (providing the operator with real-time information about nearby manned aircraft), IP43 protection rating that has the ability to carry 2 cameras underneath. Thanks to this, we can undertake inspections of buildings and infrastructure with a thermal camera and a 30x zoomed 'Red Green Blue' camera simultaneously. If required, a top-mounted camera can be fitted, to conduct visual inspections in places where the bottom facing cameras would be less effective, for example inspections under bridges or similar structures.

We also undertake thermal inspections; for this we use a radiometric thermal camera, which allows the temperature value of each pixel to be recorded within the metadata of the image. This is particularly useful when looking at the thermal efficiencies of buildings.

NPS has also recently introduced photogrammetry as an option. Photogrammetry is defined by the American Society of Photogrammetry and Remote Sensing as "… the art, science and technology for obtaining reliable measurements of physical objects and their environment, through recording, measuring and interpreting images and patterns of radiant electromagnetic energy and other phenomena". In its simplistic form, this could be the means by which we obtain the measurement and form of an object in 3D from 2D photographs.

The advancement of drone technology has made it possible to dispense with expensive manned aircraft in undertaking photogrammetric work. This has a number of significant business advantages, for example, it reduces costs significantly; it also allows flights at low altitude or near objects of interest, which were unthinkable a few years ago with classical photogrammetry.

Images are very valuable for visual inspections of buildings and infrastructure; however, they are not without their geometrical limitations. For example, a picture is a conical representation of reality, which can be affected by various geometric distortions and consequently cannot be used for conventional mapping. This is where photogrammetric correction is used to obtain accurate 3D data from the images.

For this type of project, it is necessary to plan prior to the flight, in addition to having ground control points on the ground or highly accurate camera positions. Once the images are treated, we obtain various results:

- Ortophoto A georeferenced cartographic product and corrected for the deformations that affect the photographs. We move from the representation in conical perspective of the territory to an orthogonal perspective, correcting the deformations. The result keeps all the information of the aerial photography, also allowing to measure at scale both distances and surfaces
- 3D pointcloud coloured from the images
- Digital Elevation Model (DEM). The DEM is a raster file, an image in which the pixel does not contain the colour information of the object they represent, but it contains the data of the height according to the reference system
- 3D models with photo-quality texture.

Both orthophoto and 3D pointcloud can be managed in Computer-Aided Design (CAD) programmes, Building Information Modelling (BIM) or Geographic Information System (GIS), which allows the ability to produce high-detail plans in both 2D and 3D.

The generated 3D pointcloud are subsequently used for their modelling in BIM, topographical surveys, Mapping, Measured Building Surveys (MBS), planning, etc.

The DEM can be classified since it contains natural terrain and other elements: buildings, vehicles, trees, etc. Once all the elements that do not belong to the natural terrain have been eliminated, you will obtain the Digital Surface Model (DSM).

The DEM and DSM are examined in GIS programs. These files allow you to generate contours, simulate the relief, analyse the slopes and their orientations, produce visibility analysis, water flow analysis, and flood assessments.

The 3D textured models allow the publication of our project for marketing campaigns, flybys, 3D printing and Augmented Reality, etc.

The drone also has capability of being used for BIM. For example, it could be used for:

- Site inspection and land surveying before construction begins
- Pointcloud scanning to aid BIM and 3D reconstruction
- Aerial photography at different stages of construction for marketing campaigns
- Monitoring site and progress activity
- Conducting structural inspections to ensure safety without the need for human labour
- Project completion checks.

Other professions/work disciplines where drones have proved to be a valuable tool include:

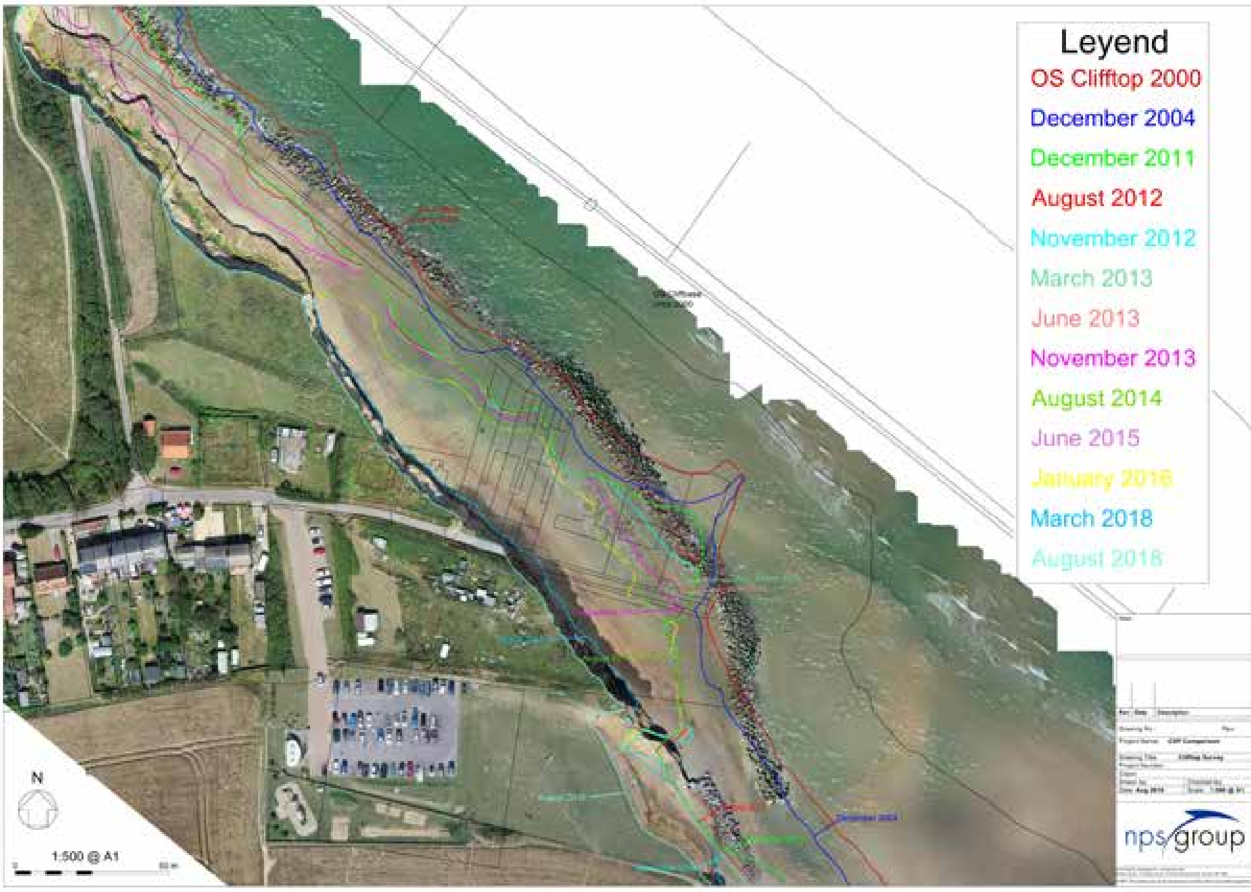
- MBS, BIM;
- Land registry
- Urban planning
- Archaeology
- Forestry
- Construction site control
- Flood modelling/assessments
- Heritage
- Health and safety
- Electric tower maintenance
- Solar installations
- Wind farms inspections
- Agriculture
- Building and roof inspection
- Mining and quarries
- Thermal inspection
- Hydrology
- 3D printing
- Augmented reality
- Coastal monitoring, cliff erosion for maritime authorities etc.

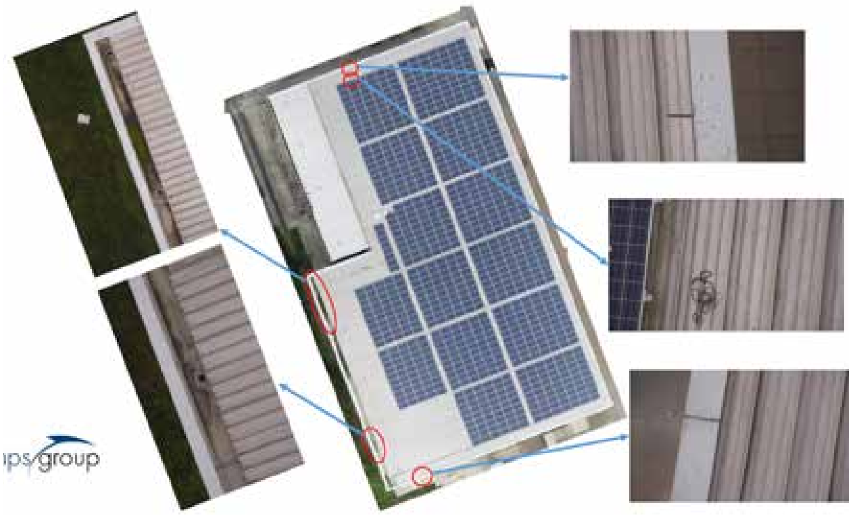
Drone technology is not new, and there are many companies who already use drones to maximise benefits, improve their services and the confidence of their customers. For example:

- Anglian Water uses drones with thermal imaging in fight against water leaks - https://www.anglianwater.co.uk/news/attack-of-the-drones-in-war-on-leaks.aspx
- EasyJet announces plans to use drones for aircraft inspection - https://www.theengineer.co.uk/issues/june-2015-online/easyjet-announces-plans-to-use-drones-for-aircraft-inspection/
- Shell to use remotely operated aerial vehicles to inspect energy plants - https://www.shell.com/inside-energy/eye-in-the-sky.html
- AI and drones turn an eye towards UK's energy infrastructure - https://www.theguardian.com/business/2018/dec/02/ai-and-drones-turn-an-eye-towards-uks-energy-infrastructure

Of course, it is always paramount to know and comply with the prescribed drone licencing and legislation, particularly that issued by the Civil Aviation Authority under whose permission all commercial drones are operated [Ed – see legal aspects of drones in 2018 Summer Terrier].

Drone technology has enabled NPS to offer a new range of services within its geospatial discipline to its existing customer base, as well as promoting the full range of technological services to potential new clients.




This data has assisted coastal protection engineers to reposition the rock armour that acts as a defence to the cliff base, in addition to understanding where the line of defence rocks needs to be shortened or reinforced to improve wider protection. The use of the drone in this project has resulted in overall cost savings on site, together with greater data and the ability to produce more meaningful CAD plans/section at any point on the drone's flight path.

## *Case studies of NPS projects*

Cliff erosion monitoring

The photogrammetry and resultant survey drawings based on the data provided by our drone has played an essential role in monitoring erosion on the cliff. Every 6 months, up-to-date information is provided on the state of cliff retreat due to maritime erosion.

