

THE TERRIER

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

VOLUME 23 ISSUE 2 SUMMER 2018

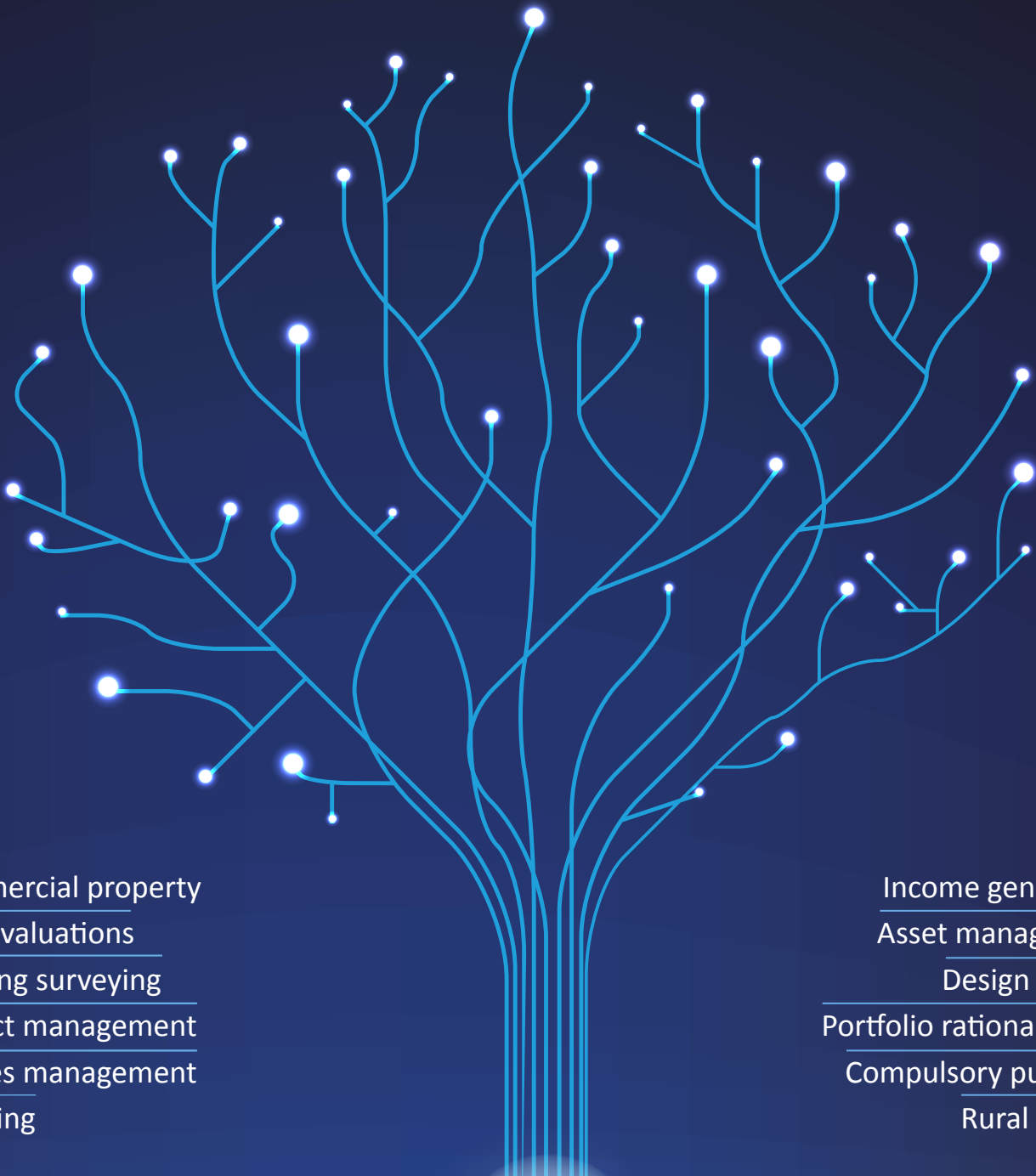


ACES Conference
20 September 2018



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VOLUME 23 - ISSUE 2 - SUMMER 2018

EDITORIAL

Betty Albon

Welcome to the 2018 Summer Terrier.

Well, we go from the sublime to the ridiculous. I did wonder about using a picture of the Sahara as my front cover, but instead I feature Downing College, the superb venue for this year's National Conference, to be held on 20 September, followed by a viability workshop hosted by Eastern Branch the following day. Places are limited (see the inside back cover and <https://www.aces.org.uk/Conference2018/>), so do not delay in booking.

There's a bumper-filled edition this time. I'm very pleased to report that we have articles from 7 of ACES' advertisers, including 3 new ones for 2018. My grateful thanks go out to all authors and advertisers who help to make the Terrier (in my view) the most professional and relevant property journal available to public sector surveyors.

This edition includes a series on commercial property investment, in particular, the differing motivations of buy exclusively for income, or invest locally for regeneration. I feature the dilemma of planning viability appraisals which apply high land values and how to provide sufficient affordable housing and community facilities. We also have some interesting case studies written by ACES' members on office and school building projects.

There is a range of practical material covering health, community assets, outdoor advertising, property maintenance, rating and valuation. I'm sure readers will find many useful articles to read on their holidays.

I'm afraid the Suffolk Scribbler fell and broke his femur, so a piece he planned on writing has had to go on the back burner for now. However, we have a further episode of Selwyn, which might strike a chord with some.

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Cover photo: Downing College, Cambridge. Photograph kindly provided by the College.



NOTES OF ACES NATIONAL COUNCIL MEETING 20 APRIL 2018

Trevor Bishop, ACES Secretary

19 members attended the meeting which was held at the Guildhall, London.

President's report

The President, Neil McManus, reported on several matters that he had dealt with since the last meeting. He referred to a number of Branch Meetings he had attended which included excellent CPD in all cases and where he had received very warm welcomes. He had also had a very useful meeting with RICS in February.

The President reported that he was pleased to have been asked to be a judge for the Municipal Journal Achievement Awards 2018 in the category 'Innovation in property and asset management'. The award will be presented at the MJ annual event at the Hilton in London on 27 June and the ACES logo will be promoted.

The President confirmed that he had also been very busy in formulating the ACES 3-Year Business Plan and making progress with the National Annual Conference arrangements (to be held in Cambridge) including producing a financial plan, securing sponsorship, and sourcing speakers. A written report providing more detail was submitted to Council.

Secretary's report

The Secretary reported on matters arising during the period from the 26 January 2018 Council meeting. The payment of ACES membership subscriptions was progressing well,

with a high collection rate at the date of the meeting. The secretary was confident of receiving further payments from recent approaches and will continue to pursue matters.

A pleasing net increase in the number of members was reported and this comprised a good mix of organisations, roles and skills. Caution was raised in the light of expected resignations, a number of which may arise from non-payment of subscriptions.

Some time had been spent on keeping the website up to date and accurate and the jobs page had been amended to confirm that adverts would be available free to members for a trial period, to generate more interest. Twitter and LinkedIn accounts were now established and growing and linked to the website.

A good deal of time had been spent by the secretary in preparing for the changes under the General Data Protection Regulations and the secretary advised that in preparing for the enhanced regulations, he felt that the membership database needed a thorough review to remove any unnecessary information.

The secretary reported his visit to the Welsh Branch AGM in March and was given a very warm welcome to an enjoyable meeting.

Financial matters

The Treasurer, William Martin, reported on the finances of the Association and

the latest budget position. He informed Council that in general terms, the current account is within the budgeted-for parameters for the year and the overall finances were in good health.

He reported that the secretarial budget costs had increased, reflecting increased workload in some areas and that the decision to make the Jobs page free for a trial period would have an adverse impact. Council considered that there was, however, an opportunity for wider benefits.

Following issues raised at last Council, the treasurer reported on the Expenses Policy. In general, apart from the secretariat, there were relatively few members claiming expenses and the treasurer never had cause to challenge. However, it was agreed that it was good practice to formalise the Expenses Policy, based on claimants not being "out of pocket" and supporting members where appropriate. The proposals were approved.

A question was raised concerning the recent guidance on branch treasurers' duties and the requirement to audit branch accounts. It was considered good practice to do this and that a light touch approach was appropriate. Some branches could benefit from the experience of others and the Branch Liaison Officer would provide more guidance.

Terrier advertising for 2018

The Editor, Betty Albon, reported her actions over the last few months in securing advertisers for the Terrier journal

and was pleased to report that most of the previous participants had been secured again. Three new advertisers had joined, being the Tim Thomas Partnership, BNP Paribas and Datscha.

Council commended the editor again for the continuing quality and success of the Terrier. It was noted that branches needed to continue to support the editor by contributing articles and that the Award for Excellence submissions would include articles written in that year's editions of Terrier.

ACES website

The Secretary reported on actions taken by Paul Over, who was unable to attend Council. This was contained in a paper submitted by Paul, which included a number of proposals for improving the website, ranging from a refresh of the site and introduction of new elements, such as online transactional ability, to a complete rebuild of the whole site on a more modern and capable software platform.

The consensus was for a complete rebuild. However, it was considered that the rebuild ought to be put out to competition and an "intelligent" specification needed to be drawn up before going to the market. Heather McManus advised of a potential independent consultant who might

assist and the secretary was asked to follow up and if necessary seek assistance from the membership.

Business Plan report

The President presented a detailed paper on his proposals for the ACES 3-Year Business Plan and how this might be drawn up and delivered by employing specialist business and marketing advice and consultancy. The proposals were accepted in principle, but it was considered that more detailed work needed to be done on preparation of a clear specification and job description for the appointment of a Marketing Manager and that clear but realistic outcomes were agreed and defined. The appointed person also needed to understand the current and preferred profile of membership, taking account, for example, of the shift of emphasis from asset management to regeneration, but not forgetting the essential technical expertise of members. This should assist in determining if the role could be performed by an existing ACES' member or needed to be put out to market.

It was agreed that increasing membership was a primary objective but this might be more in the hands of existing members, using contacts at high level in public organisations. It was considered that

the specification could include advice on improving the website and generally agreed that a further paper be brought to Council in July with a brief which set out objectives, desired outcomes, targets and a job description. The Junior Vice President kindly volunteered to take the lead with support from Heather McManus, Richard Allen and the secretary.

National conference 2018 – Downing College, Cambridge

The President confirmed matters were progressing well to support the conference and its theme of "Income Generation and Revenue Reduction in the Public Sector". A good list of speakers and sponsors had now been assembled. The President had prepared a detailed financial plan and was confident that the event would prove a success, building on the impetus and ACES' reputation established at the last conference.

AGM and July Council meetings

The last Council agreed to the 2018 AGM being held at a venue in London and the President reported fruitful discussions with Paul Bagust at the RICS, culminating in a very kind offer of use of the venue at Great George Street.

With regard to the next Council meeting

'Why not use the ACES website for free* advertising of your job vacancies?'



The ACES Jobs Page (open to all) on its website caters for member and non-member organisations advertising for public sector property posts. See www.aces.org.uk/jobs/

The page gives a summary of the available post with the details of location, salary and deadline and provides a link to the organisation's own website for further details and application form etc.

For a limited period, the Jobs Page will now be available to ACES member organisations to advertise posts at no cost.

You gain direct access to likely candidates already working in the public sector property arena with the expertise and experience that you are looking for.

*The rate of £400.00 for non-members still applies but for a maximum of 4 weeks' exposure on the ACES website; this is still excellent value!!

Contact the ACES Secretary, Trevor Bishop, at secretary@aces.org.uk for further information.



in July, the Secretary will follow up details of the venue in Manchester secured by Farida Ahmed.

ACES Award for Excellence 2018

The Senior Vice President, Graeme Haigh, reported progress with arrangements. The secretary was requested to invite submissions from all members, with a return date giving sufficient time for judging and preparation of the award in time for the AGM in November.

Coordinators and external working groups

A number of useful and informative reports were received from co-ordinators and these have been posted on the ACES website.

Consultation Co-ordination Group

It was noted that 3 consultation invitations had been put out by the

Ministry of Housing, Communities and Local Government and members had been requested to submit comments in time for the respective deadlines.

Branches

Branch reports were submitted by the North East and London Branches. It was agreed that the Presidential and Branch Liaison Officer visits were helpful and efforts all round were needed to support branches and share good practice. At this point there was some discussion about Red Book Valuations and who needed to be registered to carry them out. The Senior Vice President will investigate further and clarify.

Future meetings

ACES Council
20 July 2018 Manchester

Annual Conference
20 September 2018
Downing College, Cambridge

Annual Meeting
16 November 2018 London

Annual Conference
September 2019 tba

Annual Meeting
November 2019 Glasgow

Other matters

The secretary noted that new General Data Protection Regulations were to come in force in May 2018. The secretary had prepared a draft Policy Document paper outlining what needs to be done to ensure compliance by ACES, together with a proposed Privacy Policy that would replace and update the policy currently on the ACES website. The secretary will continue to refine the draft policy and inform members accordingly.

The President confirmed that steps had been put in place to seek nominations for the next Junior Vice President to follow on from Peter Gregory, in line with the President's proposals for development of a 3-Year Business Plan and good succession planning. It was hoped that nominations would be considered at the next Council meeting.

MEMBERSHIP Trevor Bishop

I list below the changes in membership between 1 April 2018 and 30 June 2018.

New members approved

There were 8 new applications approved during the period:

First Name	Surname	Organisation	Branch Ref
Marie	Percival	Fylde Borough Council	NW
James	Dunn	Stoke-on-Trent City Council	HE
Eirian	Jones	Cardiff Council	W
Angela	Bailey	Vale of Glamorgan Council	W
Paul	Brooks	Elmbridge Borough Council	SE
Anne	Parker	Government Property Agency	L
Murray	Quinney	Government Property Agency	L
Mark	Walshe	Carlisle City Council	NW

Members transferred to past membership

The following 5 members transferred during the period.

First Name	Surname	Branch Ref
Simon	Eades	E

Michael	Moysey	SW
Robert	Vaughan	HE
Martin	Bovingdon	SE
Sam	Hird	NW

Resignations

The following 4 members resigned during the period.

First Name	Surname	Organisation	Branch Ref
John	Bennett	DVS Property Services	SW
Clive	Daniels	Valuation Office Agency	W
Josephine	Palmer	Place Partnership Ltd	HE
Sherin	Aminossehe	Cabinet Office	L

Membership:

Summary of current membership at June 2018.

Total membership	
Full	217
Additional	61
Honorary	33
Associate	27
Retired	44
Total	382



ROLE OF THE GOVERNMENT PROPERTY AGENCY AND GOVERNMENT HUBS STRATEGY

Murray Quinney MRICS MBA

Murray is a chartered surveyor with 30 years' experience working in private sector consultancy firms and central government; he is currently regional lead for Whitehall and Central London in the Government Property Agency.

It's all change for central government property. Murray explains the new regime, following a presentation on this topic to ACES Eastern at Harlow in April 2018. There may be opportunities to work with the GPA on co-location.

Government Property Function

The Government Property Function as a whole exists to support the delivery of government services, as set out in the Government Estates Strategy and Departmental Strategic Asset Management Plans. This is a significant responsibility. Over 4,500 people are employed in the property-related roles across government, managing an estate with annual running costs in the region of £25bn and giving rise to many opportunities for transformation.

To support this, 2 organisations have been formed out of the previous Cabinet Office Government Property Unit (GPU): Office of Government Property (OGP) and Government Property Agency (GPA).

Following a period of shadow running to test process and procedure, and build the systems required to allow it to own and manage central government properties, the GPA formally launched on 1 April 2018.

The GPA is effectively the delivery side of the government property coin with OGP responsible for the broader policy, strategy and governance.

OGP is responsible for a number of programmes in its own right, including the One Public Estate Programme where it is working in partnership with the Local Government Association (LGA), to support ambitious property-led collaborations between public sector partners to deliver homes, jobs, efficiencies and better public services. OGP is also responsible for developing and delivering the government's Estate Strategy and setting the agenda for the function and profession through the Property Functional Plan.

Role of the Government Property Agency

The GPA has been established to provide professional property asset management services across central government's general purpose estate. It is effectively an enabler for the delivery of civil service transformation through programmes such as Hubs, Whitehall Campus and Smarter Working. The aim is to drive efficiency, savings and enhanced asset values through a portfolio approach to asset optimisation. The GPA is accountable for:

- The progressive transfer of ownership of non-specialist property

assets (offices, warehouses, storage and depots, and non-specialist science facilities) from departments to the GPA

- Taking a strategic portfolio approach to the assets that are transferred to GPA, developing and delivering place-based strategies that maximise utilisation, reduce costs and create a more fluid and adaptable estate, to respond to the increasing pace of transformation and workforce change
- Partnering with departments as property professionals and trusted advisors, to bring innovation and solutions that position real estate as a proactive enabler of business delivery, and deploying specialist asset management and commercial property expertise to enhance value for the taxpayer
- Delivering an effective, fully integrated, corporate real estate service, including estates and facilities management
- Executing the operational delivery of policies to locate functions and public bodies away from London and the South-East to drive regional growth
- Developing and delivering the



New offices at Edinburgh

government's Whitehall Campus and Hubs Programmes, changing the way that government works, by delivering multi-departmental offices in Whitehall and cities across the UK that support collaborative working, improved working environments, and better asset utilisation

- Promoting smarter working in support of departmental transformation, encouraging flexible work places, work spaces and work practices, to enhance staff engagement.

Government Hubs Programme

The Government Hubs Programme will transform central government's office estate, by accommodating multi-departmental workforces in shared regional hubs and supporting office estate. Hubs will be placed in strategic locations with great public transport connectivity, local amenities and a modern working environment which supports smarter working.

The projected cost savings from the full programme are over £2bn over 20 years. They will be truly shared spaces where departments can collaborate effectively together. The goal is that the civil service will operate more efficiently, people will be more productive, and departments will be better able to attract and retain the talent needed to deliver the best possible public services.

The programme will comprise:

- 18-22 strategic hubs across the UK located in main city centres close to major public transport infrastructure. They will usually comprise of a small cluster of buildings within walking distance of each other. They will be the main office location with the most extensive facilities for employees, including drop-in spaces for occasional focused work by visiting staff
- Around 200 mini-hubs across the UK in towns and cities close to public transport infrastructure. For some staff, a mini-hub will be their primary office location, but the range of facilities on offer will be less extensive than in a strategic hub. Facilities for occasional focused work by visiting staff will be available
- Touchdown spaces which might be located in operational buildings or other public sector spaces (e.g. libraries) with 5-10 desks and limited facilities. The number and location will be determined by the cross-government locality strategy and business case. They are intended for short-term, occasional use only.

The programme will deliver:

- A modern, smaller, less dispersed and a more economic overall office estate that is better able to attract and retain high calibre staff

- The creation and management of the Whitehall office estate as a single, cross-government strategic campus
- More efficient use of the estate
- An office environment which is complemented by and supports new ways of working, including allowing staff to work from a variety of locations
- Shared IT solutions to save money and remove artificial barriers to collaboration.

The Hubs Programme has so far been primarily focused on HMRC and its Building Our Future Locations Programme, which is moving staff from 170 existing offices into 13 of the hubs, to create regional centres. While some hubs have announced partners, such as NHS Digital in Leeds, the next stage of the programme is set to cover more departments and agencies in more locations.

Hubs announced

As at 28 June 2018, the following hubs have been announced:

- Edinburgh
- Glasgow
- Belfast
- Leeds
- Liverpool
- Birmingham
- Bristol
- Cardiff
- Stratford (London)
- Croydon
- Canary wharf
- Manchester

What should people expect if they move to a regional hub?

The GPA is working with departments to tie the development of hubs into the Civil Service Workforce Plan, ensuring that smarter working is at the heart of these new offices.

Creating a workspace that encourages new ways of working and shared spaces

where departments can work effectively together will make it easier for people to grow their careers locally across the civil service, gaining exposure to different experiences, and building their depth of expertise.

Hubs will be places where colleagues from different departments can come together into a single space with access to infrastructure, such as government

wifi, that then opens up opportunities for them to work more flexibly.

However, it is important to bear in mind that the hubs will not be a one-size-fits-all solution, but rather an opportunity to provide flexibility through shared infrastructure that allows departments themselves to become more flexible in how they do their work.



LOCAL AUTHORITIES AND STRUGGLING TOWN CENTRES

Dr Steve Norris MRTPI and Ed Cooke MSc MBA

Steve is the Partner in charge of Carter Jonas' Retail and Town Centre Consultancy team. He has over 22 years' experience as a planning consultant, advising both the public and private sectors on town centre, retail, leisure and economic development matters. His PhD in the early 1990s assessed the futures for Britain's town centres in the face of increased competition from major out-of-centre regional shopping centres.

Steve's relevant experience includes preparing robust and sound evidence-based studies in support of plan-making and decision-taking, preparing spatial visions, strategies and development frameworks for centres, advising on complex site and development opportunities, preparing economic capacity and impact assessments and acting as expert witness at inquiries. Steve.Norris@carterjonas.co.uk



Ed is Chief Executive of Revo. His role prior to this was Director of Policy and Public Affairs of what was then the British Council of Shopping Centres, and led the organisation's public policy and government engagement programmes. Previously he worked for the British Retail Consortium (BRC) where he led on property and planning policy campaigns. Prior to working for the BRC, he worked in the civil service for 4 years.

Ed is a regular contributor to the public policy debate through his work on the Future High Streets Forum and other government working groups. He is the organisation's main spokesperson, regularly contributing in trade and national press, and has given evidence to government select committees on the subject. edward@revocommunity.org

Authorities have invested £3.8bn in commercial property to save struggling town centres. A new study from Carter Jonas and Revo highlights the scale of investment and aims to identify solutions to aid local authorities as they take the lead in regeneration. This article helps set the scene and complements a series on investment in this edition of Terrier.

Investment statistics

Local authorities have identified an opportunity. By purchasing commercial

property assets, there is a chance to fix struggling town centres while generating attractive long-term income streams, at a time when local government funding is being curtailed. The trend has mushroomed over the last 5 years (to 2017 year-end) with local authorities spending around £3.8bn on acquisitions.

We uncovered the scale of this investment as part of our joint study to identify solutions for fixing the UK's town centres. Of the £3.8bn invested in commercial property assets, nearly half was spent on the acquisition of office space. Retail accounted for nearly £1.2bn of spend,

with shopping centres (£600m) and retail warehouses (£400m) the most popular assets. The remaining investment was split between industrial property (£500m), mixed-use schemes (£100m) and leisure assets (£80m), with a small amount diverted to alternatives use classes.

The impetus for this level of investment can be attributed to the availability of affordable credit. Local authorities are now able to borrow money cheaply from the Public Works Loan Board and other sources to fund acquisitions and associated development works. Loans can be paid back over a longer period,

allowing the local authority to generate income over time.

Spelthorne Borough Council in Surrey, which contains the towns of Ashford, Shepperton, Staines and Sunbury, emerged as the biggest local authority investor, committing an estimated £477.1m to assets across the country. This is more than double its nearest rival, Warrington Borough Council (£219.5m) and is largely down to the purchase of BP's International Centre for Business & Technology in Sunbury, for £360m.

Some local authorities have used this money to make pure investments plays – investing outside of their own borough or county in more than a few cases. This generated widespread criticism and the government took steps in the last budget to curb the use of council borrowing to invest in income-generating property assets outside of a local authority's immediate domain. The Local Authority Investment Code has been amended and the guidelines now state that "borrowing solely to invest in a yield bearing opportunity is borrowing in advance of need". However, it is worth noting that this does not prevent local authorities from investing their own capital receipts.

Over the last 18 months, Carter Jonas has invested over £100m in commercial property on behalf of local authorities, and developed strategies to help them achieve their long-term goals for income return or regeneration. This includes creating diverse portfolios across a wide range of sectors and proactive asset management to maintain and increase returns. Yet our experience of working closely with local authorities to help them identify and maximise assets has taught us that acquisitions are fundamentally born out of a deep desire to protect and improve their local area.

Challenges and opportunities for town centres

The challenges facing the UK's town centres and high streets are well documented, but as part of our study to work out what could be put in place to halt the decline, we surveyed members of the public and private sectors – including local authorities, investors and developers – to ascertain what they viewed as the

biggest threats. Competition from online shopping and the impact it has had on changing consumer habits was identified by 28.4% of respondents as the biggest challenge for the UK's high street over the next 5 years. Business rates (13.6%) and reduced demand for space from retailers (13.6%) were also singled out.

Married with the impact of the last recession, it is the lower to mid-range high streets that have been hardest hit by these pressures. The vacant frontages and gaps on the high street do not help the image of the town and serves to further encourage local residents to go elsewhere. As the private sector continues to withdraw from the market and becomes more risk averse, it is up to local authorities to take the lead and play a more active role in reshaping their urban environment, to ensure they remain at the heart of each community.

Some of these town centres have all the attributes to be successful once again. In Nuneaton, for example, Carter Jonas is advising the county and district authorities on the regeneration of the town centre, by promoting new high-quality mixed-use development to make it a more viable and attractive place to live, work, shop and visit for a range of activities and uses. The north Warwickshire town has a number of competitive advantages, particularly its good infrastructure – it is just one hour from London and close to Leicester and Birmingham: it has the real potential to be a thriving commuter town.

There is no "one size fits all" to successful regeneration and place-making. It requires a sound and well-evidenced vision, masterplan and/or development framework, to provide a route map to ensure the investment and development potential is fully realised and delivers long-term social and economic benefits. Creating an attractive place is key to this; some 53% of respondents to our research confirmed that improvements to and investment in the public realm is vital to delivering town centre regeneration and major development projects. Nearly half of respondents also agreed that strengthening local and national town centre first policies and reducing business rates were important considerations.

Selecting the right development partners is an important piece of the puzzle. The

right advisors can guide local authorities through the process, avoiding potential pitfalls, to deliver a finished product that is not only viable, but a catalyst for further regeneration. The government's Future High Street Forum, which was established in 2012, identified that fragmented ownership and a lack of co-ordination among stakeholders is a major obstacle to town centre reinvention.

While the intervention from the public sector is necessary to spur on regeneration, the pace of change in the market – particularly in the retail sector – means that local authorities should draw on the expertise and resource available in the private sector to manage and re-position these assets. Our research reveals that over 66% of respondents still see joint venture partnerships as the preferred delivery models for regeneration projects, so we hope to ignite fresh dialogue between the public and private sectors to unlock new opportunities. As a result, the future success of the UK's urban environments relies on better collaboration and Carter Jonas and Revo will continue to play lead roles in bringing the two together.

The acquisition of commercial property assets is just one example of a number of initiatives that local authorities can consider, to unlock the potential of property and land. We also expect to see more councils focusing on their own operational service property portfolios. These complementary strategies have property at the front and centre, with authorities assessing how they own, occupy and invest in the built environment, as well as the role the environment can play in shaping a region's future growth.

Study results

The Carter Jonas and Revo findings are the first phase of a comprehensive study that will be released in Autumn 2018. This subject will be debated at Revo's annual conference in Manchester in September 2018, with further workshops scheduled throughout the month, in Leeds and London.

If you would like to be involved in this study, or for further information, please contact kate.valentine@carterjonas.co.uk or beth@revocommunity.org.



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Carter Jonas



Commercial property investment by local authorities outside their areas lives to tell another tale, despite revisions to the Prudential Code. Brian argues that property investment within a council's area might turn out to be the more attractive option if only those looking at the options could properly assess the breadth of financial and non-financial benefits from 'local' investment. This article complements a series on investment in this edition of Terrier.

LOCAL AUTHORITY INVESTMENT – SURELY YOU JUST FOLLOW THE MONEY?

Brian Thompson BSc (Hons), MBA, MRICS

Brian is a freelance advisor to the public sector, having held senior positions within local government, property consultancy practices and management consultants. He is currently advising several councils on transforming their headquarters facilities in line with new operating models for public service delivery, and has just completed a review of the processes and systems in place to manage the courts estate held by a devolved administration. He is a member of the RICS Public Sector Group and, in that capacity, prepared a research paper on Shared Property Services last year. He is also helping to prepare an update to the RICS Public Sector Property Asset Management guidelines. brian@realestateworks.co.uk

Context

By the time you read this, my theoretical dilemma as I write this article will be of only passing interest. Do I stay loyal to Lewis Hamilton at the Austrian Grand Prix or stick a small bet on an outsider – perhaps Daniel Ricciardo? And should I take a punt on England beating Columbia and then coming home with a trophy, or would I be wiser to invest in our friends across the channel, say France or Belgium?

This provides a platform for a very contrived link to the dilemma facing councils who are now active participants in the commercial property investment market. Do I invest only in my local area or should I be prepared to invest wherever I can secure a return above my minimum threshold (subject to an appraisal of risk)?

I would argue that the default position for investing authorities should be 'invest locally and spend time measuring and valuing the full benefits of that investment.' It is all too easy, however, for hungry investors (and that includes many councils with voracious

investment appetites) to follow the money and be driven solely, it would appear, by one magic number: the initial yield. Advisors have spotted a market opportunity and who would blame them for piling in to recommend that illustrious hotel or 'prime' retail opportunity in a town which many councillors within the client body have never visited.

Surely there are broader and deeper issues to address – such as sustaining the local economy, creating civic pride, shaping the future of the town or city, and improving the health and wellbeing of the community?

I will come back to a potential solution to the dilemma later but first, a brief history of time.

What has changed?

Much has been said about the financial plight of councils today; the threat of being placed in 'special measures', amalgamated or disbanded is very real. With central government funding being cut at record levels, and the demand for certain services such as social care at breaking point, the prospect of

generating new, long-term income streams through property investment is attractive, some might say a necessity.

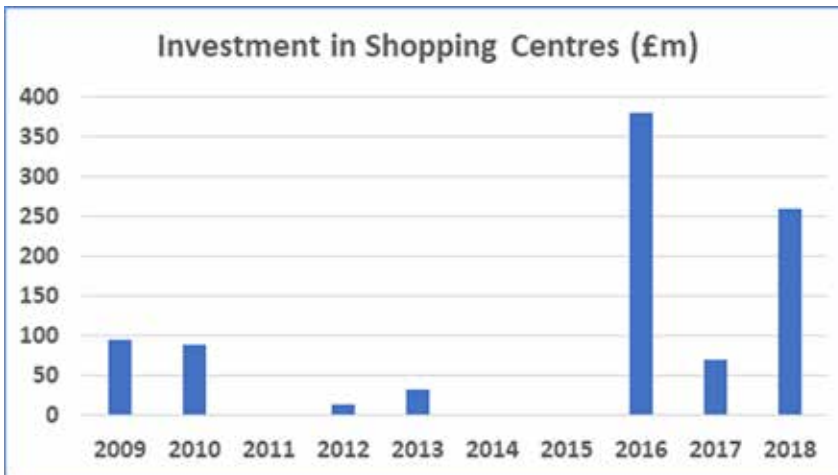
Yes, many councils have held commercial assets in the form of retail parades, industrial estates, farms and of course housing estates. Procurement and management of portfolios such as these was grounded on a desire to meet local social and economic needs. With the passage of time, many long-held commercial portfolios now provide a valuable income stream, even if they are no longer used as a tool to re-engineer the economy.

We now see a discernible trend towards investing purely to generate income – a form of arbitrage enabled by the ability to borrow 'cheaply' from the Public Works Loan Board (PWLB) to acquire property investments yielding, say, 5%-6% above the cost of borrowing.

Investment appetite

In recent years, shopping centres have provided a rich seam for local government investment – the table maps the trend over the last 9 years or so. Note that the figure for 2018

Source: BNP Paribas



represents the first quarter of the year, indicating a record year ahead for investment by councils in shopping centres.

In January 2018 alone, over £100m was invested by 2 local authorities – Shropshire Council and Cherwell District Council – securing shopping centres with the aim of directly shaping their key town centres.



Darwin Shopping Centre, Shrewsbury - one of 3 purchased by Shropshire Council



Castle Quay Shopping Centre, Banbury – now owned entirely by Cherwell District Council

In February 2018, Canterbury City Council spent £75m to secure full ownership of Whitefriars Shopping Centre, Canterbury, having spent £50m to acquire a partial interest in 2016. On the other hand, Huntingdonshire District Council set its sights further afield and acquired Shawlands Retail Park in Sudbury (in Suffolk near the Essex border) during 2016.

In addition to the above scenario, many other councils have invested 'out of area' for financial gain. For example, Mansfield District Council has acquired a Travelodge in Edinburgh, Luton Borough Council bought offices in Chatham, West Lindsey District Council also acquired a hotel but in Keighley, and Portsmouth City Council's purchased a Waitrose store in Somerset.

The now infamous acquisition of Sunbury Business Park by Spelthorne Borough Council for around £360m was within its own area, but it did result in speculation that it had become a property company with a sideline in the delivery of public services!

The argument adopted by councils investing across the UK and across different sectors is around diversification of the portfolio and risk mitigation. Is it not conceivable that diversification, risk mitigation and a decent financial return can also be achieved if you look hard enough on your doorstep?

Scale

Towards the end of 2017, the Local Government Chronicle published the outcomes of its research into investment in real estate. Of the 265 councils

responding to a Freedom of Information request, 94 admitted that they did so purely to generate an income stream – and 37% of the 94 admitted to investing outside their area. The Times adopted the same route to obtain details of where local authorities were directing their investments. Out of 76 transactions investigated that took place in 2016, approximately 25% were outside the local authority's own area [Ed – see the results of the Carter Jonas survey in this edition of Terrier].

Meanwhile, Savills noted in November 2017 that councils were on target to spend over £1bn on commercial property investments during the financial year.

Whichever way you look at it, a great deal of money is being spent on commercial property to secure new income streams, and a significant proportion of that investment is flowing out to other areas. While the precise amount of investment flowing out is not clear, it is clear that such investment delivers no direct benefit to residents or those working within the investing council's area. No doubt a case can be made that indirect benefits arise because of the (potentially) higher financial return arising from this investment strategy, but they may be less easy to demonstrate or indeed communicate.

The changing framework

It is worthwhile considering for a moment the framework within which councils operate, as this has the potential directly to shape the investment strategies of councils, and decisions on individual investment opportunities.

Section 111 of the Local Government Act 1972 gave councils in England the power to do anything '...which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions.' Recognising that the purchase of an investment might not be clearly 'incidental' to any function of a local authority, the Local Government Act 2003 relaxed the provision and enabled councils to pursue investment and other objectives through company

structures. And the Localism Act 2011 introduced the General Power of Competence, widening the scope of councils to set up a company and trade purely for commercial gain.

In terms of guidance, councils must 'have regard' to the Prudential Code, while the Treasury Management Code provides further guidance on the 'prudent management' of investments [Ed – see 2018 Spring Terrier].

In the wake of criticism from some commentators in the property, local government and public finance markets, there was an expectation towards the end of last year that the government would halt the leakage of investment funds outside council areas. Through conditions attached to borrowing from the PWLB, it was feared that councils would not be permitted to borrow to invest outside their area. This would not, however, have prevented the following series of actions – borrow to buy inside their area, sell, then use proceeds to purchase outside their area.

In any event, the threat didn't materialise. Instead of regulation by attaching conditions to borrowing, we now have a strengthened Prudential Code reinforcing the need for effective financial planning, option appraisal, strong governance and risk management. To encapsulate the new processes and procedures, a formal capital strategy is required.

Commercial property investment purely for profit is regarded as 'borrowing in advance of need'. The updated Code specifically states that councils '...should also consider carefully whether they can demonstrate value for money in advance of need and can ensure the security of such funds.' Time will tell whether this makes it more difficult for councils to invest outside their area.

Benefits (mis)calculation

It is relatively easy to quantify the direct financial return from a property investment opportunity, not least because projected income streams are probably known in advance to the nearest £ and you make a judgement on the price you are willing to pay. And with

upward-only rent reviews, you know the minimum return you will get over the duration of the investment.

As such, it is easy to rule out investing in the industrial scheme around the corner in Aberdare and take the sound advice of the investment agent to go for the high yielding 'prime' retail unit in Aberdeen instead.

Let's admit it, the property world isn't very sophisticated when it comes to options appraisal. We certainly don't feel comfortable around non-quantifiable costs and benefits, and many of us still think 'social value' is just a box to be ticked.

Are we therefore ignoring many local opportunities for investment because we can't do the homework, provide the evidence and therefore build the case that allows them to be compared on an equal footing with 'traditional' investment opportunities? Is it not also the role of the pension fund and its advisors to eke out investment opportunities that deliver purely financial gain? And is it not reputationally unwise to invest in other communities when your own community is facing serious challenges?

It is just possible that many local investment opportunities would be taken forward with enthusiasm and commitment if we could find a way of capturing the breadth of (local) benefits and expected outcomes that provide a further layer on top of the financial return.

Social value, social return, social responsibility

The good news is that the tools exist to capture wider benefits and outcomes: we just need to learn how to use them properly. One such tool was developed with support from the Cabinet Office. The Social Return on Investment (SROI) Network published a guidance note on the practical application of SROI almost 10 years ago. The Public Services (Social Value) Act 2012 coincided with the publication of an updated guidance note on SROI. Putting SROI into practice requires engagement with all stakeholder groups likely to be affected by an investment, and to place a monetary value on outcomes wherever

possible, based on research and evidence from comparable situations.

To address the retail sector in particular, Business in the Community (BITC) created an approach to evaluating the social and economic benefits arising from retail development. The benefits from investment and development are bundled into 3 categories; each category comes with its own set of target areas where benefits might be expected to arise:

- People – 20 target areas
- Place – 21 target areas
- Economy – 20 target areas.

The benefit of this approach is that it forces you to think broadly about the potential consequences of investment. They don't override financial considerations or an appraisal of risk – but should be considered in parallel.

Arguably, we have no excuse for a lack of familiarity with the concepts of social value and social return and their application. Unfortunately, there is a real danger that we will remain stuck in the past, so long as those writing investment strategies and approving business cases are content with a simplistic 'traditional' approach.

There are signs of movement....

Only 3 days before putting pen to paper to write this article, Lincolnshire County Council's leader stated that the council would be 'unlikely' to invest outside its area just to balance the books. Members want to see direct returns to the indigenous community from property investment activity. And earlier this year, Bournemouth Council reiterated its commitment to investing around £125m solely within its area, in line with its asset investment strategy.

But is a geographically limited investment strategy too single-minded? What we really need is a transparent mechanism for comparing and contrasting invest opportunities, irrespective of their location. Some might say that the approaches recommended by the SROI Network and BITC are too complex. I would tend to agree if taken to an extreme.

As recommended by HM Treasury in its 'Green Book' on options appraisal, the degree of research and analysis should always be proportional to the task in hand.

Returning to the industrial estate in Aberdare, I wonder if the case might change if we could identify, quantify and then monetise where possible the following:

- Direct and indirect job opportunities
- Impact on unemployment levels, in particular the long-term unemployed
- Additional investment that is expected to be leveraged

- Local supply chain impacts
- Support for small and medium enterprises
- Retention of spend in the local community
- Contribution to any wider regeneration projects
- Control of amenity and environment
- Synergy with other council employment space
- Catalytic impact on value of other council assets
- Business rates income
- Contribution to corporate policies e.g. place-making and support for new business creation.

This article does not aim to provide answers. Instead, the aim is to keep local authority investment on the agenda, but specifically the dilemma around investing anywhere the immediate financial returns are sufficient, or locally where the community is best served.

We now owe it to our communities to come up with a simple methodology to capture and quantify the breadth of potential investment outcomes. Local might just prove to be best when high level financial returns suggest otherwise – but my money is still on France or Belgium!



SHOPPING CENTRES OFFER SIGNIFICANT INCOME AND REGENERATION OPPORTUNITIES

Toby Ogilvie-Smals

Toby joined Savills in 2005 and specialises in the acquisition and disposal of retail properties, specifically shopping centres. He is responsible for buying and selling retail investments for a range of clients, including institutions, private equity, councils, property companies and asset managers. tosmals@savills.com

Toby sets the context to shopping centre investment, and then highlights the benefits to local authorities and their residents. "The purchase of shopping centres within council jurisdictions can unlock wider regeneration of town centres..... The perceived lack of expertise within councils is, in Savills experience, unfounded."

Recent statistics

It's no secret that investment into retail property has slowed this year with shopping centres being among the most badly affected. According to Savills research, in the first half of the year £598m was invested into shopping centre assets across 20 deals. To put this in perspective, this figure is down 38% year on year. A number of factors have caused investors to take

a pause – from negative headlines splashed across the media, to the flow of compulsory voluntary arrangements (CVAs)/administrations, with names such as House of Fraser, New Look and Poundworld among the casualties.

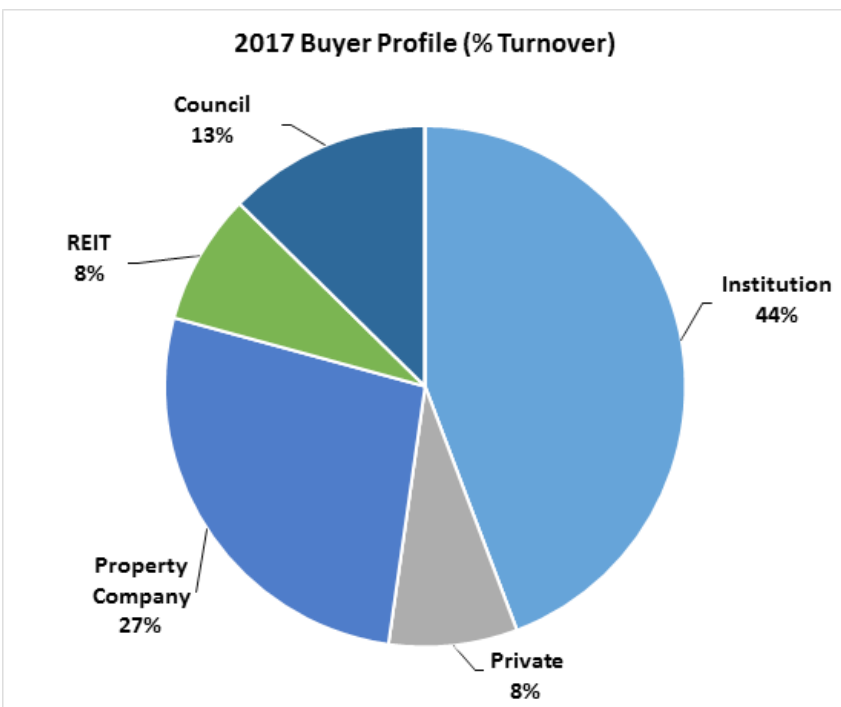
Despite volumes being reduced, a number of high profile transactions have taken place so far this year including TH Real Estate's sale of a 50% stake in Whitefriars Shopping Centre in Canterbury to Canterbury City Council;

the purchase of Royal Victoria Place in Tunbridge Wells by British Land; and the sale of Shop Stop in Clapham by Delancey.

Councils have been actively buying shopping centres over the last 2.5 years. According to Savills' statistics, in the first half of 2018, local authorities were responsible for a £187m-worth of acquisitions of the asset class, accounting for 31% of total volumes.



2017 Buyer Profile (% Turnover)



This followed investments over the last 2 years reaching a total of £208m across 7 deals during 2017 and £386m in 10 deals in 2016. Prior to 2016, council investment in shopping centres was limited.

Benefits of owning shopping centres

The rationale behind the recent activity is broadly threefold:

- Shopping centres provide a strong source of income
- They provide significant regeneration opportunities, and

- Councils have access to favourable loan terms, making returns extremely attractive.

These benefits enable the generation of significant surplus income to provide vital services to residents.

The current income multiplier which can be secured on a shopping centre is very attractive compared with other property sectors such as offices and industrial. The average shopping centre yield to date in 2018 stands at 6.65%, against offices at 4.75% and industrial at 4%. This good day-one income return, when combined with attractive lending terms, produces a strong source of income.

Shopping centres typically occupy large town centre sites which provide numerous potential regeneration opportunities. These opportunities, some of which may have been investigated by the private sector but proven unviable, are extremely attractive to local authorities. The purchase of shopping centres within council jurisdictions can unlock wider regeneration of town centres.

Furthermore, where the council owns the freehold of the site, the purchase of the long lease on the shopping centre can unlock some marriage value. In the worst scenarios where the shopping centre is becoming increasingly vacant and less viable as a retail destination, the purchase of the scheme can revitalise and reinvigorate, breathing new life into the asset and the wider town centre.

Through the Public Works Loan Board, local authorities can access debt at interest rates that are far more competitive than those available to private investors. In some cases, they can finance their purchases on a 100% loan-to-value ratio. Interest rates can sometimes be as low as 1.5% for local authorities, making it an attractive prospect. Combined with the opportunity for rental income and the ability to enhance the retail offering in their locale, retail assets look attractive.

The benefits of the reinvigoration of the town's shopping centre should not be underestimated. In addition to the positives outlined above, there are additional tangible advantages. An improvement of the retail offer will result in additional business rates being paid to the council; it will also result in additional employment. This will in turn lead to greater positivity and encourage external investment. Improvement in the job sector and external investment can lead to additional housing, which will provide further income through council tax. In short, by improving the town centre and the retail offering the council will benefit from substantial additional income and investment. Therefore there is a strong rationale for investment.

Despite these benefits, there has been substantial negative sentiment to such

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The Savills logo, consisting of the word 'savills' in a red, lowercase, sans-serif font, positioned on a yellow rectangular background.

investment, both politically and through the media. Much of this negativity is centred around 2 key points - the current retail market and the perceived lack of expertise.

The retail market is undergoing a shift and the uncertainty around the retailers caused by the boom in CVAs/administrations, combined with a rise in online retailing and the uncertainty around Brexit, which has led to significant negative sentiment in the retail investment market. This is undoubtedly a concern. However, for the reasons outlined above, this is a particular opportunity for the local authority to achieve good value for their constituents.

The perceived lack of expertise within councils is, in Savills experience, unfounded. On every occasion where a council has purchased a shopping centre, they have taken expert

professional advice from agents. This transaction advice, combined with the appointment of professional asset managers on the ongoing management of the assets, means that councils are receiving best in class advice.

Having a local authority as the landlord for a local shopping centre may also reduce the risk that the asset will be vacated by retailers in comparison to when owned by the private sector. The overall view might be more long-term compared to a traditional investor, as the council looks for 'social return' in addition to economic return. The social aspect incorporates much of what has been discussed above – creating jobs, enhancing the retailer mix and the potential regeneration of vacant space for other uses. Such other uses could include community ones such as libraries, surgeries or education in addition to student, hotel, leisure or assisted living.

The immediate future

Looking ahead to the rest of the year, it'll certainly be an interesting time for both the retail investment and occupier markets. We expect total shopping centre transaction volumes to fall this year, and for shopping centres to attract c£1.25bn in 2018 – down on the £1.7bn seen in 2017, and well below the long-term average of £4bn.

The difficult nature of the market provides ample investment opportunities and when combined with the right advice, there is plenty of opportunity to see both social and economic returns. Shopping centres, more than any other sector, offer significant income and regeneration opportunities.

PROPERTY MANAGEMENT – A KEY ELEMENT OF EASTLEIGH'S 'WHOLE COUNCIL' TRANSFORMATION

Local government is facing unprecedented challenges and Eastleigh Borough Council, in common with others, was faced with how to future-proof the organisation, meet its priorities and build upon its ambitions - without reducing the service it provided to its customers. Liz explains how.

Liz Suatt

Liz is Lead Asset Manager, Service Delivery, Property Services at Eastleigh Borough Council

Future Eastleigh

How can our council future-proof the organisation, meet our priorities and build upon our ambitions, without reducing our services?

To achieve this, we embarked on a service redesign programme – that we called Future Eastleigh – over 2 years ago, that has brought about a whole-council transformation. Dispensing with traditional departmental structures we have moved the organisation towards a case management-based model of delivery that places the customer at the centre of everything we do, introduces



Ageas Bowl



new channels of engagement through effective use of IT, and delivers substantial efficiency savings.