Before using drone technology, our global positioning system was used for this task, whereby the surveyor would take points manually along the cliff, slightly offset from the cliff edge, with of course the risk of walking along a cliff that was at risk of collapse from under cutting. This traditional methodology provided basic data, mainly as a 2D polyline, which provided information on cliff edge loss, but nothing about the elements that affect the retreat. Thanks to the use of drone technology, the previous risk factors has been reduced, indeed pretty much eliminated, and more complete and varied data can be provided (orthophoto, 3D pointcloud, DSM) which allows more in-depth analysis of data of not only the upper cliff line, but also of the cliff base, sills and the beach itself, and the surrounding area in 3D.

Roof inspection

This project used drone technology to undertake a detailed roof inspection. While the drone pilot flew over the subject site, the building surveyor indicated those areas of interest for which photographs were required. Overall, the entire roof inspection took less than 20 minutes to survey.

The data included a high definition (HD) video of the entire flight along with HD photographs, an orthophoto of 1.38 cm/pix ground resolution, and a point cloud in 3D, with more than 5.5million points. From the orthophoto and point cloud data, a roof plan was produced, in which the content of the HD images was overlaid to locate elements of interest easily.

Kevin gives an informative summary of opportunities for ethical investment for local authorities.

# ETHICAL INVESTMENT

Kevin Joyce

*Kevin is a strategic property manager in the Property Service serving the London Boroughs of Richmond and Wandsworth.*

## *Developing consciousness*

In 'How Green Is My Valley' article in 2012 Spring Terrier, I made reference to a number of technological developments in construction, notably photovoltaic windows that generate power as light streams in, the use of Hemcrete as a vapour-permeable healthy living breathable walling system in timber frame housing, advances in concrete manufacture, and the use of polymer bars as an alternative to steel as a reinforcement material in construction projects, all of which could play a part in helping to ensure the longer-term sustainability of our built environment. Polymer bars for example, previously used in Russia's space programme, are much lighter than steel, but reportedly twice as strong, are corrosion resistant, have excellent durability qualities, and have been used in an Amey road bridge project in Northern Ireland. We are now over 6 years on and encouragingly, there does seem to be an increasing public consciousness around how both our ways of living and development of the built environment need to change to protect our natural environment.

In the world of finance and investment, this is extending not just to avoidance of investment in businesses which are seen as pollutants, but also in making conscious decisions to invest in ethical businesses, projects and products. The world's largest investment firm, BlackRock, is now looking to ensure that companies they invest in not only deliver financial performance, but are motivated by a wish to contribute to society and engage with the community, without which the companies could lose their sense of purpose and the endorsement of key stakeholders. This view is at variance with more traditional thinking - that companies should be driven purely by profits generation.

Concern over climate change has prompted Legal and General Investment Management (LGIM), with £985bn of savings and investments under management worldwide, to take action. After analysing the climate strategies of 84 of the world's largest companies, LGIM used its shareholder rights to vote against the chairs of the boards of companies that it believed lacked a credible strategy. These companies were removed from select funds. LGIM then made public the names of the best-scoring companies in this climate assessment, alongside examples of best practice, encouraging other companies to follow their lead. As an extra incentive, funds in LGIM's 'Future World' range are designed to invest more in companies that are reducing their environmental impact or increasing their share of 'green' revenues.

For investors wishing to focus specifically on the inclusion of environmental or socially responsible investments within their portfolios, green bond funds offer a relatively easy entry route into this market and are increasing in popularity. Research by the legal firm Linklakers revealed that global green bonds investment issues for the first quarter of 2018 reached a record £21.42bn, an increase of 9.4% on the same quarter last year, reflecting how the global markets' appetite for direct investment in ethical and sustainable projects is continuing to grow. The projects themselves can be varied in nature, and include green buildings and construction, renewable energy generation initiatives, energy efficiency schemes, water management, waste management, public transport projects, responsible rural and management, and land remediation.

Investment in such funds is a strong motivator for the Edmond de Rothschild Banking Group, which has £138bn of assets under management worldwide. As part of an impact investment strategy designed to help meet global sustainability challenges, the Group has invested in a range of environmental infrastructure and land remediation projects in Europe, and in agroforestry projects in Sub-Saharan Africa and Latin America.

The environmental infrastructure projects have involved offering turnkey solutions to European companies and local authorities engaged in energy efficiency, renewable energy production, recycling and waste recovery, and water resource management. At a time when parts of Europe are littered with abandoned and polluted former industrial sites, the Group has been involved to date in remediating 14 polluted sites in Belgium and France, enabling an estimated 663,400 sq m of land to be returned to productive use. The agroforestry projects have created jobs and improved the economic wellbeing of farmers and communities in some of the poorest parts of Africa and Latin America, which have the most fragile ecosystems.

UK local government pension funds are also looking to become increasingly involved as active investors in the green investment markets. Three councils, the London Borough of Newham, Thurrock Council and Warrington Borough Council, have put markers down with an investment in a 172-acre Swindon Solar Park site of 231,600 solar panels. Warrington Council has taken a step further in addressing climate change challenges, through the purchase of their own solar farm in Gloucestershire to meet the council's energy requirements, and to enable the council to sell any surplus energy generated back to the National Grid.

Climate change issues are increasingly difficult to ignore. UN experts have warned that following World Meteorological Organisation measurements showing concentrations of carbon dioxide in the atmosphere reaching new highs in 2017, the need for rapid cuts in carbon dioxide and other greenhouse gases is critical to the prevention of irreversible damage being caused to life on earth. Britain appears to be playing its part in addressing the challenges of reducing greenhouse emissions. Researchers at Imperial College London have reported that, in part as a result of rapid expansion in solar, wind and hydro power, the total energy capacity generated from renewables power exceeded fossil fuels for the first time in September 2018, and have predicted that by 2021, renewables power would exceed fossil fuels power over the period of a full year.