Almost 2 years on from the launch of our Future Eastleigh programme, we are on target to achieve savings of £2.1m p.a. from service redesign alone – a significant sum for a local authority of our size.

It is important that our customers can transact anywhere, at any time and on any device. To support this, we have made a significant investment in digital accessibility, partnering with tech company, Arcus Global, which is delivering a Salesforce platform-led solution, enabling the reduction of multiple systems and implementing a cross-service, single customer view through new customer relationship management.

Income from our property portfolio

The Future Eastleigh transformation also supports our increasingly commercial approach, with significant income generated from our property portfolio, which has been a key element of how we fund council services in the face of dwindling government support. Income from property assets has been a major



reason we have maintained a zero increase in our element of council tax for the past 15 years.

The council's innovative approach to buying commercial property over the last 8 years has helped ensure that we can continue to invest in our community and, at the same time, protect our frontline services. It allows us to build on our £220m property portfolio that is projected to generate an annual surplus of around £10m for 2018-19.

Together with our pioneering housing joint venture, Aspect, which is beginning to deliver much needed homes in our borough, our property portfolio has provided a range of employment opportunities for local people, including as many as 500 new jobs associated with both the development and operation of the Hilton at the Ageas hotel, part of the Ageas Bowl, the home of Hampshire cricket.

We seek expert advice on all acquisitions, which are based on a thorough financial business case, including a robust risk assessment. They must provide the council with a financial return and make a strong contribution to achieving community investment and economic regeneration, including investing in businesses likely to create jobs for local people.

Each deal is carefully considered on its own merits and we receive external acquisition advice, including an independent valuation, building survey and purchase report as part of the due diligence process. It is important that we address risk management issues - and we always seek the best professional advice. In addition, we have our own officer expertise through our asset management team, as well as the designated chief financial officer and the roles of internal and external audit.





and full council and goes through a full scrutiny process.

The council is playing a key role in investing in its community by providing facilities for local people to use, as well as business premises that provide jobs and opportunities. As our profile in this area has grown, other local authorities have approached Eastleigh Borough Council to learn more about how prudently we generate income from our property portfolio.

Investing in our borough

We have focused on buying property with blue chip tenants, with long unexpired lease terms to provide longevity of income. The council is landlord to a high profile mix of brands - including B&Q, Lloyds Bank, Wetherspoons, Matalan, Halfords, Pets at Home, Cisco, Legal & General, and Regus - as a result of the freehold purchase of investment opportunities over the past 9 years.

The council's acquisition of the Ageas Bowl, on a site that includes an 18-hole golf course and the Hilton at the Ageas hotel, returns an annual surplus to the council. This superb facility also contributes around £50m to the local economy and is a real community asset for all local residents to enjoy.

In August 2017, a new, purpose-built M&S Foodhall opened in Eastleigh Town Centre, representing a £3.6m investment by the council and creating around 58 jobs.

Another recent investment is in the new state-of-the-art Places Leisure Eastleigh leisure centre. The £28m landmark building replaces a previous centre and underpins the council's commitment to a healthy community. It has been built at no cost to the council, thanks to the licence fee to operate the centre paid by Places for People Leisure.

Council strategy

Our property acquisitions ensure that there is more income coming to the council than the cost of servicing that debt. Key to this strategy is that each purchase must provide a financial return at an acceptable risk and provide a cost-effective contribution to achieving community or council priorities, such as supporting local businesses, economic development or regeneration.

The government has set out a framework within which all councils must operate. This framework limits the council to only borrow the amount it can afford to repay. Our medium-term budget strategy is agreed at cabinet

Council Leader, Councillor Keith House, underlines the importance of our property portfolio to council finances. He said: "Our investment in property and the financial return we gain from it has meant that we have been able to protect frontline services and continue to invest in our local economy and community. Far from being a cost to tax payers, this initiative generates significant income for the council with the return on investment more than covering the cost of borrowing."

The Terrier

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THE DRAFT NATIONAL PLANNING POLICY FRAMEWORK AND THE FUTURE ROLE OF VIABILITY IN TOWN PLANNING

Anthony Lee

Anthony is Head of UK Development Consultancy at BNP Paribas Real Estate and leads one of the Industry's longest-established development viability teams. He is a specialist in valuation and development economics, and advises clients in the public and private sectors on a range of planning-related issues.

He has advised central and local government on the delivery of affordable housing and has advised the Greater London Authority on its approach to securing affordable housing, focusing on its 'Development Control Toolkit' (Three Dragons Model), leading to major changes, including the addition of a cashflow function and mixed use capability. He recently advised Homes England on improving the delivery of affordable housing secured through planning obligations, including creating a model to test investment requirements across local authority areas.

He was a member of the working group under the chairmanship of Sir John Harman that drafted guidance on 'Viability Testing Local Plans', which was the first attempt to guide on testing the cumulative impact of policy on developments. He is also a member of the 'Developer Contributions Technical Expert Panel' established by the Ministry of Housing, Communities and Local Government to consider the use of viability assessments in local plans and development management.

He has advised over 70 authorities on viability of development in their areas for local plan and CIL rate-setting purposes. anthony.lee@realestate.bnpparibas

Anthony puts a perspective on the issue of housing development and community requirements. "This conundrum brings into sharp focus the difficulty that planning and valuation professionals have been grappling with for many years: does the market determine the extent of planning policies, or is the role of the plan to influence the market? In its current form, the government's guidance comes down very firmly on the supremacy of the market." Andrew's article which follows this suggests where some blame may lie.

A balancing act

The planning system is where we, as a country, mediate between the interests of the community and private or commercial interests.

These interests are not always mutually exclusive – for example, communities need housing and the private sector delivers it. However, in the absence of significant levels of public investment in infrastructure, new housing brings its own burdens that the planning system has to mitigate. New housing schemes need new schools, medical facilities,

highways improvements and public transport to make them liveable.

This balance, between commercial interests and the need to satisfy the needs and requirements of communities, ultimately impacts on land values and the debate on mediating between the 2 has been raging since 2012, when the RICS first published guidance on viability in planning (RICS 'Financial Viability in Planning Guidance Note First Edition' (2012)). After ceding control of the rules of engagement to the RICS and other industry groups, central government is now grappling

with the issue in its latest Planning Practice Guidance (PPG) (https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/687239/Draft_planning_practice_guidance.pdf).

The tool for determining the extent of community benefits that can be sought from development is the much-maligned viability assessment, unfairly characterised as a 'loophole' that – in the view of some commentators – enables developers to 'evade' policy requirements that have been set in the plan.

Draft National Planning Policy Framework

In reality, the planning system has moved towards an approach that sets policy requirements at an aspirational level, with explicit acknowledgement that not every scheme (or indeed many schemes) will achieve the upper end of policy targets. The by-product of this approach is that almost every planning application above policy thresholds for affordable housing has to be accompanied by a viability assessment.

In its draft National Planning Policy Framework (NPPF) and accompanying draft PPG, the government has indicated its aim of reducing the role of viability assessments by front-loading viability testing at the plan making stage. If developers and landowners are clear on planning requirements from the outset, then the land market will adjust. Or so the theory goes...

There are few reasons why the government's proposals should not work in areas where the bulk of housing will be developed on greenfield sites or other previously undeveloped land; the uplift in land from existing agricultural land value is of such a significant scale that policy requirements can, normally, be readily absorbed.

However, for planning authorities where the bulk of housing will be on previously-developed sites, the range of development scenarios is so varied that it will be impossible for them reliably to test their plan policies to cover the range of scenarios. Inevitably, in these areas, planning authorities will need to continue to test the ability of developments to meet policy requirements at the development management stage.

Many of the observations on the government's proposed approach have pointed out that there is a clear choice to be made. To fulfil the government's ambition of reducing the use of viability testing, it would be necessary for planning authorities to tailor policy requirements to the least viable site or type of development. Consequently, policy would be determined by the lowest common denominator

and developments that could have contributed more would not do so. The benefit of the current approach is that levels of affordable housing are optimised on a site-by-site basis up to the local plan target. The risk of the government's proposed approach is that the target level of affordable housing and other policy requirements would be lower, with a potential race to the bottom.

How should incentives to landowners be determined?

The draft guidance indicates that government has 2 main concerns. First, that public confidence in the planning system should be restored and that for this to happen, almost all schemes should comply with policy requirements; and second, that planning authorities should not take too much of the uplift in land value resulting from the grant of planning permission, leaving too little for landowners.

There is a difficult balance to strike here. Set policies at too low a level, and the pressing need for affordable housing and supporting community infrastructure may be left unmet. As a consequence, communities may resist new development in their areas. Conversely, if planning requirements are set too high, with resulting reductions in land values, landowners may not bring their sites forward and wait in the hope of a change in policy.

This conundrum brings into sharp focus the difficulty that planning and valuation professionals have been grappling with for many years: does the market determine the extent of planning policies, or is the role of the plan to influence the market? In its current form, the government's guidance comes down very firmly on the supremacy of the market.

When testing the viability of a local plan, it is necessary to determine a benchmark land value against which the residual values of the tested schemes can be compared. The RICS has promoted 'market value' as the appropriate benchmark land value, but that has proved problematic, not least because of the tendency of those

buying land not to take full account of existing planning policies.

The approach proposed in the draft PPG is that benchmark land values should be determined by the 'existing use value' of sites, which mirrors the approach adopted by many councils when testing plan policies. It is also the approach advocated in guidance for local plan viability testing produced by the Local Housing Delivery Group in 2012. As a principle, this is more appropriate than market value, as it enables planning authorities to identify the full uplift in land value upon grant of planning permission. The issue then is how to divide the uplift between commercial and public interests.

The draft PPG also recognises that landowners will normally require a 'premium' or 'incentive' above existing use value to release their sites for development. The document proposes that this premium should be based on market transactions, adjusted where necessary to take account of policy requirements.

This leads to several difficulties for authorities. Even when market transactions take account of planning policy requirements (and this is by no means always the case), they will reflect adopted policies only. Basing benchmark land values for testing new local plans on historic transactions will place a cap on the contributions that planning authorities can seek in new plan policies. Even if increased contributions towards essential community infrastructure are needed, the proposed approach would prevent planning authorities from securing them.

More importantly, there is often a significant disparity between the residual value of a scheme using 'standardised' viability inputs and the price that developers pay for sites. BNP Paribas Real Estate reviewed the viability of 4 schemes in a London borough and compared the existing use values, the residual values of the application schemes, and the price the applicants paid to acquire the sites (see Figure 1). The first point to note is that the applicants paid significantly more to acquire the sites than the residual value

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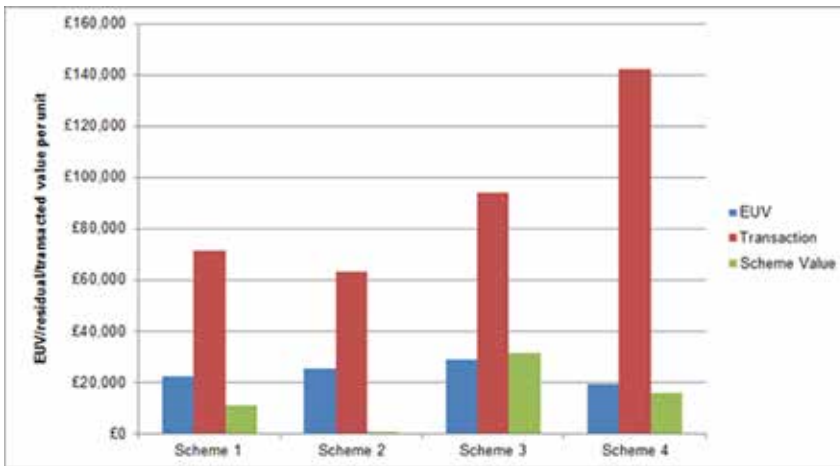


Figure 1: Comparison of existing use values, residual value of development proposal and price paid for site – 4 London developments Source: BNP Paribas Real Estate

of their proposed developments in their viability assessments. This calls into question the extent to which market transactions are reliable as a means of testing the value of development.

The second and more critical issue is the extent to which the transactions exceeded the existing use values of the 4 sites. If these transactions are used to inform the ‘premium’ above existing

use value, as the draft PPG suggests, benchmark land values would be so high that viability tests would result in no capacity for any planning policy requirements on these sites.

The way forward

The government’s draft PPG clearly needs to ensure that plan policies are set at a level that is realistic, to ensure that

land supply is maintained and enhanced in areas of particular pressure on housing delivery. However, communities often remain unconvinced that new developments mitigate their own infrastructure requirements and want to see more community infrastructure provided by major schemes.

In its present form, the draft PPG appears to be weighted heavily in favour of commercial interests, with the market fully controlling the package of community benefits that the planning system can seek. This approach risks undermining local support for development. To deliver the affordable homes that our communities need, the PPG needs to provide planning authorities with greater scope to influence market behaviour so that commercial and community interests can be more appropriately balanced.



DEALING WITH THE HOUSING CRISIS – FIRST SOLVE THE DILEMMAS!

Andrew Jones

Andrew is a chartered surveyor with 26 years’ post qualification experience and has worked extensively with a wide range of public bodies, government agencies and local authorities. He is a member of MHCLG’s Expert Panel advising on changes to the NPPF and PPG in respect of viability.

He founded BPS in 1999 and the company now provides development viability advice for more than half of London’s boroughs and a further 20 unitary, district and borough councils. Andrew’s background is in development and some of the company’s early clients included several of the major housebuilders. However, to ensure an impartial position, BPS no longer works for developers.

BPS’ geographical coverage extends over much of south east England. It completed over 160 separate viability-related instructions during the course of the last financial year across the full range of clients. Work included a wide variety of development types, from schemes under 10 units to the largest development of more than 1,200 homes; in capital value terms that is schemes in excess of £1bn, down to under £1m. andrew@bps-surveyors.co.uk

Andrew puts forward very clear arguments about the shortcomings of current housing delivery and lays the blame – at least in part – with land value surveyors: “Are surveyors in promoting 2 simultaneous approaches to valuing land at risk of being seen to add our own layer of self-made confusion and delay to an already highly complicated planning system?”

Source: MHCLG; 2017

According to Wikipedia the meaning of the word 'Dilemma' is: **'a situation in which a difficult choice has to be made between 2 or more alternatives, especially ones that are equally undesirable.'**

This description neatly summarises the position that both the government and surveying profession find themselves in when it comes to addressing the housing crisis.

Government has 2 apparent objectives:

- A. To build more houses year on year
- B. To deliver more affordable houses year on year.

Affordable in this context means new houses within financial reach of the majority, not just social housing. However, there are a series of dilemmas which raise the question of whether the housing crisis is resolvable and whether politicians have sufficient support and time to resolve it. It also highlights the sometimes contradictory and unhelpful role the surveying profession is playing.

Dilemma 1 - Do we really want a step change in the supply of new homes?

Some of us are old enough to remember the collapse of house prices and soaring interest rates in 1989 which left many home owners with negative equity and escalating and unaffordable mortgage costs, leading to record levels of repossessions and a resultant economic recession.

When home owners experience growth in house prices there is feel good factor, which leads to an acknowledged increase in spending which is good for the economy. With approximately 65% of the population home owning households, this effect is more important than concerns about consequent price increases in the rented sector. If, however, we flood the housing market with new homes, economic theory suggests prices will fall, impacting the economy.

Therefore the pragmatic answer is to build only enough homes to maintain a stable but gently rising market. This

does not of course rule out building homes to rent or to provide homes for people who cannot afford to get on the home ownership ladder, as these tenures have a lesser impact on the private sale market.

A rising market is also a necessary factor to encourage housebuilding, given the need to cover excess costs from an often-overheated land market. Few developers by choice would wish to build in a falling market.

Dilemma 2 - Can private developers really deliver all the homes we need?

It can be seen from the chart that publicly-funded housing development has steadily declined since the mid 60s and while housing associations continue to play a role, it is fractional compared to that of the private development market.

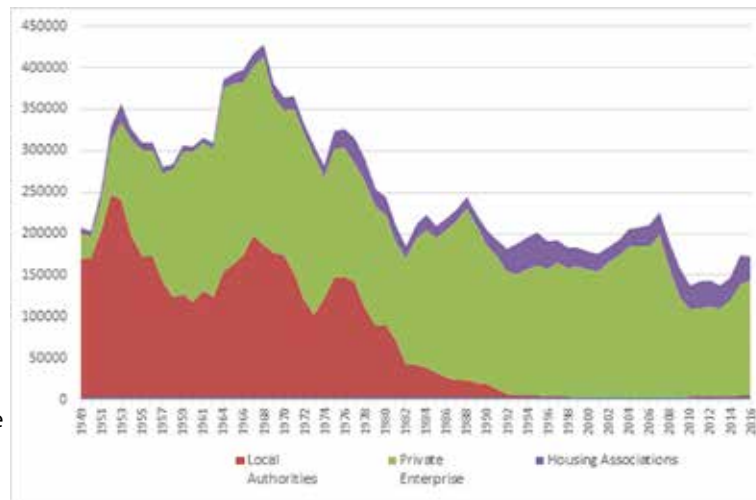
It can be seen that while starts and completions have been rising in the last few years, they are way below the levels needed to meet demand, estimated by the National Housebuilders Federation at around 230,000 units p.a. for the UK as a whole for the next 20 years.

So, if there is unfulfilled demand why aren't developers building more houses? Many theories abound but can be summarised by a combination of factors including:

- A. Availability and cost of development land
- B. Shortage of skilled labour
- C. Access to development finance
- D. Negotiating the planning system
- E. The need for a rising market.

These factors beg the following question:

Dilemma 3 - Can developers deliver genuinely affordable homes?



Land is a finite, scarce resource and as such there will always be competition to acquire it. Inevitably in a market economy this leads to the highest bidder being the winner. The market sale concept in valuation terms is based on the notion of a willing buyer and willing seller. However, the concept does not adequately address the high risk of overbids based on sometimes reckless assumptions in an unregulated market where competition (and sometimes advisors) drive price beyond easily justifiable parameters. My point of reference for this assessment is the last recession and the considerable number of toxic land assets which still abound on the balance sheets of many major banks to this day.

Naturally it is to be supposed that paying premium prices for land in a relatively homogenous construction market leads to only one outcome, namely that the resultant new homes have also to be sold at premium prices to deliver a profit. Indeed, whoever heard of new homes being sold at a discount to prevailing market values?

Therefore, unless top of the market pricing is within reach of prospective buyers, the general affordability of new homes will continue to be for the few not the many.

Dilemma 4 - Can developers deliver social housing?

"Including informal 'homelessness prevention' and 'homelessness relief' activity, as well as statutory homelessness acceptances, there were 271,000 'local authority homelessness case actions' in 2015/16, a rise of 32% since 2009/10." (Source: Joseph Rowntree Foundation & Crisis)

"There are an estimate 1.15m people on waiting lists for social housing in England." (Source: MHCLG 2018).

Successive governments have been wedded to the idea that instead of funding huge public house building programmes, developers can be obligated through the planning system to provide social housing, so saving the public purse significant expense.

In theory, the cost of providing "affordable homes" in private developments was initially funded through government grants, although grant levels have dwindled over the years and consequently the cost of occupying "affordable homes" has also risen, putting further pressure on those already in greatest hardship.

There is general agreement that the major cost of providing affordable homes through s106 Agreements is met by the theoretical uplift in land value over current use value generated by the consent sought. Enter the surveyors into the equation.

Imagine a competitive land market comprising just 2 developers. If Developer A bids a land price which is based on an assumption of providing nil affordable housing delivery, it will be able to outbid Developer B if it makes even a small allowance for delivery. Developer A is then rewarded - in the short-term at least - for having the least regard to planning policy requirements.

Thus the competitive market puts pressure on developers to downplay policy requirements in order to more effectively compete for land. There may well be similar pressure on profit and other assumptions at the bid stage, but these do not translate through to the planning process where the pressure is simply on affordable housing levels.

This leads to the critical questions as to who is advising developers on the price to pay for land? Who is providing banks with "Red Book" valuations for lending purposes? And are these advisors accounting accurately for the impact of planning policies?

Therefore the fourth dilemma is that

developers would like the level of affordable housing provision to be directly proportional to the price paid for land, whereas local authorities would like it to be at the policy target level. The dilemma is only solved if developers make similar assumptions about affordable housing delivery and that these are based on realistic planning policy targets.

Of course, if the levels of affordable housing assumed are too low, no-one wins as there is no consent and no delivery.

Dilemma 5 - Why doesn't government set a minimum target for affordable housing delivery?

If you introduce a fixed tariff or definitive percentage of land value uplift over Existing Use Value as an affordable housing provision, there are potential consequences:

- A. Land already purchased on different assumptions may not now be viable to develop, slowing down overall housing delivery
- B. There could be an immediate downwards valuation of land without consent, which could cause stress to lending institutions still recovering from their excesses of 2009 and a consequent reduction in overall land supply
- C. Some developers may decide to down tools and await the next government and hopefully with it, a more relaxed approach. Others may simply stop trading
- D. Politically the question has to be asked as to whether the general public knows enough to care about whether there are fixed targets for affordable housing delivery, so why court trouble by imposing them?

In light of the above, it would be a bold government that introduces a fixed target.

Dilemma 6 - Where does the RICS take us on this issue?

In his recent ruling on [Parkhurst Road Ltd v Secretary of State for Communities](#)

[and Local Government & Anor](#) [2018] EWHC 991 Admin) (27 April 2018), a case which centred on the approach to valuing land in a planning context, Mr Justice Holgate concluded:

"It might be thought that an opportune moment has arrived for the RICS to consider revisiting the 2012 Guidance Note, perhaps in conjunction with MHCLG and the RTPI, in order to address any misunderstandings about market valuation concepts and techniques, the "circularity" issue and any other problems encountered in practice over the last 6 years, so as to help avoid protracted disputes of the kind we have seen in the present case and achieve more efficient decision-making."

This conclusion was reached because it has been advantageous for many surveyors advising developers and land owners to choose to downplay the requirement to deliver affordable housing in favour of a "market led" land value for a variety of possible reasons:

- A. Help maintain high land values/fees
- B. Follow the herd and maintain the status quo
- C. Allowances assumed for affordable housing provision are often uninformed and based on crude estimates of "typical" affordable housing delivery
- D. Values based largely on personal views as to what other developers will bid for land
- E. Creating a platform whereby the issue of affordable housing delivery can be debated ad nauseam at the developer's and local authority's expense
- F. Prevailing valuation guidance allows division on approach.

There appear 2 often conflicting schools of thought as to how to value development land, these being either:

- A. Land value is informed by analysis of market transactions and trends i.e. site value is market led, or

- B. Land value is a product of a residual appraisal negotiated through the planning system, reflecting the site's specific characteristics and its unique ability to deliver policy-compliant developments i.e. plan led.

The 2 methods frequently generate significantly different values for the same piece of land.

Against this backdrop, the RICS is reviewing Valuation Information Paper 12 concerning the valuation of land; rumour has it that some surveyors believe there should be acknowledgment that 2 different values can be placed on land, namely:

- A. A figure which can be used for planning viability purposes and
- B. A figure which reflects market forces which by definition is likely to be different from a).

Undoubtedly there are often differences between market valuations and land value for planning purposes, the question is whether this difference is defensible.

Land may often have potential for more than one purpose or development form and therefore before an application is submitted and consent determined, it is fair to say that land value may be the product of a number of different assumptions. However once consent is granted then there is a clear basis from which to assess site value.

Valuing land in a planning context assumes consent for the application scheme is granted. Therefore, unless there are strong grounds for assuming a higher value consent is achievable, there are limited grounds on which to assume a value which is not the product of the consent sought.

Therefore adopting realistic assumptions about the nature of an achievable planning consent should be the critical factor used to inform the bid price of land and there should be no reason why these assumptions should not follow through to the application stage. On this basis, there is also no reason why the market value and planning value of land should be different.

The emphasis on valuing land must be to make sure that values are based on realistic planning achievable assumptions. This should not be too controversial in a plan-led system. Conversely, if market values are substantially higher than values generated by realistic scheme-specific planning assumptions, surely a prudent valuer should question whether this is a sustainable and justifiable valuation?