## *Ethical investments for councils*

With this hopefully encouraging news, what ethical investments are out there which could pique the interest of councils? There will be others, but I would contend that a good case could be argued for investment in innovative enterprises involved in markets such as nuclear waste management, as well as the waste management, uses and alternatives to plastic, and in recent advances in crop production development.

For some years now, the complexities around how to manage and contain nuclear waste has challenged the governments of countries involved in generating energy from nuclear power. British scientists have come up with one potential solution, involving the conversion of the waste into radioactive black diamonds, which could then be used as low nuclear-powered batteries, to provide clean electricity generation for thousands of years. The conversion process would involve safely encapsulating radioactive carbon gas with diamond crystals, and enclosing the whole in a non-radioactive shield. The UK Nuclear Decommission Authority, NASA, and major high-tech companies are all apparently monitoring these developments.

2018 might best be remembered, though, as a year when the scourge of plastics waste, highlighted in Blue Planet 2 television series and a 'Drowning in Plastic' documentary, has been very much in the public awareness, with the impacts on marine life caught up in, or ingesting, some of the estimated 8bn tonnes of material entering our seas and oceans every year, making stark television viewing. There's also appears to be some current uncertainty about what levels of toxic microplastics have already entered the human food chain from consumption of fish which has ingested plastic. Compounding all this, some of our plastic waste, such as polymers in margarine tubs, cannot be recycled and takes decades to degrade, whether it finds its way to landfill or to our oceans.

The Local Government Association (LGA) is pressing central government to consider banning low grade plastics, and for manufacturers and producers to be made to contribute to the costs of collection and disposal. The need to take non-recyclable plastics out of production altogether and to discourage single-use plastics should be self-evident, though there would be some exceptions e.g. plastic medical equipment in single-use to keep it sterile and patients safe. Some 42 major businesses, including Marks & Spencer, Sainsbury's, and Tesco, have committed to a UK Plastics Pact to switch all plastic packaging to combustible, re-useable and recyclable plastics by 2025. In the interim, the problems of existing plastics waste management remain formidable, but may not necessarily be insurmountable.

At Kew, researchers at the Royal Botanic Gardens, with support from 100 scientists in 18 countries, highlighted in a 'State of the World's Fungi 2018' report a plastic eating fungus, which scientists discovered breaking down plastics such as polyester polyurethane on a rubbish dump in Islamabad in Pakistan. Katherine Willis, the former Director of Science at Kew, has advised that these fungi, along with some found to produce a new source of biofuel, and others that had the potential to remediate land contaminated by radiation, can provide solutions for tackling some of the world's greatest global challenges.

## *Recycling waste*

Innovative new uses for existing plastic waste in the UK's 20,000 landfill sites are also in research or being implemented. A government-backed project, led by the Cranfield University of Bedfordshire, has been launched to investigate the potential to recover plastics, rare earth and other metals from landfill. Plastics recovered are being investigated for transformation into liquid fuels and chemicals through pyrolysis, a form of advanced thermal conversion.

Using recycled plastics waste in construction can now benefit the industry in a number of ways. Recycled plastics roofing tiles for example, said to offer similar quality characteristics as slate, is a lighter material, can be installed easily and quickly, and has a lower carbon footprint. As a replacement for timber, recycled plastics can be used in both joinery, external fencing and street furniture, offering advantages of durability and longevity, without maintenance requirements to periodically paint or treat the material to preserve it.

Recycled plastics waste is now being used as a binding material by a Lockerbie-based company, MacRebur, in road resurfacing contracts commissioned by both Cumbria County Council and the London Borough of Enfield, with fossil fuel bitumen being replaced by 3-10 kg of recycled plastic

Photograph reproduced with the kind permission of Humble Bee

pellets for every tonne of asphalt road mixture. This so called "plastic road" is expected to be stronger and more resilient to wear and tear than standard asphalt road coverings. Should the road prove its resilience credentials over time, then additional benefits beyond environmental advantages could include the physical threats of potholes for motorists and cyclists being lessened, and the annual costs of potholes for councils, estimated by the LGA at around £11.8bn, being reduced.

Are there materials in development which could provide alternatives to reduce the planet's dependence on plastics? Quite possibly. Bioplastics, made from renewable sources, could offer one answer. The Dutch biochemicals company, Corbion, has produced a bio-based, bio-degradable polymer, obtained from fermenting renewable natural resources such as sugarcane or sugar beet, to produce lactic acid, mainly for use in disposable tableware, food packaging and textiles.

An Australian Hylaeus masked bee, described as the 'Cellophane bee' as its nesting material is heat and acid resistant, waterproof and non-toxic, also has the possibility to offer a bioplastics alternative to plastic. A biotech company in New Zealand, Humble Bee, is looking to establish if this bioplastic can be mass produced from the material, and what potential it might have for use in industries such as aviation, construction, and camping materials manufacture, in view of its robust qualities. Humble Bee's CEO, Veronica Harwood-Stevenson, has expressed her concerns around "the friction of use and washing of recycled plastics creating an additional source of microplastics that will flow into local waterways and our seas", and sees "a need to move beyond materials that cannot be utilised in an ecosystem, to bio-available materials that mimic our manufacturing and supply chains".