Dilemma 7 - The consequences of a 2-tier valuation system

Assuming developers and local authorities actually rely on valuers' advice to price land, a 2-tier system can only lead to confusion and to negative impacts on development viability and ultimately overall housing delivery.

A recent planning viability case I have advised on involved one firm of chartered surveyors promoting a planning site value more than 50% below a Red Book bank valuation of the same site.


Am I alone in thinking that it is difficult to believe that both valuations could be correct? The consequence of this last dilemma must be whether anyone would trust advice from professionals who can reconcile themselves to 2 such valuation extremes when both figures are based on the same development, the same site, at a similar point in time, and subject to the same planning consent?

Are surveyors in promoting 2 simultaneous approaches to valuing land at risk of being seen to add our own layer of self-made confusion and delay to an already

highly complicated planning system? If we persist in this belief, does this suggest we are trying to appease 2 different masters with differing objectives and thereby failing to give impartial advice?

In promoting land beyond what can be justified by an assessment of the site's development potential, surveyors may run the risk of either being considered questionable and partial in the advice they provide, or helping to sustain artificially high land values, despite a backdrop where we know developers will continue to have to provide significant levels of affordable housing.

It is also beholden on local planning authorities to set realistic policy targets which reflect genuine development economics. If the policy target is achievable, isn't it time to acknowledge that land value must genuinely reflect this target? Surveyors may not be able to solve the housing crisis, but it would certainly help if valuation practice did not support excessive land costs which cause confusion, impact on development viability and threaten affordable housing delivery.



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JOINT FAITH CAMPUS PRIMARY SCHOOLS IN EAST RENFREWSHIRE

Raymond O’Kane

Raymond is Property and Technical Services Manager at East Renfrewshire Council.

Raymond made a presentation to the Scottish Branch last year and he kindly agreed to share his valuable experience by writing this Terrier article. The many photographs illustrate the effort taken to design a working shared faith school environment.

Issues

Two new primary schools were required within the council area to meet demand for faith education, due to an expanding residential area. This was problematic in an area where one developer owns most of the surrounding land. The educational need was clear but a solution was not.

One of proposed new schools was a replacement for an existing school, which had the potential to generate a significant capital receipt. This could only be achieved after completion of the replacement school. This presented a cash flow problem as the proceeds from its sale were needed to fund the replacement.

Securing suitable local land capable of accommodating 2 schools presented another difficulty. A lack of suitable alternative sites left the council having to negotiate with the area’s dominant residential developer. The house builder was willing to release a site to accommodate one school, to meet future local need, but was not willing to provide sites for 2 separate schools, despite the council’s requirement.

As a consequence, 2 schools would need to fit onto one site. The stakes were high, with residential land values being amongst the highest in Scotland.

Mechanics

Although negotiations with the developer must remain confidential, the solution was complex. It involved

a partial site exchange, a council-owned “ransom” strip, construction of a school access road, be capable of accommodating future residential development, and a deferred payment arrangement pending a capital receipt being realised from the sale of the old school. Against this complex background, the council acquired a site which had to accommodate 2 schools, although not large enough to do so separately.

A creative and unique solution was required. Two separate faith schools co-located. The challenge was to find a way of them sharing facilities while retaining individual school identities. Any solution would require as many facilities as possible to be shared to maximise efficiencies in space utilisation.

How could 2 schools of 2 unrelated faiths share?

East Renfrewshire Council’s Property & Technical Services, in conjunction with education department colleagues, set about finding out. The first step was to consult with the children who would attend the proposed new schools. They provided valuable input from which it was clear that the playground could be shared, as could much space common to both schools.

A similar exercise was undertaken with teaching staff and parents: each faith recognising the needs of the other eased the process. From this initial engagement emerged an encouraging level of mutual understanding and cooperation among both pupils

and teaching staff of both school communities; with a consensus emerging on what realistically could be shared and what needed to remain separate.

From this consultation it was apparent that there was a desire to retain individual faith identities. This principle was important to both school communities. The proposed design would need 2 separate school entrances, dedicated teaching classes and separate kitchen areas to meet particular dietary requirements. Duplication of other areas could however be avoided by sharing assembly areas, library, gym, music facilities and associated circulation space. Common spaces provision could therefore be improved due to the savings achievable by the 2 faiths sharing these facilities.

Design considerations

With the shared elements of the proposed schools established, it was then possible for the council to consider the design implications. These were considered in the context of the characteristics of the available land, its location, topography and orientation. The school site is opposite an existing high school which raised traffic management issues.

The site identified offered the opportunity to exploit extensive views to the south over open countryside. Among numerous factors considered in the design was the influence of prevailing south westerly winds on heating and ventilation, and the course of the sun



during the day through the changing seasons. These played a part in finalising the schools' optimum orientation, to maximise natural light within and exploit the open outlook from the schools and their shared playground.

In order to meet the need for 2 separate entrances to retain separate school identities within one building, they were to be located at opposite sides of the proposed building. To an extent this diluted the original concept of a single shared school. It did, however, assist in the creation of the desired shared central core and the layout of shared parking and parent drop-off zones to the front of the school.

With the broad characteristics of the school established, this influenced how the schools might work in practice. The 2 separate school entrances would lead to dedicated faith classrooms. The internal layout could be designed to enable the corridors serving the separate faith areas to emerge into a shared central core. This would incorporate an assembly hall, music performance areas and dining facilities. Natural light introduced from above, complemented by LED lighting, created an appealing shared environment, enhanced by the incorporation of pupils' artwork.

Proposed extensive use of glazing to the exterior walls, between classrooms and internal corridors, would allow further natural light to reach the building's

interior. The effect of this natural light would be enhanced by use of brilliant white interior wall finishes.

With the broad design established, the architect interpreted this to produce a detailed design. This process involved close liaison between all parties and much time was spent in fine-tuning the concept. An example was the need to recognise the security concerns of some over the introduction of a "Jewish" primary school within a shared campus, in the context of international terrorism. As a consequence of these concerns, steps were taken to ensure that vehicles could not approach the entrance and to ensure access to internal spaces and playground areas could be closed off while pupils were present.

Concerns about the possible consequences arising from the close proximity of different faiths, ostensibly Jewish and Christian of the Roman Catholic denomination, were however eased when it became apparent to the wider community that a significant proportion of pupils attending both faith schools would be of Muslim heritage. This reflected parents of faith's preference for their children to attend a school of faith whether of their own or not, rather than a non-denominational school. This somewhat confusing reality eased concerns over the practicalities of achieving a positive outcome.

Wherever possible, solutions were identified and incorporated within the

school's design, in consultation with the client education department, to ensure that these reflected its educational aspirations.

The building's location on the site was critical, given the site's restricted size and the need to address potential road congestion issues arising from the schools being opposite an existing large high school. The solution involved provision of a signalised road junction with capacity for both school traffic and possible future residential development in the vicinity.

Archaeology

Another issue arose following an archaeological investigation of the site prior to development. This identified that the site had been part of the original Mearns settlement. This was the precursor to the current "Newton" Mearns. These consisted of the foundations of the walls of a farm steading and associated buildings forming part of the old village. The archaeological history of the site needed to be recorded and interpreted. As a result some of the stones revealed on-site were incorporated into an informative display to the front of the school, with associated seating area.

Building and occupation

The tenders were received for the schools' construction. The most competitive was from an overseas company keen to



establish its reputation locally and willing to cooperate with the council and its architects throughout the construction period. This enabled numerous details to enhance the finished building, including incorporation of the pupil artwork within the schools' shared assembly area.

Construction was to a particularly tight timescale, starting in autumn 2016 from a green field site, with a completion date dictated by a requirement for the schools to be open by the start of the autumn term in mid-August 2017. Work was particularly intense towards completion and in the end required the contractor, sub-contractors, incoming equipment suppliers and school staff to all cooperate by working around one another to meet this deadline. The unique nature of the schools' concept inspired the extra effort required.

With final finishing touches being completed as the school opened, the question remained - how the joint faith concept might work in practice.

As staff and pupils entered, the impression was positive. The new school had new equipment and with light flooding in: as designed, the interior appeared more redolent of something Grand Designs' Kevin McLeod may have enthused over in a residential context. These are schools unrecognisable to most, representing an intriguing combination of graceful curves, light and space.

The real test of success is how it works in practice. In the months following opening, the reports are positive from pupils, teachers and parents. The concerns of some about the possibility of tension between faiths have not materialised. Pupils happily share common facilities and the playground, setting a positive example to all.

Despite the high standard of design and finish achieved, because of the schools' shared facilities, the cost has been no more than would have been expended had the educational need

been met by 2 separate schools. In the creation of this unique joint faith facility, the council has succeeded in maximising site use without comprising educational provision.

The concept represents a beacon of cooperation across communities. The benefit should be felt not only today but in future generations through pupils and staff learning to share. By doing so gaining a better understanding of others through the use of shared space and joint activities, sets a positive example and a challenge to those seeking to perpetuate separate educational provision.



COLWYN BAY OFFICE DEVELOPMENT

Bleddyn Evans

Bleddyn is County Valuer and Asset Manager for Conwy County.

Bleddyn delivers on his promise in 2017 Summer Terrier, where he gave an overview of the council's Office Accommodation Strategy. A year on, he provides an update on the progress in the development of 'Coed Pella', the Council's new 100,000 sq ft town centre office building in Colwyn Bay, North Wales.

The Coed Pella Offices will host some 780 office staff, and will also contain specialist accommodation, ranging from an Alarm Receiving Centre, a Child Contact suite, training facility and a multi-functional suite. The development is being delivered for the council by its development partner, Muse Developments, on behalf of M&G who will be the council's landlord on handover.

Re-cap

The previous article explained the process Conwy Council followed in attempting to deliver a new, purpose-built office space, as well as the justification and the number of lessons learnt. Twelve months on, there has been significant progress on site and this follow-on article sets out what's happened on site, the benefits realised to date, and the on-going management of the Coed Pella project, in readiness for the handover of the landmark building in late September this year. The transformation since Muse's lead contractor Bowmer & Kirkland took possession of the site in November 2016, has been phenomenal, and what was once an obsolete and derelict site is taking shape in becoming an eye-catching structure that will be a truly notable building serving Colwyn Bay and the central North Wales coastal area and beyond for decades to come.



Site and building progress

Back in July 2017, a significant milestone was achieved when the steel frame began to be erected on site by local firm Evadx; this £2m sub-contract was a significant workstream for the Conwy County-based company. The steel frame took until November 2017 to complete, with the 1,000-tonne steel structure transforming the site and providing passers-by with an early indication of the scale and prominence of the new building. Another local company which was working closely with Evadx was civil engineering contractors, Jennings, which co-ordinated the drainage and concreting works. The entire civils contract given to Jennings amounted to £4.5m, and the benefits of the works being kept within the county was significant for local employment and spend, as well as giving new training opportunities. Both companies attended one of the earliest Meet the Buyer days, which is compelling evidence of the value of such communication events.

As the steel frame for the office and the multi-storey car park was nearing completion towards autumn 2017, the concrete stairs were being put in place and the concrete floors were being poured. Soon enough, cladding was being placed on the elevations, which started to give the structure more of a sense of a building, with further change taking place within the urban landscape.

The proposals, which had been in plan form and computer graphics for the last few years, were now becoming real, and generated a lot of interest, not only among staff and the local community, but also with the local press. The cladding and glazing work is now nearing completion, and the vast, glazed atrium, which pours natural light to the ground floor public area and the 3 upper office floors, was a key milestone reached in early spring, which enabled the internal fit-out to progress in earnest.

The £1m mechanical and engineering works are being provided by 2 North Wales-based contractors: Colwyn



2018 Princes Trust 'Get into Construction' intake at Coed Pella

Bay-based E Poppleton & Son Ltd are manufacturing and fitting the ventilation duct work; Gwynedd based Falconer Electrical are undertaking the electrical fit out. The raised access floors, walls and ceiling works currently being installed are giving a better sense of the space that the building will provide for staff and visitors. This work will continue, and surfaces will then be prepared in time for the furniture to arrive and fitted in midsummer. By close collaboration and communication between the council, developer and lead contractor, the anticipated handover has been bought forward to late September 2018, and there is a sense of excitement among staff and the local community to the completion of what will be one of North Wales' largest and most modern office developments, and have a significant regeneration effect on Colwyn Bay town centre.

Early wins

While the Council's Benefits Realisation Plan envisaged numerous benefits once the offices were occupied, one that has surpassed expectation is the benefits to the local economy, employment market, and training and education during the build process itself. As mentioned above, there have been a number of high value contracts issued to medium-sized enterprises, but there have been a lot more smaller contracts let to smaller-sized employers. Bowmer & Kirkland has used the Sell2Wales website to source sub-contractors, and held a number of Meet the Buyer events in Colwyn Bay.

The council and its partners engaged with The Princes Trust in accommodating a 'Get into Construction' programme on-site, led by Bowmer &

Kirkland. A successful programme in 2017 saw 100% of the participants gain employment; the local college ran a similar programme and 3 young people had work experience on site in late 2017. The 2018 'Get into Construction' programme recently saw several young men spend a fortnight on site to obtain the key requirements of working on a construction site, from a compliance, experience, and attitude perspective. Some of those young men had never worked before, or had limited access to the world of work, and their experiences on site have given them confidence and motivation to pursue further work within the industry.

In addition to working with young adults in making the building industry more accessible, the council and Bowmer & Kirkland have been working with a number of schools and youth groups, by using the project as a way of promoting careers and understanding of what's happening within the site, the town, and the part the local authority plays in this. Building materials and equipment have been donated to local schools, and a number of competitions have been held, be it colouring or building competitions for the older school children. Visits to and from schools have been warmly welcomed.

Moving in programme

With building works progressing on site, so is the work in arranging the transfer of staff this autumn, and to ensure as well as it can, that council services remain accessible to all. Like any new environment, change can be daunting and disruptive. The new working environment will not only be shaped by the new physical space at

Coed Pella, but by improved information technology and HR policies which the council has been implementing in a phased manner.

The office portfolio, which stood at some 20 separate office buildings in 2013 when the office accommodation strategy was initiated, will be a mere 3 operational offices by the end of the year. The move to a more agile way of working has been tried and tested by the council over the last few years, and when the new build is completed, the principles should be well established, so that it does not become a significant issue for any staff member. The initial desk to staff ratio will be 6:10, and what appeared like a significant cultural shift some years ago, the pace of change within the council and the positive staff buy-in should make the moving-in process less daunting. Services will be moved in phases, with those which have fully embraced the agile culture, and not the public-facing ones, moving in first.

While we have been focussed on preparing staff for the move and the new ways of working over the last few years in readiness for the completion of Coed Pella, over the coming months we will be communicating with those who will be affected, be it our customers and visitors, as well as residents and businesses in Colwyn Bay.

Communication

One of the key lessons learnt and shared in last year's article was around communication, and how communicating clearly, on time and on message, was a key thread since the strategy's inception in 2013. Of those several lessons learnt during the



life of the strategy, the last 12 months have involved significant amounts of communication, with both internal and external stakeholders.

The staff site visits started in late January 2018, with senior officers, service champions and representatives from various internal strategic and operational groups walking the floors. Over 150 staff members have donned hard hats and high-viz jackets to see for

themselves the emerging new working environment. It has been an opportunity for them to ask questions either about the building itself or the moving-in programme. This has been an invaluable exercise in not only sharing the progress, but in securing advocates who can take positive and factual information back to their colleagues and services.

Personnel from external stakeholder groups have also been given the

opportunity to attend on-site and understand a bit more about the project, ranging from the RICS, Construction Excellence Wales, Colwyn Bay Business Improvement District, Town Council and Federation of Small Businesses. The sessions have been interesting in understanding some of the assumptions, misconceptions and concerns these groups had, and valuable in answering questions, sharing the positive news stories and in myth-busting, of which there have been many!

As the building is taking shape and easily identifiable within the local streetscape, the amount of publicity within the local press seems to have built up recently. We've taken a proactive role in engaging with the local press in allowing access and asking questions. While the facts are presented and then reported upon in the press, there's very little we can do about the subsequent comments that then appear in social media!



THE HEALTH AGENDA AND LOCAL GOVERNEMENT

Neil Webster, Farida Ahmed and David Baughan

Neil (Cyclo Consulting) is the Health Coordinator for ACES.

Farida is a Strategic Estates Adviser for Community Health Partnerships in the North West.

David is the National Property and Programme Manager for Estates and Facilities at Public Health England.



Health is far from an easy topic to summarise in one article. However, the role of local government in influencing this agenda is changing. Neil, Farida and David outline some of the issues relevant to local authorities.



Sustainability Transformation Partnerships (STPs)

18 months ago, Murray Carr and I (Neil) penned an article and our main thrust was Sustainability and Transformation Plan (STP) combined with the devolution agenda [Ed – see 2016/17 Winter Terrier]. Since then London has joined Greater

Manchester with a devolution deal for health and social care. The 2 locations are collaborating over their estates issues – a deputation from London paid a visit to Manchester earlier this year.

STPs are still the main game in town for cross-partnership working between health bodies and local government. Five of these cover London and one

for Greater Manchester, so there are a total of 38 STPs covering the rest of the country.

Earlier this year the Department for Health and Social Care (DoHSC) published information on STP performance. This is an overall rating not estates specific. In the top category of “outstanding” were:

- Dorset
- DDT/Hambleton/Richmondshire/Whitby
- Frimley Health
- Milton Keynes/Bedfordshire/Luton, and
- South Yorkshire and Bassetlaw.

At the lower end of “needs most improvement” were:

- Bristol, North Somerset, South Gloucestershire
- Humber, Coast and Vale
- Northamptonshire
- Staffordshire, and
- Sussex and East Surrey.

However, the main focus for the property teams at the moment is on preparing a Draft Estates Strategy combined with a Wave 4 submission for NHS Capital. This seems to be the main tool that DoHSC will use to inform its decisions on allocation of capital to STP areas, with a decision for Wave 4 Capital expected in November 2018. It will also inform the government about the disinvestment strategy and how much capital receipts will be generated as they are setting new targets for receipts expected (following the Naylor report), as well as investment needs to 2023.

The Naylor report

The key aspects from the Naylor report and DoHSC response were:

- Better strategic planning and delivery focus

- NHS Property Board, STPs and Strategic Estates Planning (SEP) team led by a Director of SEP reporting directly to the Board providing strategic planning support
- Access to public funding and availability of debt funding once public funding is fully utilised
- Debt funding has to achieve an off-government debt classification, so PPP (ESA10/ONS) is the only option for off-government debt
- Key messages for LAs thinking of borrowing and then lending to health projects, either directly or indirectly, is NHS bodies will need to ensure they have CDEL and RDEL coverage or the business cases will not be approved [Ed – see note at the end]
- STP-wide buy-in for applications for public funding are an essential requirement.

£325m of capital was made available for STP Capital bids initially and it is envisaged approximately £1.6bn is available in Wave 4. Followers of the news will have seen the promise of an extra £20bn for the NHS up to 2023, but it is not known whether any of this will go towards estates issues.

Devolution

The London Estates Board and Strategic Partnership Board have signed off the development of a 1st draft estate strategy and this should be complete by mid-2018. It will look at pipeline projects, capital requirements and a better way of communicating projects to non-professionals.

Projects may be large, complex and long burn, or modernisation of primary and community facilities. They will look at marriage value and also consider Housing Infrastructure Fund.

A Memorandum of Understanding has also moved to final Stage (4), which now allows for London decision-making. A new estates lead has been appointed and will be imbedded in the Greater London Authority’s Housing and Land Directorate, led by David Lunts.

From a Greater Manchester point of view, the receipts target has risen quite considerably. There is a concern that the targets set are not based on any assessment of what is realistic, given the difference in values across the country. e.g. how much weighting has been given to asset and market values from south to north when setting targets?

Critical to all estate transformation is the development of a clinical strategy, which is complex, given the massive transformation and integration of services. The role of trusts in working in a transformative and transparent way on estate matters will be crucial to the success of estate strategies for STP areas. What leverage is being used nationally and locally to ensure this happens will be essential.

Strategic Estates Advisors

The other recent change is the consolidation of Strategic Estates Advisors (SEAs) from Community Health Partnerships (CHP), NHS Property Services (NHS PS) and DoHSC into one entity within NHS Improvement by 1 October 2018. Previously they had been dispersed across the above 3 bodies working as one Strategic Estates Property (SEP) team. The SEP Director is currently being recruited.

Funding

You won’t need reminding that capital is scarce in health. Regional Health Infrastructure Company (RHIC), a private funding initiative, is one the vehicles being developed by CHP to try to alleviate this pressure. Once it is signed off there will be 6 OJEU notices (one for each region). The trigger to go to OJEU will be the identification of a bundle of projects in that region with a capital value £50-£100m. Each region will have a single JV partner with multiple AssetCos (the bundled projects) sat below.

A number of local authorities have been considering joint ventures and/or partnerships with health bodies for asset rationalisation and new build. These tend to be at a level below the STP and reflect the desire of local authorities to progress pragmatic schemes using

the powers they have (fund raising, planning, land acquisition).

STPs are also focusing on Capital Financing Strategies identifying various funding sources for their overall investment requirement.

Public Health England

ACES continues its strong relationship with Public Health England (PHE). Personnel attended its conference last year and PHE spoke at ACES National Conference 2017 at Leeds. Eastern branch held its April meeting at PHE's new development at Harlow. The branch received a presentation from Tim Harry PHE Science Hub Programme Director who set out PHE's programme to create a new national and international centre of public health expertise which is scheduled for a phased opening between 2021 and 2024. This programme is being delivered in close collaboration with Harlow Council and other ACES branches are very welcome to visit [Ed – Tim has promised to write an update of progress in a subsequent 2019 issue of Terrier].

ACES' membership in the health sector

In tandem with these initiatives ACES is keen to help drive collaboration between health and local government. We have a handful of members in health and one or two more have now joined. ACES' CPD events and annual conference commonly feature health topics and I produce a regular report to Council. ACES' membership and collaboration drive will see members engaging with health bodies more so. I have already obtained the support of senior management at NHS PS and CHP to support this initiative.

Health and local government are becoming much more collaborative but there are variances across the country. Good examples exist of projects where both parties are working better together. There are many more One Public Estate projects where both are working together for a common cause, often using the STP partners as the logical collaborators. Hopefully ACES can continue to contribute to this agenda.

Editor's note - Departmental expenditure limits (DELs)

The Treasury manages public spending within 2 'control totals' of about equal size:

- departmental expenditure limits (DELs) – mostly covering spending on public services, grants and administration (collectively termed 'resource' spending) and investment ('capital' spending). These are items that can be planned over extended periods
- annually managed expenditure (AME) – categories of spending less amenable to multi-year planning, such as social security spending and debt interest.

The limits on departmental spending are set at Spending Reviews, when the Treasury allocates a total amount of DELs across departments and splits them into limits on resource spending (RDELs) and capital spending (CDELs).



SAVE OUR SPACES

Stephen Rolph

Stephen tells us about a new piece of research that Locality has launched which reveals the true extent of asset disposals by local government and why Locality believes more of them should be community owned.

Stephen is Head of Community Assets and Enterprise at Locality. He is an experienced leader and supporter of community businesses and civil society organisations at Locality. He manages the Bright Ideas programme, funded by Power to Change and the MHCLG, which provides community organisations with tailored support and small grants to establish community businesses. Previously, with the Development Trusts Association (2008-11), he worked with 30+ partners at a national level, to promote and support the community asset transfer agenda throughout England in the wake of 'Making Assets Work: The Quirk Review of Community Management and Ownership of Public Assets' (2007). Before that Stephen spent 11 years in various management positions in local government, chiefly community development, libraries, culture, sport and leisure services.

Locality is the national membership network supporting community organisations to be strong and successful.

Swimming pools, museums and parks are among the 4,000 council-owned buildings and spaces that are being sold off in England every year, according to a recent Freedom of Information (FOI) request to every local authority in England.

What we found is startling. To give a sense of just how big 4,000 assets is, there are 951 Starbucks in England. So, while Starbucks feels ubiquitous, we discovered that councils are selling off 4 times their number, every single year.