Away from the problems of plastic waste, there appear to be promising developments taking place in the field of agriculture, in which possibilities for the development of self-fertilising plants are thought to have the potential to transform our food markets. Scientists at the University of California's Davis College of Biological Sciences and the University of Wisconsin are testing the ability of corn plants to self-fertilise in different climatic environments, following the discovery of a variety of corn plant growing to almost 20 feet in height in Southern Mexico. The roots of the plant are covered in a gel-like, sugar rich "mucilage" and the plant appears to have the ability to attract and harvest bacteria and nitrogen from the atmosphere, so that self-fertilisation can take place. The universities' scientists see potential for increases in corn yields, and reduced costs and reliance on artificial fertilisers, thereby revolutionising agricultural production.

## *Investing ethically and maximising profits*

Whereas investors should choose to avoid investments in companies in industries which, say, are pollutants, or are involved in the manufacture or sale of additive or unhealthy products, they are still likely to wish to seek opportunities that offer the best prospects of maximising income returns and performance management. But are the twin goals of investing ethically and maximising profitable returns compatible?

One point of view is that abilities of fund managers to maximise investment returns would be constrained, should any limitations at all be placed on them, in terms of the range of investment opportunities available to invest in. There is also a converse view that investments in companies which act responsibly and ethically are, in any event, likely to outperform investments in companies involved in unethical businesses, where increasingly tougher regulation and consumer disapproval will be reflected in their share price performances.

Perhaps it is in the meeting of the twin challenges of investing in ethical and sustainable businesses and the delivery of strong returns, where the fund manager's stock-picking skills can best be put to the test? It's worth bearing in mind that investment strategies employed by fund managers would be likely to include wider considerations as well, such as identifying stocks which are more resilient to market movements (low beta stocks), or which can perform well against long-term benchmarks in their sectors, yet still be acquired at good valuations.

# ELIZABETH THORNTON, SOUTH EAST BRANCH



The 25 September meeting, hosted by Paul Over and Peter Legood of Chichester at their new Enterprise Centre, saw a change of start time on a trial basis, with the meeting beginning at 11am.

The meeting was very well attended, with 33 members and guests in attendance. A number of members brought their graduate/trainee colleagues with them as a way to introduce them to ACES. Before the start of the meeting Alan Gregory, Mark Regan and Robert Newman of Chichester District Council and Basepoint, gave a presentation on the development of this Enterprise Centre. There was also the opportunity for members to tour it and look at the types of accommodation that were on offer.

This was followed by a presentation by David Ball of Portsmouth City Council on its investment and development policy for commercial property. Given how active Portsmouth has been in these areas, it provided much to think about.

# DUNCAN BLACKIE, EASTERN BRANCH

The Eastern branch AGM and CPD meeting was held 'out of territory' at the offices of GVA in London. A number of members attended the Espresso briefing prior to attending to branch business. 17 members attended, which is lower than usual, but is probably an outcome of 'branching out' into London. The seating arrangements were set up 'boardroom style' and this resulted in a high level of member participation.

As a consequence of illness, Neil Webster stood in at short notice as a speaker and the order of proceedings was amended to accommodate his diary.

Chairman Brian Prettyman opened the meeting. Members were welcomed by our host, Andrew Ewbank, Business Development, Bids and Contracts Manager at GVA.

Neil Webster, ACES Business Development & Marketing Manager

Neil introduced and led a discussion on 2 topics:

The health sector. In recent years Neil has specialised in the health sector, thereby building an impressive network of contacts and a commanding knowledge of the complexities of the health sector, including the work/role of Sustainability and Transformation Plans and other components (which remain somewhat oblique to many local government surveyors).

Branch members fed back some of their experiences of dealing/working with the health sector – most, if not all of these, showed there was room for improvement. There is a realisation that we need to work more closely with health colleagues. While there has been some progress, issues still include constantly changing structures/strategies (on the health side) and difficulties in getting the health sector to firm up on target health outcomes and related property requirements.

In response, Neil felt that many of these issues were likely to be replicated across the sector and requested some thumbnail case studies from eastern members to compare with other ACES branches and ultimately to present a 'national picture' to senior health sector property managers.

ACES Marketing and Communications Plan. There followed a discussion about membership, especially improving representation within Eastern branch from health, police, and government officers. The growing relationship with Public Health England (in the process of moving its HQ to Harlow) [Ed – article anticipated for 2019 Autumn Terrier] was noted as an example to be followed and replicated with other parts of the wider public sector.

Members also discussed holding regular branch meetings which are dedicated to One Public Estate issues, but they also highlighted a desire to attract a broader attendance at all branch meetings.

Julian Stanyer

Julian was attending Eastern branch for the last time - on his retirement day. He reflected on challenges currently facing estates professionals in the public sector, for example, downgrading and lack of influence within the hierarchy, lack of emphasis on professional qualifications, the ascendancy of the 'all-purpose project manager', etc. and proposed a number of ways that ACES could take a lead in addressing this decline:

- Highlighting the risks of downgrading estates to decision-makers

- Supporting estates departments to 'grow their own talent' and facilitate the training of estates managers to ensure that they have the tools and the confidence to develop, 'and retain raw recruits' (be they young or not so young) into public sector property professions

Sara Cameron indicated that such an approach would be consistent with RICS' mission to maintain and develop a sustainable property profession for a further 150 years.

Rupert Parker, Head of Future Proofing, GVA updated the branch on developments in information technology and the approach taken by GVA. This has evolved very quickly, to the point where GVA is hosting a number of PropTech start-ups and is beginning to promote these as part of its consultancy offering.