Of the buildings and spaces sold each year, many end up in private ownership, or else languish into disrepair. But these buildings and land are 'our property'. Local authorities hold them on trust for the citizens that they serve. As a result, councils should be very careful about how they are used, and officers and councillors who are responsible for ensuring this have a pivotal role to play.

Over the years Locality has heard countless tales of celebrated public buildings being taken over by coffee chains or turned into luxury flats. But councils do not have that level of information broken down at a local level, which is a worrying situation. No central data existed until we submitted a FOI request to all 353 councils in England, showing for the first time the perilous scale of the sell-off.



We know that councils are under huge pressures, as budgets get tighter and demand for services rises. We are aware that local authorities are selling land and buildings to raise money and to save the budgets that they would have been spending on maintenance.

Some of these sales will inevitably be appropriate and the right choice - using bits of underutilised or derelict land for desperately needed local housing, for instance. However, removing the opportunity for recreation or the community to come together in public assets has a profound and often irreversible effect once taken.

We are concerned that too many local authorities are thinking in the short term. Once these buildings and land are sold they are sold forever, but the budget hole has only been closed for one year. We think this is the wrong approach. Rather than seeking short-term respite, we believe that councils can create long-term social value through Community Asset Transfer (CAT).

When local community organisations are supported to take on assets through CAT they become more sustainable. They can generate income locally from renting the building out and using it to run different services. The community can use it for festivities and events.



One example is The Linskill Centre, North Shields. The Linskill Centre, built in the 1930s as a school and used as a community centre from 1984, was saved in 2006, after a successful campaign by local community organisation Linskill and North Tyneside Community Development Trust.

Thanks to the support of local people and the cooperation of the council, who put it in the community ownership of the Trust, it is now a thriving hub and financially sustainable, with 120,000 visits from the local community every year.

Community ownership guarantees that a building or space will be available for the

whole community and will not transfer to private use or commercial gain.

At Locality, we want to see these community heroes properly supported and rebalance the odds in the community's favour when decisions are being made about our public estate.

So, we are calling for central government to kickstart a new Community Ownership Fund to enable communities to take ownership of local buildings and spaces. If government leads the way, we believe this can create to a co-ordinated pot of £200m p.a., bringing together contributions from a range of funders and drawing in new sources of 'dormant assets' - unclaimed

pensions, insurance, stocks and shares – that have been identified.

We are also calling on local authorities to put CAT strategies in place to consider potential community benefit. Our FOI revealed a worrying lack of foresight and long-term planning in this area, with fewer than half of councils (41%) currently having a strategy to support community ownership. Earlier this year we worked with Power to Change to produce a new guide for councillors to help them successfully implement CAT strategies within their councils – <https://www.powertochange.org.uk/wp-content/uploads/2018/03/Final-version-CAT-GUIDE-1.pdf>

If local authorities fail to consider alternatives like CAT, not only will more precious community use assets like community centres and town halls be lost forever, but so will the opportunities to unlock financial savings and local innovation. While our campaign refers to some of the great examples of councils and local people working together on resident-led solutions – <https://locality.org.uk/policy-campaigns/save-our-spaces/> - we want to see the rest of local government promoting the huge opportunity for devolution of control and resources to neighbourhoods through CAT.

ADVERTISING IN THE TERRIER

The Terrier is a good way to get your company known to public sector surveyors. ACES represents the chief estates officers and their staff, who are the property, strategic asset management and valuation professionals in public sector organisations throughout the UK. Membership includes the range of local authorities, the Government Office, fire, police and health authorities and the Valuation Office Agency.

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DRONES: THE IMPACT ON PRIVATE PROPERTY RIGHTS

Georgia Wood

Georgia is training as a solicitor at Mills & Reeve, and will shortly join the firm's Real Estate Disputes team. She works on a wide range of property matters for a diverse client base, ranging from agricultural and commercial transactions, to arbitrations and cases before the High Court. Georgia.Wood@Mills-Reeve.com

Drones are a growing phenomenon, but how do the various types and uses impact on private property rights? Georgia explains. "Failure to get ahead of the game could mean the rise of drone technology becomes a real headache for landowners and commercial drone operators."

Introduction

Technology has advanced rapidly in recent years, and drones are no exception. Once futuristic and inaccessible to most people, drones are now relatively cheap and can easily be purchased on the high street. They have many uses, both recreational and commercial, and companies continue to investigate new functions, such as delivery of goods ordered online, investigation of fires and road accidents, crowd-monitoring and even to transport people. While this brave new world offers up a host of exciting opportunities, the rate at which drone technology is advancing presents numerous legal challenges.

The government has attempted to tackle some of these challenges with its recent Air Navigation (Amendment) Order 2018, which, from 30 July 2018, will ban drones from flying at an altitude above 400ft or within 1km of an airport boundary. The change in law will also require owners of drones weighing 250g or more to register with the Civil Aviation Authority and pass a competency test. While the height restriction imposed by the new Act should reduce the instances of drones threatening aircraft safety, keeping drones lower in the skies will also increase the

risk of interference with people's private property rights.

Trespass – flying over neighbouring airspace

In English Law, ownership of land is often said to extend from the whole of the space on the surface down to the core of the earth and up to the heavens. There are some major caveats to that old legal maxim, but it remains true that there is no specified height at which private landowners' rights over their property cease. The Civil Aviation Authority has already published a 'Drone Code' requiring users to observe their drones at all times and ensure they stay at least 150ft away from people or property. While this guideline should help avoid collisions or damage to buildings or people, there is no guarantee that staying at least 150ft away from property would avoid liability for trespass into airspace.

As the law on flying objects currently stands, a landowner's rights over the air above his property extend only to 'such height as is necessary for the ordinary use and enjoyment of his land'. Flying objects above that height will not ordinarily be trespassing. The difficulty is in knowing how high objects need to be to escape liability. The height will likely be different depending on how tall the building itself is, which creates a confusing and inconsistent landscape for those wanting to fly drones.

One solution would be for the government to pass laws designating a specific corridor in the sky as 'drone space'. Creating airspace reserved for drones

would ensure that pilots know where they can or cannot fly. The government would also have to consider whether to compensate landowners underneath the flight path for interference with their rights, or assume the corridor is high enough not to interfere with their rights. This could lead to judicial review of decisions made by the government or local authorities if the power to reserve relatively low altitude areas of airspace for drones is not carefully drafted.

Drones used for emergencies

If the government does create drone flight paths, then thought will need to be given to how other drone uses will fit in with that regime. [The Flying High Challenge](#), backed by Nesta [Ed - with stakeholders including the Department for Business, Energy and Industrial Strategy and Department for Transport], a project aiming to highlight the potential benefits and hazards of large-scale drone use, suggests drones may be used to assist the emergency services. This may include gathering information on fires, accidents and disasters to help inform the emergency response and transporting medical equipment, organs or blood between hospitals. It is easy to imagine the benefits of such uses. However, if we are to have a system of emergency drones, they may need to deviate from the specified routes and, additionally, provision would need to be made for other, non-emergency drone traffic to move aside and allow them to pass. Emergency drones would also need to be able to stay out of the way of conventional air and ground traffic also attending the scene.

Emergency drones which leave allocated 'drone space' would be at risk of trespassing in the airspace over neighbouring property. One possible defence to trespass is necessity, but this defence is construed quite narrowly by the courts. To rely on the defence, an alleged trespasser must show that it did so to preserve life or property. The cases on this defence have been focussed on people entering a landowners' property to react to an emergency on that property itself, for example, to prevent a fire from spreading. It will be interesting to see if the defence is still allowed by the courts where the trespass is across numerous parcels of land to reach an emergency on some third party land elsewhere. Of course, the government could create a specific legislative regime to preclude trespass actions in emergency situations.

If the government chooses not to introduce drone corridors, at least in the shorter term, this could lead to greater problems. For example, if drone delivery becomes widely available, people living in close proximity to warehouses or depots which just used to attract road traffic, may suddenly find they have air traffic flying over their houses as well. If no specific routes for drones are agreed, it would be difficult to compensate those disturbed as the group of people affected would likely be too wide.

Infrastructure on the ground

Even once the issues with airspace have been overcome, a whole range of new infrastructure will be required to make large-scale drone operations possible. For example, some types of drone may require docking stations to drop off deliveries or to re-charge their batteries. There will undoubtedly need to be complex air traffic management systems to ensure drones do not collide with each other, objects, buildings or people. Such infrastructure will need to be installed somewhere. One obvious possibility would be for equipment to be installed on roof tops in a similar way to telecommunications equipment. To enable drone-operating companies to enjoy similar rights to operators of communications equipment, the government will need either to amend the new Electronic Communications Code or to create new legislation specifically for drone-operators.



If the drone-related infrastructure is likely to overhang neighbouring properties, this too could be a trespass over the landowners' airspace. The use of drones which are tethered to the ground, as has been suggested for boosting mobile phone and internet signals (for example as part of EE's Air Mast project), will also risk overhanging neighbouring land, causing a potential trespass. The courts are much stricter about enforcing landowners' rights over airspace above their property where the intruding object is attached to the ground, similar to where an oversailing crane may be held to be trespassing. Drone operators should therefore be careful to ensure that any equipment or drones which are attached to the ground on their property are not likely to overhang or oversail neighbouring property, as this is likely to be a trespass. To avoid this, we may see a new form of licence, similar to a crane oversail licence, but in relation to drone equipment.

Nuisance and privacy

If large-scale drone use becomes a reality, it is likely that the volume of drone traffic in the skies will create a lot of noise, at least until quieter models can be created. The creation of noise over landowners' gardens and houses is likely to constitute a nuisance, especially if it occurs in areas which are otherwise fairly quiet. Such noise would be even more of an issue with larger drones, such as those carrying heavier items for delivery or taxi drones, which have recently been trialled in Dubai by the city's Roads and Transportation Agency. Noise could be minimised by ensuring drone routes are carefully thought out (for example, flying

over existing roads or railway lines where possible) or by imposing regulations, such as curfews in residential areas.

Drones with cameras or people on board are also likely to pose a threat to privacy. Drones whose role includes collecting information will need to be configured carefully to ensure they are only collecting relevant information about specific targets, as opposed to collecting data en-masse above every person and property over which they fly. This could be difficult, especially for drones which promise to deliver or collect people or items from specified addresses, as they will need to have some way of identifying the correct address. Companies may risk breaching privacy laws if they collect data on neighbouring properties whose owners have no relationship with the company whatsoever and have not signed up to their terms and conditions.

Drone technology clearly offers a huge range of potential benefits to individual communities and to society as a whole. The challenge for the government and local authorities is in putting the right legislation, bye-laws and policies in place before commercial drone technology becomes widespread. Doing so will help ensure that landowners know their rights before we see large numbers of commercial drones take to the sky, which in turn may help prevent large volumes of litigation in relation to drone noise and trespass. Failure to get ahead of the game could mean the rise of drone technology becomes a real headache for landowners and commercial drone operators.



WHAT IS OUTDOOR OR OUT OF HOME MEDIA AND WHAT DO PROPERTY PROFESSIONALS AND LANDOWNERS NEED TO KNOW?

Tim Thomas MRICS

Tim is the founder of The Thomas Partnership (TTP). He is a RICS Registered Valuer, acts as expert witness and is a regular guest lecturer with the CPD Foundation. Typical services embrace lease renewals, rent reviews, asset investment and management, town planning and development.

Established in 1990 TTP is the UK's only practice of chartered surveyors acting solely in relation to Out-of-Home (OOH) media assets, including advertising hoardings and displays. Since its creation, TTP only accepts instructions from landowners and their advisers.

Having been instrumental in the kick-start of the digital revolution, the need for competent professionals became apparent as values increased. This also reflected a need for greater transparency and accountability. Landowners, including local authorities, infrequently deal with OOH media assets and have limited access to market data which can easily be corrupted or misunderstood. TTP has an unparalleled experience of direct day-to-day market transactions, supported by extensive research and data management.

As landowners experienced the impact of the culling of traditional media assets, clients needed a direct media management service to utilise culled or latent media asset potential. This was established in 2010 and branded as UKBillboards and is a member of OUTSMART (the OOH industry trade organisation), ROUTE and Space. tim@thethomaspartnership.com

In his article, Tim identifies outdoor advertising options. He offers technical expertise and advice to public sector surveyors who are 'dipping their toes' into this complex – but probably rewarding – revenue source. He advises strongly that we use independent 'out of home' media experts to assist, and outlines some 'standard clauses' that need particular attention.

Introduction

OOH media is just that, media you are exposed to when out of the home, typically driving, using transport infrastructure or at media hosting venues. For the purpose of this article only the roadside environment will be considered, and only in terms of the media market and professional estate management of those media assets.

So why is OOH so special?

It's simple. Everyone who leaves the house is exposed to it. You don't "turn it on", "tune in", "dial it up" or "turn over the page" to see it, and you don't have to pay for its host

to be exposed to it, you have no choice and that is a very attractive offering to advertisers. It's just there, you can't avoid it and it's free.

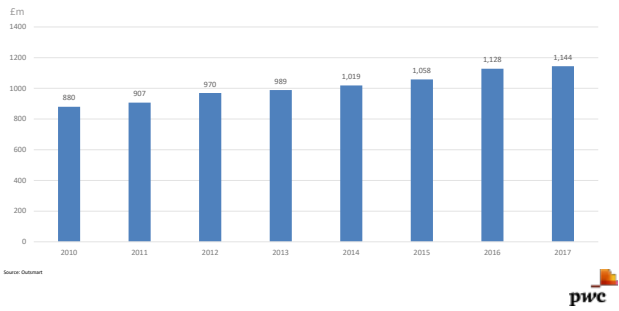
You may even have been involved with them, directly licensing them to contractors or in their management when associated with a host property - but how much do you really understand about their valuation and more importantly, their effective management? How much that you think you know has been relayed to you by the media industry?

It's a £1.1bn p.a. industry which has grown to over 10% of the total display market, from a modest 4.5% 15 years ago. This is the result of the dilution of other media

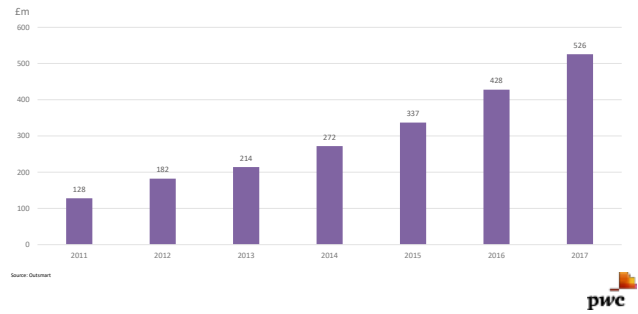
formats such a TV, radio and print - by the launch of additional TV and radio channels or publications and because of strict planning controls - the future of Outdoor remains very positive. Ultimately this will mean it should become even more valuable to many landowners and suggests growth in excess of the RPI, commercial property indices or indeed other mainstream media markets.

This, however, is relatively slow growth compared to on-line advertising, which took less than 5 years from its commercial launch to exceed OOH, albeit that the value of that media is now being challenged. A simple experiment is to think of a poster you have seen out and about, now think of an on-line banner ad.

UK Out of Home Advertising Revenue



UK Digital Out of Home Revenue



Which one had the greater impact on you?

Each outdoor media contractor is a unique company and each one has areas of specialisation, whether operating regionally, nationally or internationally, in terms of panel types, target audiences, geographical weighting etc. And each is managing its portfolio of sites/panels for best return from its clients, the advertisers. For this reason, and the fact that each contractor is ultimately dependent upon its sales team to package, market and sell its stock, the value of an individual advertising hoarding can vary considerably.

As the outdoor market becomes more sophisticated, so the landowners and their agents need a greater understanding of how the revenue they receive is generated and how to optimise their portfolio. In the majority of cases, it forms a welcome additional income stream, with values dependent on the type of display and its location. In some cases, the values are considerable and may outweigh any alternative traditional development value.

Digital roadside

The OOH media environment has always changed as new technologies evolve. Where once mechanised rotating panels or scrolling backlight panels were the pinnacle, digital screens are now the focus of media contractors and media buyers. Contractors in particular are concentrating their capital investment in digitisation and it is capital hungry. For example, whereas a standard Formetco HD 48 sheet panel may cost £2,500 to build and has a lifetime span in excess of 20 years, the digital equivalent may cost up to £100,000 and the screen a lifespan of 5-7 years.

Not all landowners benefit from this development phase. The media contractors, the 'big three' in particular - Clear Channel, JCDecaux and Primesight, have been actively culling traditional formats to release capital expenditure and potential media revenue into the digital estate. In 2008 there were around 38,000 48 sheet panels and now nearer to 28,000 and this is a trend that is likely to continue. Where panels are not culled, they are subject to an active campaign of reducing licence fees to landowners, even where reductions are not justified, but their position has been dominant as there has been no real competition.

The media buyers, upon whom the media contractors are almost entirely reliant, have also engaged and invested heavily in the digital environment, with all involved looking to utilise 'programmatic' media buying. OUTSMART's view is that new technology has transformed OOH into an increasingly dynamic, adaptive, innovative and interactive medium. This diversity offers brands mass coverage and scale. But it also provides advertisers with incredible creative scope to target people on the move in innovative ways.

They see the differential between digital and traditional as 'coverage, targeting' and creating a golden age of OOH. There are 4 drivers that make it more powerful than ever before: impact, action, relevance and creativity.

OOH impact

OOH is different from other media: it cannot be avoided or blocked and, as more people spend more time out and about, its audiences are increasing. It is a public, broadcast, medium which conveys stature and authority, making brands

famous and memorable.

The simplicity and visual impact of classic OOH, coupled with the versatility, motion and instantaneous nature of digital, enables the medium to deliver great things for advertisers: big ideas, big



campaigns and big results. New formats have been created, complementing the already existing high-impact and high-profile classic inventory.

OOH action

As consumers spend more and more time doing activities outside the home, they are more exposed to OOH. Academic studies show that when consumers are out and about, they are in an active mind-set. This means they are more inclined to absorb and engage with new messages. Smartphone proliferation allows consumers to respond to OOH calls to action. They snap, search, share and shop more immediately than ever before.

OOH relevance

OOH planners have never had better tools at their disposal. Data-based analysis, geo-targeting, and OOH's specialist audience measurement tool – Route – all allow for new levels of sophistication in planning. And greater digital inventory enables OOH campaigns to be deployed with ultimate flexibility and immediacy – by the day or even by the hour. This increasing relevance creates new, almost limitless, opportunities for advertisers.

“83% of people recall seeing OOH advertising within the last 30 minutes before shopping”

OOH creativity

OOH is the ultimate creative medium. Classic OOH creativity offers unavoidable impact and memorability. Digital OOH provides advertisers and agencies with a wealth of creative opportunities. Time-sensitive, location-specific, contextual and other dynamic messaging triggers provide advertisers with new creative opportunities to engage with an even more defined audience.

That is not the whole story. There has to be, and indeed is, an economic driver to pursue the digital model. It is especially effective at reaching the groups advertisers want most: young, urban, affluent consumers. On-the-go, digitally connected and highly social, these consumers see the most OOH advertising, and take the most action as a result. Not only do they pass on messages by word

of mouth and social media, they carry out more mobile searches after seeing an OOH ad than any other media. These consumers spend 25% more time out than they did 10 years ago, spending an average of over 3 hours in public places every day. Academic studies show that people on the move are more alert out of their homes, and thus better able to take in messages and information.

So, the current 'land grab' for the digital estate is unlikely to ease in the immediate short-term, although as the supply increases, not only are media values for the 'Share of Voice' [Ed – see end note] diminishing on a 'face-by-face' comparison, but so too rental values that the site owners can anticipate.

Traditional formats and local advertisers

These are non-digital assets such as traditional 'paper and paste' panels, HD panels and backlights and while some media buyers maintain their investment in the sector, they are no longer the 'must haves' that they once were. Having said that, certain advertisers such as SKY remains committed to its inventory and remains the largest OOH advertiser as it likes blanket national coverage that digital can't offer, for the moment at least.

Each digital panel is typically operated on a rotation of between 4-6 'faces', so some reduction of traditional formats is understandable as the total OOH spend for digital and traditional is relatively inelastic (although there is an increase in media inventory supply, the 'pot' of available revenue - £1.1bn - is largely unchanged). This is a key characteristic of the marketplace.

Taking into account the maintenance costs of a traditional estate, posting (delivery) and servicing (man and van) and the desire of the contractors to own the best digital estate, the trend of culling traditional panels is likely to continue. One of the 'big three' has stated that it will withdraw from posters altogether in 3-4 years. Of course, positions change.

This is unfortunate for the landowners of non-digital assets. This has been the issue over the last 5 or so years. What do site owners of non-digital media

asset do to maintain and maximise their estates if the larger media contractors don't want their sites? In the worst-case scenarios, some landowners have seen rents evaporate from £100,000 p.a. to zero where the sites cannot be digitised. That was a rare example but the experience is a common one.

As alluded to above, the 'big three' culling programmes, and rent reductions, stem from the pot of inelastic revenue, but it is important to note that that revenue is sourced almost exclusively from media buyers. Conversely, local advertisers and direct sales are mostly achieved without the use of media buyers. This also avoids their 30% commissions, and local advertisers have different criteria. They will say 'this is my marketplace', 'this is my advert', 'buy my services/products'. They are concerned with fundamental relevance, clear and well-presented messaging and value for money. As this revenue 'pot' is relatively untouched it can support traditional formats, to which it is best suited and offers the potential for significant and immediate growth.

This was the origin of the direct media management service that is offered through TTP and branded UKBillboards (www.UKBillboards.com). We take the billboards that media contractors have abandoned or don't want and invest in their development, and manage the media revenue for the client. This service is now employed by numerous landowners, including the London Borough of Hammersmith & Fulham and Reigate & Banstead Borough Council.

Beyond direct financial considerations, offering the opportunity of utilising OOH media assets for local businesses also supports them in the development of the local economy, where effective advertising can be hard to access and expensive.

Media agreements

When approaching any consultation, the emphasis from most landowners will be the headline income. Actually, that is merely a starting point as the devil is most definitely in the detail and that will be the one that stabs its tail into a landowner, either in the short or long-term: marry in haste, repent at leisure.

WE WANT YOUR POSTER SITE NOW!



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It's a complex subject, but there are certain principles that I recommend as a starting point. Remember, your solicitors may be really good at contract or landlord and tenant law, but more often than not the starting point of the agreement will be a media contractor's standard form of agreement. My advice is **never, ever, enter into a hoarding contractor's standard form of agreement! And, if you have an agent, ensure that he/she is not merely supplying their version of a media contractor's agreement!**

That does not mean that all standard agreements are not going to be acceptable, but certainly they can all be improved upon. Some should not be considered under any circumstances whatsoever; others may need fairly minor amendments.

Examples of 'standard' clauses that need particular attention are:

- Uniform business rates (UBR) claw-back - the proportion of UBR to be paid by the contractor is stated at an artificially low percentage, with the difference being clawed back by the contractor at any time, thus reducing net income. All advertising hoardings are liable to UBR. Since

the 2017 revaluation, digital assets are rated more highly, traditional media asset less so

- Unilateral rent reduction - the contractor is empowered to reduce the rent at any time for any reason, if in its opinion the value of the site has reduced
- Rights to renew - what may appear to be a simple one-year agreement, typically stated as such on the first page in a 'schedule', may be the subject of fine print which gives the contractor the right to renew for up to 25 years or more without any right for the landowner to break
- Redevelopment break clauses - all agreements should incorporate a redevelopment break clause in favour of the landowner, to prevent any possible ransom interests arising in the future
- No agent - a clause attempting to prohibit landowners seeking independent advice. Clearly, not advisable under any circumstances.

The term should be relevant to the capital expenditure required to develop the media asset.

If rent review clauses are included, they need to be drafted with relevance to the OOH market and not provide the contractor with the ability to hide behind commercial confidentiality, particularly if they relate to 'profit' or 'revenue' share. Clearly if a dispute arises, the majority of evidence will always be with the hoarding contractor as it will have thousands of sites, whereas a landowner or its traditional property agent may have limited market resources.

Development and portfolio management

Development in principle is fairly straightforward. The factors to determine whether a site is suitable or not are: location, orientation, visibility, traffic flow, local supply and town planning.

What is worrying is how local authorities choose to develop and manage their portfolio of media assets. Procurement

systems and selection criteria seem mismatched. Too often they are managed in-house or by agents who are far from expert consultants, rather appointed on cheapest 'cost' basis: procurement departments may dispute this but it's a fact. The results are plain to see under post-contract analysis. If there is genuine potential for the development of media assets, then let's not assume that it's digital or nothing - agents make greater fees from digital and know that traditional assets are a harder sell.

Let's take the process seriously. Invest in the costs associated with getting express planning consent first before offering a site to the marketplace, as any fee will be more than recouped by extracting a higher rental on letting. Certainly with digital. It's a simple equation: if a site is offered to the market 'subject to planning' and let conditionally at £7,500 p.a., but with the benefit of express consent it could be worth £12,500 p.a. The difference in capital value could be as much as £62,500 or 66% greater.

Most agents and contractors show little interest in traditional formats, despite the fact that they can generate significant revenues and often fit into environments that are either not suitable for digital media or simply inappropriate. Yes, digital can produce a large headline figure but then again, most local authorities have deserving and needy homes for even modest incomes. A pound is a pound and each one is valuable.

Note: Share of voice is an ad revenue model that focuses on weight or percentage among other advertisers. It is used to "represent the relative portion of ad inventory available to a single advertiser within a defined market over a specified time period. A traditional billboard offers the advertiser 100% ownership, whereas a 1:5 digital campaign offers only 20% of the same exposure for the same period.

[Ed - Tim wishes to make it clear that these are his views expressed from the position of a consultant to the property rather than the media industry, and may therefore be different or at odds].



UPDATING DRC VALUATION GUIDANCE

Mark Gerold

Mark kindly agreed to write this contextual piece about the background and reasoning to the latest guidance on the DRC method of valuation: "The aim is to try and bring a degree of consistency into DRC valuation and to reduce the range of interpretation being made, leading to wide differences in value for similar or the same assets." Graham Stalker of the VOA, who spoke at ACES national conference in Leeds last year and one of the members of the working group, has agreed to write a technical paper in a subsequent edition of *Terrier*, once the guidance is published.

Mark is Director, Valuation and Business Modelling, at Ernst & Young LLP. He chaired the RICS working group which has recently produced updated guidance on the DRC method of valuation.

Mark qualified as a chartered surveyor in 1974 and has many years of experience valuing a wide range of property types. From 1972 to 2011 he was with BNP Paribas Real Estate. He was a shareholding partner of Weatherall Green & Smith and subsequently senior director, lead valuation director and head of corporate valuation services in London. In 2011, Mark joined EY where he leads real estate valuation, UK and Ireland.

Mark is a Trustee of the International Valuation Standards Council (IVSC), the body which sets globally-accepted valuation standards across all asset classes and which are fully adopted by the RICS in its Global Standards (the Red Book).

Mark was chair of the RICS Valuation Standards Board from 2003 to 2008, and retired as chair of the RICS Global Valuation Board in December 2014. In these roles, Mark has been responsible for, and at times led, the RICS engagement and support of the IVSC. During this time, he also sponsored the introduction of the RICS Registered Valuer scheme which has been instrumental in ensuring the regulatory compliance of valuers in their application of valuation standards. mgerold@uk.ey.com

For those involved in valuation, particularly in the public sector, you may have noticed that the RICS has recently released for consultation this new exposure draft updating DRC guidance. The link is: <https://consultations.rics.org/consult.ti/DRCvaluation/consultationHome>

The consultation closes on 17 July 2018.

Context

Although an article providing a technical examination of the new guidance note will follow once this is formally adopted, perhaps it would help to set a context as to why the RICS decided improved guidance was necessary.

As tangible asset valuers, we are fortunate that, for the majority of our valuations, we have observable transactions taking place in the market by which we can benchmark our conclusions.

The one area where this is not the case is in the valuation of 'specialised' property which rarely changes hands for the purpose for which it was built, other than as part of a sale of an ongoing entity. Here the method of valuation, used predominantly for financial reporting, is Depreciated Replacement Cost (DRC), designed to represent an assessment of the deprival value of the asset to the owner occupier.

A cornerstone of our valuation standards is that they should be principles-based and not proscriptive. They do not tell the valuer how to value; rather, they set the overarching principles against which a valuation should be conducted.

This is fine where you have observable and active markets which provide the ability to corroborate and substantiate the valuation conclusions. This does not exist for DRC which contains many inputs which, in reality, are totally at the discretion of the

valuer as to how to interpret and apply. In the absence of a market, best practice can only emerge if a consensus among valuers can be reached. This consensus tends to be patchy at best and very differing approaches and interpretations are being observed.

The audit of an entity requires the auditor to reach a conclusion as to whether the carrying value of the assets on the balance sheet provided by management is reasonable. Evidence was emerging that practitioners were adopting wide and differing interpretations as to how a DRC valuation should be approached. Whereas some were just plain wrong, even against current guidance, many more were not necessarily wrong, just applying very different methodologies and interpretations which resulted in widely different valuations for similar or identical assets.

This was particularly evident when

the valuer changed from one year to another, resulting in a need for significant impairment provisions or, alternatively, material write-ups of asset values from one year to another.

This was raised with the RICS as a serious potential risk for accurate financial reporting in the public sector, and not least, a serious reputational risk for the valuation profession. For example, you can imagine the incredulity of an auditor or client faced with 2 very different valuations for the same asset to be told that, in reality, neither was wrong!

Updated guidance

Following an examination of the issues, it was decided that updated guidance on DRC was required. Following dialogue among those with an interest in public sector valuation, a working group was put together charged with reviewing and improving existing guidance.

Members were drawn from CIPFA, Treasury, Valuers (both VOA and other valuation providers), the audit firms and RICS technical staff. A list of the members is detailed at the end [Ed – includes Michael Forster, ACES@ Coordinator].

I would urge you to review the exposure draft and provide your feedback to the RICS. The aim of this updated guidance is not to stray into proscriptive territory but rather to tighten up on areas where, perhaps unwittingly, a wider latitude of interpretation was allowed in the past. The aim is to try and bring a degree of consistency into DRC valuation and to reduce the range of interpretation being made, leading to wide differences in value for similar or the same assets.

This will not resolve all the issues of variable interpretation – the only way to have done that would have been to introduce 'how to', ie proscriptive, guidance which we believe should be avoided if at all possible. Nevertheless, there remains a challenge, even after the introduction of this new guidance, for the profession to begin a wider debate upon what represents best practice.

DRC is no longer a 'method of last resort'. It is the only route to determining the deprival value of a specialised asset for

the balance sheet for the use for which it was built, unless, of course, there is an intention to dispose of the asset.

The profession needs to invest more effort into ensuring that, together with this updated guidance, collaboration takes place among valuers to allow a consensus of best practice to emerge.

Engagement with the client

In reality, DRC is a relatively straightforward process. The valuer should engage with the client to understand the nature of the asset that would be replaced. This dialogue allows the valuer to reach a view as to the nature of the Modern Equivalent Asset (MEA) and the service potential of the asset being valued. Reaching this view also allows the valuer to compare this notional equivalent with what actually exists, thereby aiding judgements about the age and functional obsolescence allowances required. Frequently the third obsolescence adjustment – economic or external – is overlooked. This is key where an asset may be impacted by the future strategy of an organisation, which may result in a remaining life or service potential being less than would otherwise be the case.

Having arrived at a view as to the MEA and its Gross Replacement Cost, the valuer must then make the adjustments for the above 3 obsolescence factors, set against the notional target life.

Here is where valuation practice varies very widely. Very different concepts are used regarding target lives, remaining lives, and the approach the valuation of the asset in components [Ed – see Asset, Leeds for the summary of Graham's presentation on these issues]. As explained above, it is important that our standards do not become proscriptive. However, I believe the profession should do more to promote a debate about target lives of a range of building types and the process that should be undertaken to arrive at a view upon remaining lives, perhaps through the development of some best practice examples. I have no doubt that, notwithstanding this improved guidance, we will still see inconsistency.

A key impact is in the area of attributing lives for accounting depreciation. Many

valuers often provide a different view upon the life which should be used for accounting depreciation than the remaining life used to calculate the DRC itself. There should be a correlation. With local authorities, the annual depreciation charge does not impact upon their operations. However, for NHS Trusts, every extra pound in depreciation charge is a pound less for front line services. It follows that it is critical to get these numbers correct.

Finally, guidance is very clear upon how to assess the site value. The concept is simply that the valuer should assess the notional site area that the MEA would require in the least cost location that would enable it to provide the service for which it is required.

For those of you involved in valuation, both as providers or recipients, please take some time to consider this updated guidance and to let the RICS have your feedback, but I would also urge you to consider these other aspects raised above. I do believe those involved in DRC valuation should collaborate in order that, for the benefit of the profession and our clients, a consensus upon best practice can emerge.

RICS Taskforce, DRC Valuation within the Public Sector

Mark Gerold (Chair), Ernst and Young
Graham Bearman, Cluttons (formerly PWC)
Ronan Stack, Ernst and Young
David Tretton, RICS
Laura Deery, CIPFA
Alison Scott, CIPFA
Chris Brain, CIPFA
Susan Robinson, CIPFA
Paul Lidgley, Lambert Smith Hampton
Michael Forster, Lancashire CC
Graham Tyerman, Kier Services
Gary Howes, Montagu Evans
Richard Ayres, Gerald Eve
Stephen Pollock, GVA
Graham Stalker, VOA
Rashmi Rajyaguru, HM Treasury
Douglas Marvin, KPMG
Hilary Lower, National Audit Office
Wendy Robertson, Deloitte



“ALL IN THE GARDEN IS NOT SO ROSY”

Roger G. Messenger, BSc FRICS FIRR REV MCI Arb Hon. CAAV

MIPAV (Hons) RICS Registered Valuer, Vice Chairman, TEGOV

Roger last wrote for Terrier in 2017 Summer. Here is a timely update, in Roger's usual hard-hitting practitioner's style: "anyone thinking that this area of law is well-established after more than 400 years is clearly deluded."

Roger is a Senior Partner at Wilks Head & Eve Chartered Surveyors, and Director Rates Plus. He is a highly experienced rating practitioner, who has been President of the IRRV on 2 occasions and also President of the Rating Surveyors Association. He has extensive experience in the rating of public sector property and has been at the forefront of central negotiations with the Valuation Office Agency at every revaluation since 1990, in respect of a number of classes of property. rmessenger@wilks-head.co.uk

So, in the controversial world of property taxation and more specifically business rates – what has been going on? Well, in the world of case law, we have had the Mazars Decision – the so-called staircase tax reversed by Parliament – with a set of new regulations that re-opens the 2010 list in limited circumstances to achieve it. I need a long dark night (or several) to even start to penetrate those regulations, which at the time of writing have just been published.

We have the high-profile cases of ATMs and unit of occupation issue still rumbling on.

We have a decision in Iceland Foods that says in-store air-con chillers are part of the kit, not the building, so not rateable.

We have cases on procedure in Valuation Tribunal (VT) and Upper Tribunal, the valuation of museums and other historic buildings - and a forthcoming case looking to define what is a material change of circumstances. The reviews of these are best undertaken by reading the decisions, so I will not take up further space by my take on these – suffice to say that with the Court of Appeal and Supreme Court active together with Parliament, anyone thinking that this area of law is well-established after more than 400 years is clearly deluded.

Check, Challenge and Appeal

The current Rating List came into force on 1 April 2017 linked to an untried, and as it turned out largely untested, new IT platform to deliver Check, Challenge and Appeal (CCA).

We are now more than one year into this new system, and I think it is a fair commentary that most ratepayers have found the whole thing a real challenge without even reaching the official Challenge stage. Put simply, the ratepayer has to verify his identity by giving personal details on the Government Gateway portal. This enables registration under CCA, thereafter taxpayers can claim their properties by submitting a rates demand as proof of their involvement.

After that, an agent can be appointed to commence a Check or they can continue that process themselves. Many individuals representing a corporate taxpayer objected to providing personal details, some are still in that position, both from the private sector and public sector occupiers.

Since inception, some of the IT issues have been resolved and other improvements are awaited. Additional “comfort” provided by the VOA to

ratepayers on how and why ratepayer details are needed and will be stored has proved to be not very comforting.

Of course, if you are an offshore fund or non-domiciled ratepayer, this whole game is impossible and the VOA will take you through another equally tortuous route.

One might be forgiven for thinking that with all the on-line engagement that is available in the public and private sectors these days, such an adventure was a thing of the past. Well clearly not, and for those who believe this should not be that difficult and it is not rocket science should perhaps have even greater patience while they get it right.

After all we are nearly one-and-a-half years into a list which through shorter periods between revaluations will now end in 2021, some 2.5 years from now and with an Antecedent Valuation date (AVD) for the next one just a few months away in April 2019. Going well.....

The statistics are demonstrative. As of 31 March 2018 – one year in, there had been 23,770 Checks made across the whole of England and a mere 2,620 Challenges. By the same time, in the previous List, there had been 10 times that number of appeals. Great success, then – VOA and MHCLG delighted that

their intention to reduce the number of speculative appeals has worked... Well not exactly, as there is a huge pent-up weight of these to be lodged either when better IT emerges or when the hangover work from 2010 is settled or determined by the VT.

We are likely to see a concertina effect of large volumes of 2017 work put into the system as the List draws to a close, forcing an even greater hangover of work in a new list period than the 2 years of work left on 2010, after the start of the new List in 2017.

Group Pre-Challenge Review

We have recently seen the protocol announced by the VOA for the GCPR – no, not another set of data regulations – this stands for Group Pre-Challenge Review, allowing for class discussions on certain property types – local authority and public sector properties included. I, with my partners, have begun to engage with this process on some classes of property. It requires the occupiers and agents to surrender to one individual as the conduit who will be a “SPOC” – single

point of contact or - as one wag has already expressed: “It’s rating, Jim – but not as we know it”.


So, shorter periods between revaluations are to be encouraged and we now have the first move on that with a 4-year period. Unfortunately, the AVD has remained at 2 years, which most practitioners believe realistically in this digital age could move to one year.

Implications for billing authorities

All of this is against a backdrop of as yet undecided detail on how the 100% of rates being retained by billing authorities is actually going to be delivered and the balancing necessary to make it work. The current difficulty around the operation of CCA and delay is acutely felt by billing authorities. They have to make provisions in their accounts for anticipated losses on appeals. Without knowing what will be appealed, this is somewhat of a black hole, and of course, unnecessary provisions starve local services of money tied up needlessly.

The whole basis of a list would work much better with far greater transparency as to how the list has been arrived at and with what evidence. CCA has to be invoked to discover what ought to be available to the taxpayer. Business rates face a continual bad press, led by the retailers who point the finger at on-line sales and business rates as the cause of distress and failure of the traditional floorspace retailers. The rate in the pound is surely an aggravation to this and it does represent the highest ratio to GDP of anywhere in the world. That said, those businesses that pay corporation tax do so at much reduced levels to some other countries. It needs a balance. The trouble is, rates don’t go down in hard times: they rise every year by an inflation measure, regardless of the financial health of the occupier – unlike corporation tax.


Collection rates are 98%-99%, so difficult to avoid – but clearly there is stress in the system both in the level of the tax and delivery of CCA. If we are to re-balance all this, then we need a Council Tax revaluation as well...



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Conclusions

The UK property tax system used to be the model for others in the world to follow. Sadly, this is no longer the case and many countries are far more advanced in delivering a more open, transparent and fair system, using modern digital methods and

some elements of valuer-controlled automated valuations. Many are moving to a more real-time approach with annual revaluations. The acceptability of any tax will be enhanced by transparency and customer focus. Get that wrong and charge a high tax and look what happens!

With VOA office closures and the loss of many senior staff, a revaluation in prospect, a complicated VT procedure, a still not very good IT platform, and a pent-up workload, it would be good to think it is all jolly good fun – not sure it is!!



INSPECTIONS AND MAINTENANCE – REPAIR OR IMPROVEMENT?

Robert Burke Bsc(Hons) FRICS FCABE

Robert leads the Building Consultancy team at Lambert Smith Hampton. He has focused on commercial, retail and industrial property and has had wide residential and hotel, student accommodation, leisure, schools and health care experience. He acts as an expert witness in dilapidations and building defects. His work ranges across pre-acquisition building surveys and co-ordinates due diligence teams, based on his understanding of the procurement and development process, and the conversion and refurbishment of buildings as well as costs of repairs and assessments of opportunities and alternative uses.

Working for both landlords and tenants, Robert prepares schedules of dilapidations and negotiates financial settlements for a broad range of clients in different property sectors. rburke@lsh.co.uk

Occupiers frequently misunderstand the full extent of their liabilities and obligations under a repairing lease – which can be a costly oversight, as Robert explains.

Introduction

One of the questions we address on a regular basis as commercial property specialists is “What is the exact meaning of repair?” The Oxford English Dictionary definition is “restore (something damaged, faulty, or worn) to a good or sound condition after decay or damage”. In the context of a commercial lease, however, the words “good condition” may be ambiguous. Repairing obligations can be cited in terms that are open to interpretation.

The obligation to repair is set out in the Landlord and Tenant Act 1927 and covenants can be expressed by using wording such as “put the property into repair” or “keep the property in repair”. Sometimes covenants are also modified by the use of words such as “forthwith” or reference to a specific date or period of time.

Some leases link the repairing covenant to the tenant being given notice of the disrepair. Where this is the case, the tenant will not be in breach unless such notice has been given – occasionally with a specific time frame – and repairs have still not been carried out. Some covenants also provide for the landlord to enter the premises, carry out work and recover the cost from the tenant.

All this can lead to expensive misunderstandings. As a result, it is important that tenants are fully familiar with the terms of their own lease and whether or not it is limited in extent in some way, for example by reference to a schedule of condition or a side letter.

Identifying disrepair

Identifying whether or not a building has fallen into disrepair is arguably the most complex aspect of dilapidations. In *Dilapidations: The Modern Law and*

Practice – something of a bible for dilapidations practitioners – authors Nicholas Dowding and Kirk Reynolds set out 5 steps that can be used to establish the existence of disrepair. Owners, occupiers and their advisors should ask themselves the following questions:

- What is the physical subject matter of the covenant?
- Is the subject matter in a damaged or deteriorated condition?
- Is the nature of the damage or deterioration such as to bring the condition of the subject matter below the standard contemplated by the covenant?
- What work is necessary in order to put the subject matter of the covenant into the contemplated condition?

- Is this work nonetheless of such a nature that the parties did not contemplate it would be the liability of the covenant party?

A common misconception is that, if a particular part of a property is in disrepair at the start of a lease, repairs are not required for that element of the building: this is rarely the case, and a tenant is sometimes required to make good that element or put it into repair. Wording will vary depending on a number of factors, but particularly the age of the lease.

Repair or betterment?

Unfortunately, putting an element into repair may not be as simple as it sounds. Tenants should therefore be alert to the difference between repair and improvement, and know which of these is required for their lease.

As Simon Allison, a barrister specialising in landlord and tenant issues with Hardwicke Chambers says, “the motive for landlords carrying out many works that might go beyond repair has changed over time, with the advent of changes in insurance terms, building regulations, health and safety, government grants and litigation culture”.

He also makes the point that “building technologies have advanced significantly, particularly in the past 10–20 years – new forms of roofing systems, and vast increases in energy-efficient products such as glazing, insulation and cladding being most notable”.

Repair can for example unthinkingly become improvement when it comes to the concrete elements of a building. Take an industrial premises: the concrete floor slab has, over time, become damaged by spills and general wear and tear, and at lease-end, the property must be put into repair. This does not mean replacement of the whole slab but rather repair of the concrete. So is patching up the damaged areas enough, or should a new screed be laid? Suppose the building regulations have changed, though, and the new screed is of a higher specification than the old one?

Of course, the appropriate approach

depends on the extent of damage, the lease terms and the type and use of the building. The tenants will almost certainly be obliged to ensure that the finished flooring is suitable for any incoming tenant’s use. Compliance with the current regulations is generally necessary as well.

Dowding and Reynolds recognise that on occasions such as this, repair may, by necessity, include an element of “improvement” or betterment”. That is, if a modern material is the only way to “repair” because previously used materials are no longer available, tenants cannot usually avoid responsibility by merely claiming the remedy is inappropriate because it would result in improvement or betterment.

Roof coverings are another instance where tenants may be forced to make improvements, because the building regulations now call for insulation and coverings of a better quality than those previously required; Postel Properties Ltd v Boots the Chemist Ltd [1996] 2 EGLR 60 illustrates this point.

However, the reverse may be true when considering possible obligations under the Minimum Energy Efficiency Standards (MEES), which came into effect on 1 April. [Ed – see Robert’s article in 2018 Spring Terrier].

A tenant who has obligations to repair under its lease may be able to demonstrate that the landlord would need to undertake such significant changes to the property to satisfy the MEES that any repairs for which the tenant would be responsible would become null and void. Repairs would therefore be a waste of time and money with no value under the new regime, so any works would be superseded.

Despite relating to a residential block rather than commercial premises, the recent case of Waler v London Borough of Hounslow [2015] UKUT 0017 (LC) raises many of the same issues, and demonstrates the range of grey areas between repair and improvement (<https://bit.ly/2rASeBc>).

Grey areas

The case of De Havilland Studios Ltd v Peries [2017] UKUT 322 (LC) illustrates just how difficult it is to negotiate these grey areas, even for legal experts. At a factory converted into 41 flats, the windows were in need of work. The lease allowed for either repair or replacement, and the dispute arose over which was more appropriate. The freeholder opted for repair because it was cheaper, but the leaseholders disagreed and wanted new windows. When the freeholder refused, the leaseholders took the matter to the First-tier Tribunal (Property Chamber).

The tribunal initially determined that replacement was the most reasonable option due to the long-term benefit of new windows. On appeal the Upper Tribunal also ruled that, while either option was reasonable, replacement rather than repair was “more reasonable”.

This is a perfect example of how complex an issue repair can be, and where professional advice comes into its own, although assessing the legal costs against the costs of simply replacing the windows is perhaps the subject of another article.

One hypothetical situation that illustrates the issues surrounding repair concerns a grade II listed residential block that also includes a single commercial unit. In this case let’s assume the block is in receivership. The top-floor penthouse is being sold at the same time as negotiations are under way to agree a new lease on the commercial unit. The leaseholders are largely not permanent residents and mainly let their flats via the online and hospitality website forum. They are still paying service charges, but the landlord is not meeting its obligations to undertake repair work while the landlord tries to keep expenditure to a minimum, finalise the lease on the commercial unit and sell the vacant penthouse.

As a result, the standard of internal and common parts is poor and the building doesn’t look the way the leaseholders wish so they can promote it to potential tenants. The landlord is clearly failing in its contractual obligation to keep the building “in repair” so the receiver may

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find it has to fill the gap in the block's finances, at least in the short-term.

Limiting liability

Each party to the lease clearly has a part to play in ensuring that claims are avoided at lease-end. Occupiers should familiarise themselves with the repairing obligations, and landlords should also ensure they are fully and correctly advised and cognisant of what the lease as a contract obliges their tenants to do, how they plan to enforce this, and indeed whether this is what they intend.

Both parties should fully understand their liabilities, and property advisors could usefully suggest that tenants do the following:

- The property's state of repair prior to the lease commencement should be recorded in a schedule of condition, agreed by both parties and annexed to the lease. However, it is important to note that the level of detail provided by this schedule and subsequent deterioration during the term will determine liability in line with the wording of the lease
- When drafting schedules of condition, project yourself towards the lease-end date and ensure that they are as detailed and as useful as you or another surveyor would want to see them at that time

- Plan for repairing obligations ahead of lease expiry. Develop a proactive approach to managing repairs before lease-end by establishing a planned preventative maintenance schedule and keeping the property in good repair for the duration of the lease
- Clarify whether any surfaces require specialist cleaning to maintain finish or warranties. Respond to a quantified demand within the 56-day period recommended in the dilapidations protocol.