The AGM followed and the branch secretary summarised attendance and apologies received for the AGM and went on highlight a number of membership issues for the branch to consider, namely:

- Lincolnshire has a single branch member who has never attended a meeting

- Cambridgeshire has only 2 or 3 members

- The wider public sector is not represented at all, notwithstanding that a number of people from these bodies have received regular notifications of meetings

- While current membership stands at 41, in the short term this is likely to reduce to 38 due to retirements and job relocations.

Branch chairman, Brian Prettyman, reflected that 2018 had been a great success for the branch, especially in relation to Neil's Presidential Conference (full credit to Neil) and the very successful valuation workshop, which was held at Downing College on the day after the conference. It was noted that a number of other branches are looking to replicate this model. Brian indicated that Eastern branch would be delighted to explain how this was organised and communicate lessons learned to other branches and national Council.

Another workshop, this time on compulsory purchase, is planned for the forthcoming year. Brian thanked branch officers and members for their support in 2018 and looked forward to further development in 2019, to: further develop affiliations and membership; continue arrangements for branch executive telecons; further develop local information exchange both at meetings and beyond; and to consider the best ways to encourage branch members to benefit from the wealth of information and guidance produced nationally.

Brian recognised that engagement between branch and the national organisation needed strengthening, and particularly highlighting forthcoming changes impacting on our business environment. In this regard, it was pleasing to note that the new ACES website will provide members with added value, by facilitating improvements in communications, e.g. enabling branches to flag up information to their members and creating a platform for communication and debate at regional level.

Brain thanked Duncan, as outgoing branch secretary, for the work he had done between 2011-2018 and presented him with 'several bottles' of wine as a token of thanks from himself and the branch.

Branch Treasurer, Richard O'Connell went through the accounts and activity in 2018. The Presidential Conference was organised nationally and did not therefore impact on Eastern branch finances. There was an increase in income through branch subs and CPD events, but also an increase in expenditure due to the AGM lunch subsidy and proposed RICS/LandAid donation, as part of RICS 150 (£850 agreed). Overall, the effect of trading in 2018 was more or less neutral. It was agreed to maintain the branch subscription at £50.

Brian Prettyman and Richard O'Connell agreed to remain as Chairman and Treasurer respectively; Sara Cameron is the new Secretary. The first branch meeting will be held on 15 March at Landmark House, Ipswich.d.

# JULY 2011 – FASTER THAN A MAN CAN RUN

Dave Pogson

*For 50 years until retirement Dave practised as a surveyor in Lancashire and Cumbria, becoming a Fellow of the RICS and working for the Department of the Environment, Lancashire County Council, South Lakeland District Council and the NPS Group. During that time, he wrote articles on surveying topics and work experiences which allowed him to introduce some controversy, humour and the odd bit of fiction. https://davidlewispogson.wordpress.com*

The Selwyn series is written specifically for the Terrier. Each story is a self-contained episode in the life of an early-retired council property manager from 2002 to the present day and beyond, as he continues to maintain occasional contact with his former colleagues from the fictional Herdwick District Council. The characters often present controversial and outspoken opinions on local and central government policy and practice. The stories are fictitious and occasional historical background details may have been changed to fit the chronology. The views expressed are those of the author, not those of ACES. The first story was published in 2017/18 Winter Terrier.

'You really did get involved with your properties, didn't you? It's good to know that you still have a bit of passion for your old surveying profession, even though you've retired from it now.'

'I should forget about them really. It's just that I'm constantly bumping into them. I can't go more than a few miles around here without passing one of them and they trigger so many memories. Are you getting a bit tired of my old stories and my rants about the council and the government?'

'Provided you don't keep repeating them endlessly then I think that I can live with them.'

'I'm not sure that I can promise that.'

*'Live with them…'* That seemed like another subtle hint to Selwyn. *'What was it she'd said the other day … about wasting quite a bit of time continually driving backwards and forwards to see each other?'* She'd been making little remarks like that recently and now he was starting to pick up on them. He didn't rise to the bait so stuck to his subject.

'Herdwick is a big district - as big as some small counties - but outsiders think that it's just empty fells and valleys and lakes. I admit that in winter the sheep outnumber the residents but, nevertheless, the council still has a lot of property spread across it. Did you know that there's only one location in the whole of the district that's at least 3 miles away in any direction from any parcel of council land or any council building?

'How do you know that?'

'I worked it out once from studying the terrier maps in my old office.'

'Where's that location?'

'I'll tell you when I take you there. You'll be surprised.'

They were standing on the promenade at Lantern-o'er-the Bay, leaning on the rails, looking down upon the incoming tide lapping against the base of the sea-wall. The sun was shining, with only a faint hint of a breeze; the fells around the edge of the bay stood out prominently against a clear blue sky. To their right was the shell of Lantern Lido, a sad reflection of the past glory of the Edwardian seaside resort. Now its windows were bricked up, its gates locked, and its walls covered with the graffiti from some wannabe Banksy.

'You've not told me about that eyesore. What's the council going to do with it?'

'Well, when I was Property Manager, I advised them to demolish it and clear the site. As soon as I'd said that, some local busybody asked the Secretary of State for the Environment to list it as a Building of Special Architectural or Historic Interest. So he did - and now the council's stuck with it. They don't have any money to maintain it, never mind restore it, and can't demolish it, so it just sits there slowly rotting away. We used to jokingly describe it in the office as 'planned obsolescence'.

'Why would anyone want to keep it?'

'It's the curse of the geriatric generation – nostalgia. The wrinklies outnumber the young people in Lantern and, being well-educated, fairly wealthy, and with nothing else to do, they have time to interfere for no good purpose. Many of them must have learnt to swim in there after the Second World War. So they think that the Lido must be preserved forever for that reason. Inside those barricaded walls is an unheated, sea-filled open-air swimming pool. Nobody in their right mind would swim in it. Did I ever tell you about my memory of it? My mother brought me here when I was about 12 years old. I stripped off, dived in, climbed out, dried myself and never went near it again. It was the coldest experience of my life. So I don't think that this current crop of obese, centrally-heated, Mario Brothers-playing computer-age kids would thank anyone for restoring it.'

'It seems a bit silly to preserve it when they have a new, warm indoor pool to replace it.'

'You'd think so, but that's closed recently. That's another sad story of wasted public money. A failure of the Big Society initiative.'

'What exactly is the Big Society initiative?'

'Good question. Nobody really knows – not even those who work in central and local government. The government described it as giving citizens, communities and local government the power and information they need to come together, solve the problems they face and build the Britain they want. Everyone loosely interprets it as allowing community groups to take over the running of public properties.

The new indoor pool could be an example of the Big Society in action. Because the council would not spend the district's money on restoring the old lido, the residents of Lantern formed a charitable community group. Then they commissioned a study from the local university to justify building a new indoor pool, on the basis that it could be run by volunteers at a profit, when virtually every other public pool in the country runs at a loss. It was built with over a £1m of Lottery grant on a site leased for a nominal rental from the council to the community group. The group ignored the council officers' advice that it could never sustain itself financially. All credit to the councillors, however; they warned the group that if the project failed, that they would not step in to bail them out.

It had design, maintenance and on-going funding issues from the outset, so was it any wonder that after 3 years it was a wreck, commercially unsound and closed? Jim – he's still the council's Acting Property Manager since Farah left to have her baby - tells me that the community group has now surrendered the ground lease back to the council and that he's seeking quotes to demolish the structure. The council will then sell the cleared site for affordable housing. The Lottery Commission is livid because it can't even claim the land, so that it can sell the site to offset the loss of its grant. I suspect that the Commission will be changing the national rules, to require security against such assets before giving out any more grants like that.

That's the trouble with these Big Society initiatives – there are plenty of well-meaning members of the public willing to raise funds to set up these sorts of schemes, but they need long-term annual investment and specialist support once they're established. After the capital grant is spent, there's a need to keep on fund raising to meet the annual running costs. And those increase as the building ages. The initial volunteers are full of enthusiasm, but when they move on or die, there's no-one to replace them. The fundraising dries up and the schemes deteriorate from neglect. So now the community has a resort with 2 unused pools and a sea that no-one dares swim in because of the dangerous tides and the quick-sands.'

'How far is it to the nearest usable swimming pool?'

'As the crow flies, about 8 miles across the bay. A bit far for a swim really - and usually cold and dangerous too, whether the tide's in or out.'

They walked along the promenade back to the car park and Selwyn gave some thought as to where their next walk could take them in a couple of weeks' time, depending upon the continuing good weather.

***

'Selwyn, will you do me the honour of marrying me?

She had dropped to one knee on the sand in front of him. Some people in the crowd turned to look and then began to applaud her.

They were in Herdwick Bay, surrounded by a backdrop of green and black fells dotted with grey lime-stone houses, at the mid-point of the old coaching route across the sands to Lantern-o'er-the-Bay, so named because in past times only the light from a big lantern lit by the villagers had helped travellers to keep to the crossing route in bad weather. To the east, west and north, the empty sands stretched away under another cloudless, blue summer sky for miles in each direction before reaching landfall. To the south and out of sight, but never out of mind, was the sea, still held back by the pull of the moon and the tilt of the earth. Immediately in front of them was the cut where the Rivers Shep and Crook met below the head of the bay, before snaking out onto the widening sands. The cut was formed in the sands by the rivers combining and shifting position after every tide. The party needed to cross the cut to complete the second half of the walk to Lantern-o'er-the-bay.

The Queen's Guide had marked a width with 2 sticks along the nearest bank of the cut and was prodding into the knee-deep, grey-brown water between those markers with his pole, to determine a safe depth and a crossing free of quicksand. In a few hours the tide would come rushing back, led by a foaming, white bore travelling faster than a man

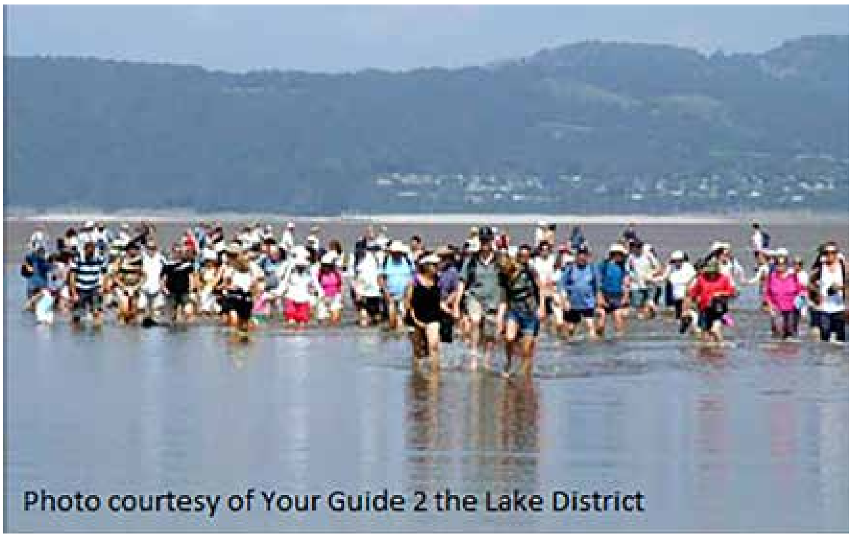


Photo courtesy of Your Guide 2 the Lake District could run, racing up the cut and over the rippled sands to re-fill the bay. But for now, the cross-bay walkers were safe.