Occupiers need to decide how much money it would be prudent to set aside during the term of the lease to finance repairs on termination. Dilapidations are a relevant matter under International Accounting Standard 37 and International Financial Reporting Standard 12, which is being updated and currently allows for future repairing liability to be treated as an expense (see <https://bit.ly/2Az3xgq> and <https://bit.ly/2GX0yVS>). This means it can be included in the profit and loss account of the firm and will be excluded from its tax computation until it is incurred.

Some definitions

Dilapidations claim: the overall process associated with an allegation of a breach of lease/tenancy in relation to the condition and/or use of the property, typically as identified in a schedule of dilapidations, quantified demand and/or diminution valuation.

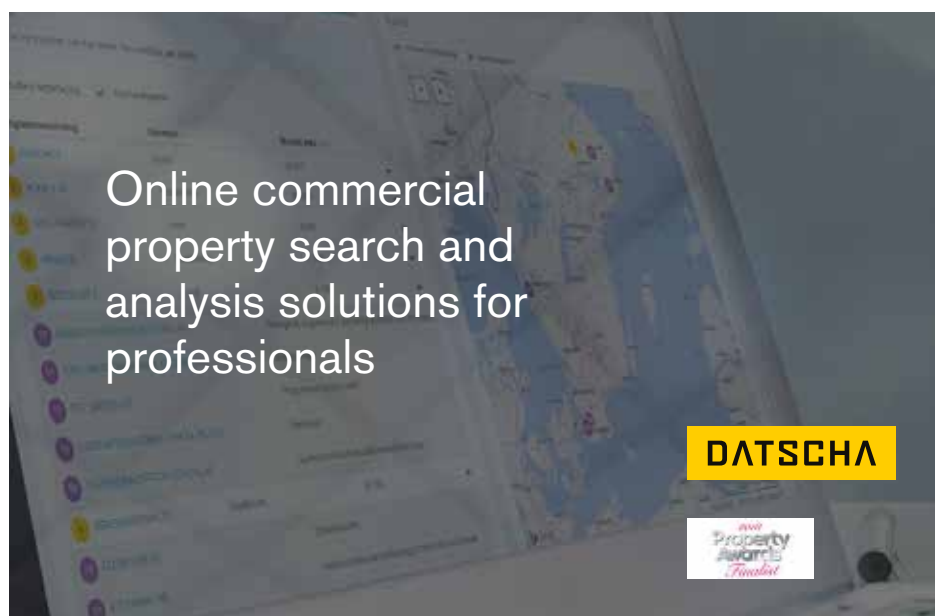
Diminution valuation: a valuation prepared in order to calculate the diminution in value of a landlord's property incurred as a result of alleged breaches. The document is usually prepared by a specialist valuation surveyor.

Dilapidations protocol ('the Protocol'): pre-action protocol for claims for damages in relation to the physical state of commercial property at the termination of a tenancy (applicable to terminal dilapidations disputes). [Ed – see <https://www.justice.gov.uk/courts/procedure-rules/civil/protocol/pre-action-protocol-for-claims-for-damages-in-relation-to-the-physical-state-of-commercial-property-at-termination-of-a-tenancy-the-dilapidations-protocol>].

PDPAC: practice direction pre-action conduct and protocols (applicable to dilapidations disputes unless the protocol applies).

Quantified demand: a document prepared for the purpose of and complying with part 4 of the protocol, typically incorporating a terminal schedule of dilapidations. The document is usually prepared by a building surveyor.

Response: a document prepared for the purpose of and complying with part 5 of the protocol, typically incorporating a Scott Schedule. The document is usually prepared by a building surveyor.



Ed – this article also appears in RICS Building Surveying Journal July/August. Thanks to RICS for agreeing to its publication in the Terrier.



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PROTECTING TENEMENT PROPERTIES IN SCOTLAND

Hew Edgar MCIPR

A dominant sector of housing assets in Scotland – tenements – are in very poor condition. Hew outlines the actions that RICS is taking to try to improve standards and maintenance.

Hew joined RICS in June 2012 as Policy Manager (Scotland). Having graduated with an Honours degree in Politics and International Relations at the University of Aberdeen, he has held various policy posts in the UK and Scottish governments, as well as other membership organisations. He leads on RICS' policy development and public affairs across all priority issues in Scotland. In addition to contributing to RICS' UK and Scottish projects, Hew actively promotes RICS' thought leadership to government and Parliament. hedgar@rics.org

Context

The condition of Scotland's tenement property is rising up the Scottish Parliamentary agenda. While there is consensus that action is required to ensure the protection of the country's most common type of dwelling, there is a divergence in approach within the chamber.

RICS, like many other housing sector participants, believes a significant proportion of Scotland's existing housing stock is at risk from a lack of maintenance. Building maintenance is the key to sustaining and future-proofing the fabric of buildings, and nowhere is this more problematic than in buildings in Common Ownership.

There is a well-versed statistic circulating the sector, suggesting that 80% of housing that will exist in 2050 is already here. However, we contest that only well-maintained buildings will provide adequate living conditions now, and for generations to come. Neglected buildings cause social problems and end up being condemned; and, unless it is tackled head on, this will exacerbate a housing supply problem that is already critical.

Unfortunately, out with the flagship 50,000 affordable homes target by 2021

target, Scottish Government policy is aimed at supporting demand, new-build and home ownership. Recent financial policy and initiatives are aimed at supporting first-time buyers, for example, Help to Buy and lower Land and Building Transaction Tax rates for lower-value properties. Yet there is little government support for those who wish to enhance, repair or maintain, existing property.

Poor maintenance of buildings in common ownership is prevalent throughout Scotland, irrespective of location, tenure, and whether third-party management arrangements are in place.

This points to systemic problems that require government action. As part of a solution, RICS, with the backing of many housing stakeholders, and the majority of parliamentary parties in Scotland, proposed measures to encourage and, if necessary, compel common owners to have condition surveys every 5 years. These surveys would need to be undertaken by a qualified property professional to ensure trust and reliability.

Tenement Health Check policy

This is just part of our Tenement Health

Check policy proposal, published in December 2016, following significant stakeholder engagement. This policy proposal establishes mandatory 5-year building condition surveys, with an objective to tackle poor maintenance in residential properties with common parts. The proposal also encourages stairwell cooperation, suggests a VAT-covering funding mechanism (Help to Maintain), and underlines the link between property maintenance and energy efficiency.

However, overall responsibility for maintaining property lies with the owner, and the key problem is that owners would prefer to invest in the cosmetics - where the results are more visible by, for example, installing a new kitchen - as opposed to investing in the property's fabric.

Our Tenement Health Check policy proposal outlines how government intervention, owner responsibility and greater stairwell communication can raise owners' awareness of the condition of their property as the property's guardian, and entice them to make necessary investments. In the end, this is about encouraging owners to take on their civic responsibility to protect the property for future generations.

The policy delves into detail and tries

to unravel problems of apathetic owners, untraceable owners, financial implications, and current legislation. This is a national problem which demands a national solution, with stakeholders hoping that property maintenance will be a key priority in the next Programme for Government, if not before.

Maintenance in numbers

A key driver behind this policy work was the harrowing picture, illustrated by the Scottish House Condition Survey for 2015, of the current condition of Scotland's housing stock – particularly the "old stock", built pre-1919. The figures indicated that the number of tenement properties in Scotland reached 579,000; equating to 24% of all domestic property, the most common type of dwelling in Scotland.

Tenements built pre-1919 amounted to 218,000 (38% of tenement stock, 9% of total stock), making them the second most commonly occupied property type in Scotland, behind post-1982 detached properties.

RICS had deep concerns that this survey's figures indicated 68% of pre-1919 dwellings are in "critical disrepair" (from 72% in 2014) and 8% of pre-1919 dwellings are in "Critical, Urgent & Extensive disrepair" (from 5% in 2014).

The 2016 survey showed little improvement from these figures; suggesting that existing legislation and policies were not working.

An enduring concept for enduring buildings

The notion of regular building condition surveys is not a new concept; there are numerous examples of maintenance regimes across the world, which Scotland can emulate, perhaps in part, to ensure that any future maintenance framework is fit for purpose.

In the USA, for example, there are numerous schemes that vary from state to state. Facade ordinances are legislated for by many local authorities that require periodic inspections of certain building facades to help ensure public safety. These inspections have

to be carried out by licensed and trained professionals. This system is also very transparent as the name of reporter, who carried it out, what the report states, and what the report recommends, are all publicly available.

In Hong Kong, under the Mandatory Building Inspection Scheme (MBIS), owners of buildings that are under 3 storeys and are over 30 years old, and served with statutory notices, are required to appoint a Registered Inspector (RI) to carry out the prescribed inspection and supervise the prescribed repair works to the common parts.

Parliamentary activity

Keen to raise this issue wider than government, RICS hosted a well-attended Tenement Maintenance Parliamentary Reception, sponsored by the Shadow Housing Minister - Graham Simpson MSP, in November 2017. During the reception discussion, delegates were informed of a parliamentary motion on the issue that was lodged by SNP MSP Ben MacPherson. The motion, which outlined the general issues around tenement maintenance and called for action, generated a rare, and often elusive, cross-party agreement in Holyrood, and was taken in the chamber in January 2018.

Throughout the course of the January debate, numerous approaches were suggested, such as:

- Establishment of a central funding pot or VAT relief for repairs and maintenance
- Routine inspections, and
- Strengthening the factoring regime in Scotland.

In addition, the motion called for the Scottish Government to review and consider changes to current legislation, and the introduction of new initiatives and mechanisms for facilitating communal repairs by owners.

In closing the debate, the Housing Minister, Kevin Stewart MSP, stated that he was reluctant to rush into legislative changes when existing powers are

underused, or the recent changes to legislation have not yet embedded in. These current powers and legislation place responsibility between local authorities and owners, but to little success.

He did, however, outline recent policy changes, such as extending missing shares to housing associations and a £10m equity loan scheme pilot, where the loan is repaid when the house is sold. This may be extended across Scotland after the pilot ends and the assessment complete.

However, the parliamentary parties did agree to form a cross-chamber, stakeholder working group to develop a manifesto for improving tenement living. The "Working Group on Tenement Scheme Property" has met on 2 occasions since its inaugural meeting in March; it has representation from all parliamentary parties, with RICS and the Built Environment Forum Scotland (BEFS) providing secretariat support.

Adding momentum to the campaign, in May 2018, the Scottish Conservatives used their opposition debate to raise the issue of mandatory tenement surveys and property factors, with Graham Simpson MSP backing RICS' policy proposal. Reassuringly, the debate didn't lament the problems, but centred around finding solutions, as outlined in the motion and subsequent amendment by the Housing Minister.

This amendment boosted the prospect of government action on compulsory tenement maintenance in Scotland, as following the debate, the Parliamentary chamber voted in favour to review existing legislation and consider the implementation of mandatory tenement health checks.

Factoring in property factoring

The opposition debate also covered whether compulsory property factoring could be enacted through policy or legislation. This proposal has merit; however, the current property factoring regime would need to be strengthened if this route is taken forward – a view that was shared by many in the chamber

during the debate. Indeed, those taking part in, or observing, the debate heard that monitoring and compliance with the property factoring regime (as brought in via the Property Factors (Scotland) Act 2011) was not as strong as it should be; particularly in considering the essential role property factors play in the daily lives of Scotland's residents.

The Act's provisions require all property factors to join a register, abide by a Code of Conduct and have access to a redress mechanism. However, at present there are no entry requirements to register, and this will have to be remedied if this approach is to form part of the maintenance solution.

Where there's a will, there's a way

While all these parliamentary steps go some way to addressing the problem, fundamental changes need to be incorporated into how these buildings are assessed on a mandatory and regular basis, to ensure their sustainability for future generations.

Finding agreement on the plethora of possible changes and approaches will be difficult to find – whether it's through VAT recompense for repair works, or the use of credit unions to fund maintenance measures. Likewise, there are a lot of obstacles within the Scottish

legal context, such as changes to existing title deeds or the introduction of mandatory sinking funds, which could prove difficult to bypass.

However, there is strong motivation from stakeholders, and growing support from parliamentarians. In fact, in the opposition debate, it was suggested that all political parties 'buy-in' to the working groups' proposals as a means to avoid any political point-scoring that could arise from additional tenement owner responsibility. This point was well made, and not disputed.



CIPFA | The Chartered Institute of Public Finance & Accountancy

DELIVERING A FIT FOR PURPOSE 'SCHOOLS ESTATE'

Tim Reade

Tim is Head of Property Advisory Services at CIPFA. Prior to working for CIPFA, Tim specialised in asset and property management in the private sector, where he regularly dealt with a variety of clients and types of commercial property investment. Given a previous career as a regular army officer, and now a reservist, Tim is particularly interested in the effective leadership and management of property teams and the ways they can influence and achieve a sustainable property function within public sector organisations. tim.reade@cipfa.org

Tim identifies a concern regarding the extent of backlog maintenance in the schools' estate and a lack of possible allocation of responsibilities to property experts, in today's mix of education providers.

Backlog maintenance

It would be fair to say that over a number of years, concern has been growing within both the education and local authority sectors as to the physical condition of the schools' estate in England. With over 60% of the estate built prior to 1976, a significant proportion of its buildings and infrastructure is at or beyond its useful life. While the Department for Education states that it is working hard to ensure equitable funding is in place for all schools, many stakeholders within these sectors worry that more needs to be done to tackle a maintenance backlog

generally accepted to be in the order of £6-£7bn.

Leaving aside for one moment the challenges and questions posed by the need to meet this backlog maintenance sum, of equal concern to many is the support being offered to those schools and academies no longer sitting within the 'maintained school' local authority system. Since the Academies Act in 2010, the move away from local authority support has prompted a wholesale change in the landscape of school estates and infrastructure delivery.

In this post 2010 world, academies and

free schools need to ensure they remain financially stable and ensure every pound that is spent is focused in the right areas. Money spent on property will invariably compete against other areas and it is essential that there is sufficient regard to and understanding of land and building requirements. It's not just about providing a suitable teaching environment, we must ensure that the buildings are safe and statutory checks are carried out which conform to legal requirements. Understanding needs and prioritisation of maintenance works with an eye to whole life appraisal will better ensure that money is used in the most effective way.

Who oversees?

So who is responsible for overseeing these areas? For larger Multi Academy Trusts (MATs), employment of property specialists and surveyors to manage the schools' buildings and infrastructure is often the solution. There is likely to be both scale and funding that justifies the resourcing of specific expertise. For single academies and smaller MATs however, such a solution may not be financially viable and alternative provision may be required.

For those schools without qualified property specialists, they must rely on what can be sought out in the form of training, advice, tools, general information and/or procurement from external organisations. It is not

surprising, therefore, to note the rise in self-help groups and associations of schools around the country. While general networking is a major motivation, the sharing of best practice and pooling of resources to create economies of scale is key. This approach has seen some success, but our experience working with school business professionals suggests that there is still much to be done to meet the needs of those charged with estates and infrastructure responsibilities. Indeed, when placed alongside the issue of backlog maintenance and its management, one is minded to suggest that it is one thing to deal with the funding shortfall, and another completely to ensure that the right training, knowledge and skills exist to ensure schools are able to manage the

funds that come their way, where they are responsible for delivery.

As with most public sector conundrums of this type, at its core is the need to ensure value for money. CIPFA Property is working across the sector with key stakeholders such as the Education, Skills & Funding Agency, Institute of School Business Leaders and others to ensure schools are able to achieve maximum effect with the monies available to them for property-related matters. In so doing, it is hoped monies will be expended more prudently and effectively where the need is greatest.

For more on this topic visit www.cipfa.org/services/property/property-support-for-schools



LET'S GO OUTSIDE.... INTO PRIVATE PROPERTY CONSULTANCY

Margaret Wells

Margaret is the Head of Estates at Concertus Design & Property Consultants. Based in Ipswich and with a focus across the eastern region and south east, her team of experienced chartered surveyors provides support and advice to the public sector on all estates matters. Margaret.Wells@concertus.co.uk

Having worked for Suffolk County Council for many years, Margaret gives an insightful account of a parallel career working for Concertus, which was formed as a private consultancy 5 years ago. She describes the differences between her 2 roles, and concludes that overall, there are many advantages to being 'one step removed' from working in-house.

I am writing this article as an estates surveyor, but many of my observations will apply to other professions.

I have enjoyed 5 years of employment with a private property consultancy which undertakes work in the public sector, after many years as an in-house surveyor in the public sector.

For those who are interested, I have shared my reflections on how the roles differ, highlighting the challenges and opportunities.

The first distinct difference is the step away from direct work with local politicians. Our work remains politically motivated at times, but we do not meet with politicians to explain property issues or become involved in the interpretation of political policy. Instead we receive instructions to carry out transactions or feasibility studies, and are briefed on the objectives, and deadlines required. Often this can make our role easier, provided the brief is clear, and we are able to operate with a good understanding of the end goals. Issuing property advice to an officer

rather than direct to a politician is usually more satisfying as a professional, as it is appropriate to give an informed professional view rather than wrap the political objectives within the advice.

At Concertus we are freed from some of the constraints that can be frustrating to internal surveyors, especially in times of austerity. If workloads increase, my directors have the flexibility to draw on professional partners, or to recruit new staff. There needs to be a robust financial case, but this is based on commercial criteria and not constrained by more rigid staff budgets, or a broader policy fixed to a pre-planned headcount. There is no magic solution to the ongoing shortage of estate surveyors, but we have enjoyed success in recruitment. In

a multi-disciplined practice, there is a broad scope of property professionals to work with and learn from. This is a robust platform for personal development, particularly for those new to the profession.

The freedom to take a commercial approach has boosted staff morale and efficiency by enabling IT hardware and software to be purchased to support business need and facilitate the development of new skills. Five years on, so much of what we do either for clients or operation of our own business is carried out electronically using up-to-date software. It is great to be using industry standard packages as a matter of course, such as Argus Developer and KEL DRC (Depreciated Replacement Cost) and the firm is also leading the way in the field of Building Information Modelling. Time saved on filing emails, and instead finding documents using business software means more time for earning fees and growing as a professional.

Working for a range of clients, including from the private sector, is stimulating, and has helped our skill set to grow. Experiencing a broader range of properties and property aspirations, is an excellent way to extend existing professional skills and deepen our understanding of the wider property market. Within the last year we have launched an agency function for commercial property, which is reaping further rewards in increasing our exposure to the property market.

Clients will naturally always want to receive a good service and see their timescales adhered to. When clients are fee-paying, they quickly become much more assertive about the kind of service they expect and are much more willing to articulate negative experiences. The specification of a piece of work is now shaped by the extent of client input into the task and the defined outcomes, plus the budget available. Individuals are no longer in full control of how they approach a job, because their personal preferred method of working may no longer match the client's aspirations on timescale, or the performance goals. For example, swift conclusion of a transaction may be of elevated

importance, due to the budget pressure on a client to cease security charges at a property, and this may mean relinquishing a negotiation stance to meet the key objective.

Operating a client consultant split required the adoption of a new mindset, for those of us who have previously carried out both roles simultaneously. Relaying details and opinions so that another person could make the policy decision was a fresh experience. Equally the new need to articulate the risks and rewards of the available options, with a recommendation, takes more time than is required for an internal officer to weigh up the options in their head. The advantages are that a consultant can give professional advice while local authority staff steer the authority's strategic direction, and there is a better audit trail of how policy has been enacted. Relinquishing all previously delegated authority has been a personal challenge for some staff.

Working on cultural change within a consultancy has been an ongoing activity and has been essential to success. Cross-team working within a multi-disciplined practice enables good professionals to become even better as we broaden our understanding of property issues. Data, ideas, risks and rewards are shared, and the mindset is that individual success can be best achieved by playing a team game. The delivery of many projects is often a collaboration between people across the business. I have frequently observed how the sum of several different contributions can deliver an excellent product, report or service which is superior to the quality that any individual could achieve in isolation. IT helps us to share data, and a positive and trusting approach between colleagues supports strong communications, and a willingness to add value whenever possible. This culture change and team focus is driven by commercial goals and is a marked departure from my in-house observations. Matrix working was always desirable within the public sector but has become essential in a consultancy. Clients can reap the rewards of these blended skills.

Presentation of work and marketing our brand is of a high priority, and advice that an in-house surveyor would simply issue by e mail will now be presented in a branded report in a corporate style. Initially this does add extra time and effort to a piece of work, but now it has become the norm, and there is a pride in observing your work in a polished format and delivering it for a fee. To a large extent this also draws a line between pieces of work, whereas I can recall an ongoing cycle of advice and questions as an in-house employee.

Consultancies are commercial enterprises, and this adds a new dimension to the working day. It is no longer enough to complete a professional task. It is additionally necessary to quote fees for work, and complete work within a time and budget pressure, and analyse how well a team is performing. Clearly time is money and we strive to strengthen our organisational skills on an ongoing basis to maximise efficiency. We have developed templates and reviewed the ways we tackle work, to minimise any wasted time, and strive for a uniform approach when routine work is carried out by several different people. Individuals must be prepared to take a disciplined approach and focus on the delivery of what has been requested. At times this can mean setting aside your own personal preferred approach and accepting that we do not own or control the properties we work on. Changing this mind set has not always been easy.

Marketing of our skills and achievements, plus celebrating success on a regular basis, is a marked change. In a consultancy, marketing of a brand is an ongoing activity, with people employed in exclusively marketing roles. Capturing successful case studies and gaining the attention of new clients and the press is part of the day job. While this is indeed another layer of work, it also creates an opportunity to reflect on achievements in a way that can boost morale and is a new experience for a former internal employee of a local authority.

The many cultural and technical changes, plus our move into new work areas, has taken all individuals on a steep learning curve, which translates to

sometimes longer working hours, and at times more pressure to perform. It is inevitable that within a group of 70 local authority employees, not all have the desire and personal flexibility to make a successful transition into consultancy work. Staff turnover feels to be greater than I experienced in a local authority environment. On the positive side, new colleagues bring fresh experience and skills, and this has been a significant factor in the growth of the business' collective skill set.

The pace of change is quicker, reflecting the need to be ahead of competitors, and to always be working on a winning plan. Measured risks are typically supported, and any process or idea that does not work is dropped. Business requirements are the driver, and these are not impeded by a concern about personalities or previous customs. The exposure to financial risk and rewards means that there are more tangible measures of success, which triggers crisper decisions.

So in summary, there is a steep learning curve that remains in place year on year, and professional achievements also need to meet financial and timescale goals. Clients need to be part of our journey, as we want them to request repeat business. To support our endeavours, we have good team working, IT investment, training, and create time to celebrate success. Five years on, there has been a lot of personal growth, and reasons to celebrate.



Tony outlines the traits and styles of personalities involved in property management in organisations. We can all recognise the types described, and learn how to best perform.

Introduction

Following my Chartered Management Institute work I thought I would turn to the issue of property and assets in the context of their interaction with other parts of the organisation through professional and managerial interaction. It is interesting to see the approach to engagement taken by the RICS and British Institute of Facilities Management and indeed, the latter intends to change its name to the Institute of Workplace and Facilities Management. The interface between assets and the rest of the organisation was addressed, in resource terms, in 2017/18 Winter Terrier (Strategic management of assets as a corporate resource) and the essential elements of change, especially councils, in 2016/17 Winter Terrier (The dynamic capability of local authorities).

AN INTRODUCTION TO EFFECTIVE TEAM AND PEOPLE MANAGEMENT

Anthony Bamford MBA MRICS MBIFM MCMI

Tony is Vice Chairman of the Welsh Branch of ACES. Earlier in the year he successfully concluded his CMI L7 Diploma in Strategic Management and Leadership and became a Member of the Chartered Management Institute. He also has diplomas in Valuation Surveying and (ILM L5) Management Studies. tonybamford.tb@gmail.com

Management

Property and asset managers tend to achieve promotion through a functional "chimney" or "silo" rather than moving around an organisation (Charan, 2017). This creates a functional efficiency and expertise which is less useful at higher levels in the organisation (Goldsmith, 2008). Sometimes professionals gain or develop managerial responsibilities; however, often interaction with management and senior management tends to develop over time. The aim of this article is to consider management [Ed - Leadership will be looked at further in a separate article].