Selwyn grinned and glanced at the crowd that had formed in a half-circle around him. He kissed her to a loud cheer.

'It should be me asking you.'

'Silly man, this is the age of equality. Women are allowed to do anything. We even have the right to vote now. Besides, if I waited for you to pop the question it might never happen. I've dropped you enough hints just lately.'

'Why here?'

'Well, because there are no council properties here. This is the only place where I could be sure that you wouldn't be able to change the subject by starting one of your stories about council property.'

'Yes, I did promise to surprise you by taking you to the only location in the district of Herdwick that's at least 3 miles in any direction from any council property. And here we are. But you're the one that's surprised me. How did you know where it was?'

'That was easy. I just rang Farah. I knew that it would have cropped up in one of your many conversations in the years that you'd worked together. Who else but a property manager would know?'

*'That's the thing about women' thought Selwyn, 'No matter how fast men run, they're always one step ahead of us.'*

The walkers waded across the cut and walked on. From the uninterrupted viewpoint on the other bank, Selwyn pointed out, in the distance, the old lido on the sea front and the roof of the new, soon-to-be-demolished indoor pool behind it.

'That's one of the biggest reasons that I took early retirement when it became available - daft initiatives, like the Big Society, best value, key performance indicators - they were endless and they took the fun out of the job. That new pool was always going to fail and negotiating that ground lease was disheartening.'

'It wasn't the only reason?'

'No, my wife's illness was a big factor. Retirement helped me to look after her in the last 12 months of her life. Also, I'd stopped being a manager of property and had become a manager of surveyors. That was never something that I really wanted to do but, like everyone else, when it was offered, I'd taken the promotion for the extra salary and the boost to the pension pot.'

'You wouldn't want to go back to it now, say at a lower level?'

'No, I've done my bit. After my wife died, I had the time and I could have looked for a part-time post just as a surveyor and not as a manager. But that wouldn't have stopped the daft initiatives like the Big Society. Why would I want to go back and deal with things like that again? Take that new pool for example - it raised expectations within the community which couldn't be realised. The local community is great at managing activities – like this Cross-Bay walk, or village sports days or art festivals - because they don't involve great expense or legacy issues with property. They could be described as 'small society' initiatives. The bay is always here, the guide is already employed by the Queen. The walkers just book a place on the website if they want to go; they raise sponsorship for charities; they enjoy the exercise and fresh air on the crossing; and then they go home and switch off. They don't have a large building to support or staff to pay; if they lose interest then it doesn't matter if attendance drops off for a few years, before being revived again by new enthusiasts. Those are small projects and easy to manage. But the community already makes those happen and they don't need a government initiative to promote them …

… However, there's a reason that councils exist to run those big expensive properties that don't make money, like that pool and libraries and museums and such. They employ professional help and can spread the cost across the larger population, so that we all only bear a tiny share through the tax system; and all the decisions about where they're provided and what they comprise are taken democratically. The Big Society initiatives run by community groups may have a constitution, but they don't have that in-built democratic control from across the district, to mostly avoid over-reaching and costly mistakes. And so many of them fail sooner or later because they don't have the specialist expertise to sustain them indefinitely – especially in respect of property management. And they are all just ways that the government tries to cut costs. Amateurs are always cheaper than professionals.'

'So would you describe marriage as an activity that the small society should manage?' she asked, grinning at him. He knew that she was gently telling him to shut up about the pools.

'That's not a bad example actually. Generally speaking, people only pay for the wedding that they can afford, from their own resources, and the decision to proceed is always reached with a 2-0 democratic majority, and afterwards ongoing costs should decrease because 2 can usually live together cheaper than each one separately. Have you got a date in mind?'

'Not yet but I'll let you know. My legs are beginning to ache and there's nowhere dry enough to sit down for a rest out here – how far have we got to walk still?'

'About another 3.5 miles … to the council's seats in the council's park on the council's promenade - which are all still useable.'

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+44 20 7861 1133
james.leaver@knightfrank.com

**ALASTAIR PAUL (RURAL CONSULTANCY)**
+44 1279 213 350
alastair.paul@knightfrank.com


Crown Commercial Service *Supplier*

**KnightFrank.co.uk**


# MAXIMISING RETURNS

We are a team of surveyors dedicated to the telecoms sector, specialising in mobile, broadcast and wireless asset management on behalf of property owners and landlords nationwide.

Results driven, with expert knowledge and strong industry links with all main network operators, we create innovative client solutions to increase revenue, deliver capital returns and eliminate risk.

LSH been named as a supplier on the Crown Commercial Service's Vertical Real Estate (Telecoms) Framework.

**Our services include:**

- Strategic portfolio analysis and multi site agreement negotiation
- Technical consultancy: upgrades, wayleaves, variations and assignments
- Lease advisory: renewals, regears, new lettings and rent reviews
- Full asset management, including treasury services
- Relocation or removal of operators to enable redevelopment
- Portfolio marketing and agency

For more information please contact:

**Mark Walters**
Director
+44 (0) 7894 607 915
mwalters@lsh.co.uk

**Harry Goldsmid**
Senior Surveyor
+44 (0) 7720 497 340
hgoldsmid@lsh.co.uk

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