Roles and "personality"

"Belbin's team roles" is perhaps the most widely known team model which is really aimed at the senior management team. The Margerison McCann model (Margerison and McCann, 1990) provides a similar framework but breaks activity and roles into 2 levels. The higher level comprises: explorers,

organisers, controllers and advisers. An asset professional is therefore going to have to understand these issues initially in interacting with managers, especially senior managers and, potentially in time, as they move into management. It is therefore important to be able to "talk the same language" since this will make work interactions much more effective and positive (Charan, 2017). The ability to anticipate what information is likely to be required and help shape a proposal is much easier if a professional anticipates the needs of their "internal customer".

Team working

The use of teams in the workplace has moved from being common to unavoidable. A few professions such as lawyers and accountants have more limited engagement with team frameworks but engineers, surveyors and planners interact directly and regularly with others. In this scenario, moving towards a consultancy-type engagement with laypeople can be helpful. This can prove especially

useful in dealing with councillors in a local authority environment if undertaken carefully and appropriately. In working with teams, fundamental issues of: trust, conflict, commitment, accountability, and results, are fundamental issues (Lencioni, 2002). Clear goal setting takes an important role and helps deal with these latter points (Roberts and Finley, 1998). In my view, this emphasises the importance of the appraisal and review process as a mechanism and that it should be taken seriously in the public sector.

Management style

For management it is important to understand the default position of the 'expert' (Rooke and Torbert, 2005). This category makes up the biggest percentage of leaders, hence its importance. "Experts try to exercise control by perfecting their knowledge... As managers they can be problematic because they are so completely sure they are right... When subordinates talk about a my-way or the highway type of boss, they are probably talking about someone operating from an expert action logic... Emotional Intelligence is neither desired nor appreciated" (Rooke and Torbert, 2005). While blunt, it is useful to have such a clear description of the most extreme of this mindset. An interesting association with organisation types can be found in Charles Handy's important book *Understanding Organisations* (Handy, 1999). Not surprisingly, the expert logic comes extremely low down on the transformative capability spectrum (Rooke and Torbert, 2005). It is also a difficult default position to progress and develop upwards.

Mixing it up

Returning to the team itself, understanding the people in a team, a service, or a project team is extremely important to enable it to gel and function effectively. Many people will have worked with someone who helped the atmosphere when they were on holiday! However sometimes a counterintuitive approach and mindset is important. There are 4 main types of personality: analyticals, drivers, amiables, and expressives (Robbins and

Finley, 1998). Each leading trait has its strengths and weaknesses. Approaches to being more effective with each type are relatively easy to duplicate (Robbins and Finley, 1998). For example, with drivers, stick to the point and be efficient in interaction; with expressives be more social and engage their wider needs; for amiables engage them carefully and respectfully and finally, for analyticals, prepare a case and evidence it with due care, details and data.

Maintaining and developing working relationships

All teams, whether full-time or for projects, will have regular meetings, in one form or another. While these can sometimes feel like obligations, they form an important function in bringing together team members in a single setting on a regular basis. As I indicated in an earlier article, the Dunbar number of relationships and Allen curve of contact are important factors (2016/17 Winter Terrier). The traditional monthly meeting in the public sector is still important. However, in all organisations new mechanisms such as 'scrum, sprint and holocracy', to name just 3 types of agile mechanism, are making themselves felt through a ripple effect in every sector.

Conclusion

Effective management is a skill, not a genetic inheritance and like any skill, will develop and improve with practice. A useful exercise is to role play an important or sensitive meeting with a colleague and this can potentially develop greater insight and thinking for each party, particularly if a devil's advocate role is alternately shared. While the above is relatively simple, a brief list of resources is given below, which will be useful at different stages of work and interaction. As managers, senior managers and advisers, it is our responsibility to continually develop ourselves, colleagues and teams. The references and bibliography have been chosen to help professionals and managers at all levels. Hopefully everyone we work with may find this article useful, especially junior colleagues and APC candidates.

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GLOBAL CITIES – TAKEAWAYS FROM THE WORLD BUILT ENVIRONMENT FORUM

Sara Cameron MRICS

Sara has 21 years' experience in the built environment and is currently Norfolk County Council's Commercial Property Surveyor. She is the outgoing Chair of RICS Matrics in Norfolk, an RICS APC Mentor and Counsellor for the commercial property pathway, and is an elected board member of RICS Global Governing Council.

Sara has experience of all aspects of commercial property in both private and public sector management. She also has a strong interest in diversity, inclusion and social mobility, especially encouraging the next generation from the widest talent pool into choosing surveying as a career. She is one of the founding members of the #surveyingsisterhood social media campaign and is taking part in the Sisterhood Summit, hosted by Women in Surveying in July.

Following a presentation to ACES Eastern Branch at its recent meeting, Sarah summarises many of the presentations made at the World Built Environment Forum.

23 and 24 April 2018 saw board members of RICS Governing Council, the UK and Ireland, and the world regional boards come together with around 1,000 land and built environment professionals from 40 different countries, at the 3rd World Built Environment Forum (#WBEF) in London.

The forum facilitates industry-leading discussions harnessing the enormous potential of the 21st century's people and places. It brings innovators and global influencers together in one place with the next generation of top talent and rising stars, to determine the future direction of the built environment.

Key topics

- Data and technology
- Future of the built environment professions
- Markets and geopolitics
- Natural environment
- Urbanisation

[JB Straubel, Tesla](#)



The first day of the summit saw keynote speaker, Tesla Co-Founder and Chief Technology Officer, JB Straubel, shared his insights on 'People, Place and Possibility', highlighting the need for rapid innovation, creative thinking and forward planning. These were key themes recurring throughout the summit.

His presentation led us through the Tesla journey from the inspiration to stop burning fossil fuels in 2003 and covered how they approach innovation to combat the environmental challenge, which meant that Tesla had to change quickly in order to drive technological change, instead of reacting to it.

The key link to the built environment, other than tackling one of the key megatrends of climate change, is fuelling and

infrastructure. Tesla is also researching renewable energy generators – the charging stations are solar powered. Tesla customers get free solar panels set-ups for their homes. What's more, Tesla is giving away the energy for free. The next challenge is how to offer seamless charging in our densely occupied cities. This will need Tesla to work with building owners and city authorities.

From this corporate-led rapid innovation, we went on to hear from global leaders and learn what they are doing now to deliver smarter, networked, liveable cities.

[Valerie Shawcross OBE, Deputy Mayor \(Transport\) Greater London Authority](#)

On the day that the statue of Millicent

Fawcett was unveiled at Parliament Square just in front of the headquarters of the RICS, Valerie took a few moments to discuss the centenary of women winning the right to vote. This was both inspirational and timely, considering the ongoing discussion and call to action to improve diversity and inclusion in our profession. This struck a chord with me, not just as one of the 14% RICS members who are woman, but because I and other surveyors are seeing words become actions. The #surveyingsisterhood was taking its first proper steps at the time of the #WBEF, to build a social media campaign that has inclusion and support for the surveying profession. The sisterhood isn't a gender-only issue: it is about being a sister to all. Supporting each of us in our training, work, lives and wellbeing.

Wellbeing is at the heart of the Mayor's Transport for London Strategy. Valerie's presentation highlighted the key themes of the 25-year plan for transport development. It is a bold vision for a growing city, putting health at the heart of it with a healthy streets approach [Ed – see article by Lucy Saunders in 2018 Spring Terrier]. Specific projects include the Elizabeth and Bakerloo line improvements, but also encourage active transport with improved walking and cycling routes as alternatives to car use. Improved connectivity and liveable neighbourhoods would result.

The strategy aims to increase by 2041 the number of trips by foot or cycle to 80% (60% currently), an ambitious goal, which in turn would turn the tide in children's low activity levels; getting around by foot or cycle would become the norm. Coupled with improvements to public transport – good service, good disability access and easy tickets – would create a more sustainable urban mobility model.

Following from developments to create sustainable urban mobility, new housing development will follow, with transport at its heart. The Mayor's London Plan follows the Transport Strategy.

[Maria Vassilakou – Vice Mayor and Vice Governor, City of Vienna](#)

Vienna has been ranked the number 1

city for quality of life. With a growing population soon to exceed 2 million and rapid growth, the Austrian state's ability to invest and develop new urban affordable living was an inspirational case study to explore.

The city is highly affordable, with around 62% affordable housing. Public transport is the backbone of mobility and the city leadership took the decision to make public transport highly affordable too, with annual tickets amounting to 365 euros a year – imagine that, catching all the buses or trains you need for 1 euro a day? They now have more annual card holders than car owners.

This bold decision-making started from the legacy of rebuilding after WW2 and is part of a conscious drive to make better urban living conditions. Maria said that it is about creating cities that are good for children because they will be good for everyone else. With many couples and families relocating to the suburbs because they felt safer, the city leadership had to be creative and determined to provide the same safety in urban living. Once again, examples of increasing walkability throughout the urban areas, turning main streets into non-car shared spaces started to create great places to spend outdoors with children. The city is investing in 1,400km of cycling route with an aim for 70% of all trips to be on cycles.

[Ingela Lindh – Chief Executive, City of Stockholm](#)

Stockholm is one of the fastest growing cities in Europe. With a solid economy and low unemployment and an average number of 4 children per family, it is a city of diverse needs. When you grow old you cost a lot of money; when you are between 20 to 65 years old you have to pay for the old and young alike. The city needs to be able to support everyone that needs to work and contribute to keep everyone looked after. The city also needs day care – a really good day care system that supports families, and enables them to decide how and when parents can return to work.

Ingela also spoke about the need for

connectivity – Stockholm has the largest open fibre network and ensures free and fair access for all: 99.4% of people have access to broadband; 90% of children are browsing the internet. This digital infrastructure creates business start-up opportunities and creates a sustainable, open city for all.

[Nicola Yates – Future Cities Catapult](#)

Nicola brought the presentations to a close, summarising some of the common future city agendas she has been involved with. Cities are often shaped by the past – we are a product of what we know and if we always look in the same place, we will always get the same result. By looking at the technology to come, we can start to inform our built environment planning in a new way. Emerging tech such as immersive 5g, driverless cars, drones and AI will transform our urban way of life. How do we design safe streets for driverless cars and drones flying? [Ed – see article on legal issues with drones in this edition of Terrier] How do we ensure connectivity across urban areas when we are using bandwidth for augmented reality and digital layers? What happens to all the data?

Challenges we all face are the impact of congestion, access to affordable housing, climate change, poor air quality and the high levels of stress of commuting. These impact on productivity and wellbeing. These challenges need bold actions such as ciclovia in Bogota – closing main streets and avenues to cars on certain days; Brazil's closure of roads to private traffic; even to the London congestion charge. These are examples of leader decisions that changed things.

How to find out more?

The #WBEF is not just an annual conference. Research and insight are available via the website and discussions are ongoing. Find out more at www.rics.org/uk/wbef

You can follow the #surveyingsisterhood on twitter and find out more about the Sisterhood Summit by searching for Women in Surveying on LinkedIn.

DUNCAN BLACKIE, EASTERN BRANCH Meeting 29 June 2018

Eastern Branch held its Branch CPD Meeting at The Guildhall, Cambridge, hosted by Phil Doggett.

There were 3 presentations:

David Atkinson, Senior Technical Director within the Arcadis Environmental team

David provided an overview of the services provided by Arcadis to clients on brownfield acquisitions and disposals, where assumptions on cost are very often either overstated or unsubstantiated, resulting in poor decisions on costs and programme management. Issues to be considered include future site use, underground structures and contamination (including asbestos) and environmental issues (including birds, bats and newts).

David explained how Arcadis is able to provide clients with assurance by adopting a staged methodology for de-risking sites, comprising: desktop analysis, initial survey, detailed survey, assessment, cost appraisal, and implementation. He illustrated the methodology by reference to case studies, including:

1. A valuable site in London where basements were to be excavated to provide parking. In this case an initial cost estimate of £2m had been provided for remediation of underground asbestos. However, the actual cost came in at £54,000, following an investigation which had cost £60,000
2. A £30-40,000 survey of a Manchester industrial site previously used to manufacture oil pumps was to be developed for housing, and resulted in actual remediation costs of circa £1.3m against initial estimates of £3-4m

3. A West Midlands industrial site, previously used for manufacture of electrical goods and equipment. The site was earmarked for commercial uses and high solvent concentrations were found in the groundwater, with a number of sensitive receptors being nearby. Initial estimates had suggested that costs, including site clearance, could range from £6-10m. Detailed analysis and pilot tests were undertaken following engagement with regulators. Investment in a methodological approach at a cost of £100,000 resulted in actual costs of £3m and regulatory approval.

[Ed – see the case study article of ground remediation by James Lemon of Arcadis in 2017 Summer Terrier].

Sara Cameron, Member of RICS Governing Council

Sara's presentation comprised 'takeaways' from the recent World Built Environment Forum, held in Greenwich, London. This was a 2-day summit, billed as the 'Davos of the built environment'. The forum was attended by delegates from 40 countries, including a large delegation from China and many chief executives from industry and commerce [Ed – see Sara's full article in this edition of Terrier].

The keynote speaker was J B Straubel, co-founder of Tesla whose company mission is to stop burning fossil fuels – cars being a by-product of this mission. The most alarming message from Straubel was that if the world community cannot bring CO2 emissions under control within 15 years, it may be too late

Key messages from breakout sessions included:

- Smart cities with strong and good leaders and excellent infrastructure

will be more powerful than many countries

- Vienna has achieved 62% affordable housing and has consistently been voted 'the most liveable city' (it has also capped fares on public transport)
- Clustering to compete will provide competitive advantage; collaboration is often better than competition
- Diversity will spark change and innovation and be a player (not a pray-er or slay-er)
- Issues affecting women in the built environment affect everyone – currently female RICS membership is 14% and is growing (21% at trainee level)
- Data is the new oil, although much is either wasted or collected unnecessarily
- Look east for inspiration as leadership in western economies is increasingly turbulent.

Matt Gardner, Business Director within the Arcadis Environmental team

Matt provided examples of where the Environment team has worked with public sector agencies to de-risk land and property earmarked for disposal. These included Network Rail (a commercial portfolio of 6,500 properties which has now been put up for sale), Transport for London, and Manchester City Council.

The team has also worked extensively with Homes England (HE), having undertaken a full range of stage 1 (desk top) surveys to appraise surplus land held by government departments and agencies. Matt explained that departments have been set targets to release land for homes and jobs; HE has been set targets to deliver homes.

Arcadis has also recently provided support for the accelerated construction programme, having evaluated 50 sites to stage 1 level in 2017.

Lessons learnt, from involvement in the growth programme, include the following:

- The most significant programme issues tend to be ecology and historic environment
- The most significant cost issues tend to relate to ground conditions and utilities, water and drainage in particular.

The meeting closed at 13:00 and provided 3 hours of formal CPD. The next branch meeting will be held at Downing College Cambridge on 21 September, following the National Conference on 20 September.

THUSO SELELO, SOUTH EAST BRANCH

Crystal ball gazing in Dorking: branch meeting on 26 June 2018

Prior to the South East Branch meeting in Dorking, members and officers of Mole Valley District Council were given a macro economics update from John Percy of Cushman & Wakefield before he provided his assessment of the property market and where it might go. This included how issues such as the car and computers had influenced the market and how artificial intelligence was set to be the next wave of innovation, with significant property implications. He looked at the impact of automation on logistics and the changing face of retail in the wake of one of the most difficult years for occupiers and retail investors.

Our host, Alison Woolgar, has engaged John to advise Mole Valley in relation to remodelling a shopping centre in Leatherhead, so he also considered his predications in this context.

In the branch meeting, our focus included the up and coming ACES national business plan and those in attendance were keen to give the chair and ACES Vice President their thoughts, particularly on how to engage with younger local authority surveyors.

Other extensively debated topics were how authorities were working with

One Public Estate and the investment strategies that different authorities were delivering in practice. [Ed – see investment case studies in this edition of Terrier].

It was also agreed that our next gathering on 25 September in Chichester would start earlier to allow for more CPD content and that November's meeting would look at the regeneration of Bracknell Town Centre.

Other interest areas



This is David's first foray into what could become a regular series of 'Surveying Talks'.

SURVEYING TALK

Dr David Garnett

David is a university teacher and researcher who has written extensively on housing policy and social justice and has acted as a consultant to a number of housing organisations in the UK and overseas. He has spent most of his working life in the field of the built environment, specialising in housing economics and finance. He has acted as chairman to a number of community organisations, including 2 housing associations.

Dr Garnett is a Fellow of the Chartered Institute of Housing and author of 'The A – Z of Housing' published by Macmillan Education. His latest book, 'Dysfunctional Discourse: How and Why People Justify Bad Ideas', is due to be published in 2019.

He likes cricket and amuses himself by writing awful doggerel verse with obvious rhymes and dreadful puns. david.garnett@btinternet.com

How it all began

Some 25 years ago I became an etymologist. At the time I was teaching

economics and finance to built environment students. I remember preparing a lecture on housing subsidies when the thought struck me: there must be a linguistic relationship between my

topic of the day – 'subsidies' - and the notion of 'subsidence'. It occurred to me that drawing attention to this could provide an attention-grabbing way of introducing this section of the syllabus.



After all, housing finance is not the liveliest of subjects and my audience comprised housing and surveying students who are likely to regard 'subsidence' as a more cracking topic than fiscal arrangements. A little bit of investigation unravelled a fascinating story about ancient battles, international relations and the emerging role of the modern state.

Most people know that the prefix "sub" comes from the Latin meaning beneath, below, under - as in subterranean (beneath the earth), submarine (an underwater vessel), substandard (below standard), etc. It would therefore seem to follow that subsidence must refer to something occurring below something or other. But clearly 'sidence' is not a synonym for 'a building' - indeed, in English it is not a word at all. It is derived from the Latin *sidere* meaning 'to settle' (related to *sedere* ('to sit')). So, etymologically speaking, it must mean 'settling down beneath'. So far so good; however, digging a little deeper (so to speak) reveals the original foundations of the relationship between the notions of 'subsidence' and 'subsidy'.

The word 'subsidy' comes from the Latin *subsidiium*, a word that originally referred to troops stationed in reserve

in the third line of battle who stood ready to provide 'assistance' if and when needed. The front-line troops would be at the battle front; the second-line troops would be the reserves that could be quickly called upon to support the front-line; and well behind the battle front would be the third-line troops - the auxiliaries or *subsidiium* - who were settled down away from the action but ready and waiting to 'assist'. In the mid-17th century, the noun *subsidiium* was used by the educated when referring to someone who was a helper-out - someone who could be relied upon to give you assistance if and when needed. It was also commonly used to refer to what we would today refer to as a "builder's mate" - or as then - the "under-fellow".

From its application to an actual body of soldiers, it came to be applied to a sum of money paid by one prince or nation to another to purchase the services of back-up support troops. By the late-17th century, this notion of a *subsidiium* being a 'support by payment' - an allowance paid by one country to another - was commonly used in legal and parliamentary papers. It was then gradually used more generally to mean extraordinary aid in money rendered by subjects to the state, usually to pay for

wars. By the time Victoria had ascended to the throne, the Latin term *subsidiium* had been transmuted into the more anglicised 'subsidy'. It was then further extended to refer to a sum of money granted by the state or a public body to help an industry or business to keep prices down, or to aid an undertaking held to be in the public interest. Finally, its use was fully generalised to its current meaning of a monetary sum transferred from one individual or organisation to support the functioning of another.

In recent years there has been a tendency to replace the word 'subsidy' with other terms such as 'grant' or 'donation' when referring to a supportive money transfer. This has left the way open to give the notion of subsidy a more focused technical meaning derived from economic theory. In market theory, a subsidy is said to exist if a good or service is sold below its market price. Thus the market uses the term 'economic subsidy' to describe a deficit between the price that is actually charged for a good or service and the higher price that would have been charged. The idea here is that if a good or service is sold at a price that fails to cover its costs of production, including profit, the consumer is said to be enjoying an 'economic subsidy'.

Buried in the vocabulary we use as land professionals lie fascinating stories, unexpected linkages and clues to our cultural prejudices. Did you know that a 'storey' in a building is linked to the idea of a 'story' in a book or ballad? Do you know why the word 'debt' contains the letter 'b'? Was Thomas Crapper's name really used as a euphemism for a lavatory?

These and many more questions will be addressed in subsequent editions of the Terrier.



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WEAPON OF CHOICE

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://davidlewisvogson.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. Please accept that the stories, all names, characters and incidents portrayed are fictitious and are views expressed by the author, not those of ACES. No identification with actual persons (living or deceased), places, buildings, and products is intended or should be inferred. Also, occasional historical background details may have been changed to fit the chronology. Enjoyment of these stories will be enhanced if they are read in order from the beginning. The first one, 'The Final Vote' was published in 2017/18 Winter Terrier.

'I need your advice please ... but we haven't had this conversation ... right?' was how she had started their last meeting some 3 months earlier.

Now, at the end of summer she was saying,

'Things have moved on quite significantly, in a surprising direction, and I want to tell you all about it.'

Selwyn leaned back against his chair, took a sip of his wine and smiled at Farah. She was drinking water but that wasn't unusual. She never drank alcohol because of her religion. It was quiet and private in his back garden; the sun was shining and they had all afternoon to talk. She had been a good choice to succeed him as property manager for Herdwick District Council when he'd taken early retirement. She'd become his trainee after leaving university and now in her mid-30s she was a skilled surveyor and manager and he'd recommended her for the promotion when the time had come for him to leave.

'I hope that you'll be pleased with my decision.'

Selwyn thought back to that previous meeting. She'd continued that earlier conversation with:

'Remember years ago when you had a similar problem when you were the manager? You disappeared for a week and then the problem was magically resolved. You never said anything about it to anyone. Now I appear to have an almost identical situation.'

'I'm happy to help. I can only tell you what I did then. You'll have to judge what use that you can make of the advice. All the top brass has changed over time so it's not likely that there's anyone left who will remember any of the details of what happened with me.'

'So what did you do?'

'It was a few years before I took early retirement. The council had to make savings on its overheads. Staff salaries were the preferred target. The maintenance budget had been enhanced to deal with the backlog and the minor works programme had actually been increased, so property services had more work to handle than in any previous year on record, so I needed all the staff that I could get.'

The estates section was fully staffed. However, in the building surveying section, the senior building surveyor had left and another building surveyor was working his notice so that section would soon be down to 50% of its staffing levels just as the workload was expanding. Normally by then I'd have been advertising but there was a blanket freeze on recruitment across the whole council, regardless of need. I couldn't swap estates surveyors onto building surveying work as it was a different skill-set. So, in a nutshell, I needed to recruit at least one full-time replacement building surveyor even to limp along for 12 months.

At that time the property group was part of central services so there was no director above me. I answered directly to the chief executive. He was not really up to the job. He'd been appointed when the old chief executive had been allowed to take early retirement, as they all seem to do in my experience. The Members were bent on ringing the changes, so they asked human resources to commission a set of headhunters to identify candidates with fresh ideas from outside the industry. You know the theory - that a manager doesn't need to have any kind of specialist qualification and that anyone with an MBA can

manage professionals. It's madness I know, but that was the thinking at the time.

Anyway, that had been when the national economy had been doing well so they only received applications from second rate candidates because at that time, salaries outside local government were so much better. In short, they ended up picking a guy who, even if I'm being generous, could only be described as the best of a bad bunch. Common sense should have told them that anyone coming from a high salary in industry to a backwater council in the North West was running away from something rather than bettering himself. He was bound to be a failure.

We soon found out why he was running. In my experience most chief executives, especially the solicitors, were clever and ruthless; that's how they got the top job. This guy wasn't either. He wanted to be everyone's friend and went out of his way to avoid confrontation. So every decision that he made was a fudge.

I don't know why it is but, in my lengthy career, I'd noticed that every time we got a new CEO, the first thing they did was to reorganise the council structure, whether it needed it or not. It's like they can't leave well alone and have to change things just to be seen to be doing something. Anyway, he'd taken out a few volunteers for redundancy or early retirement. That way he didn't have to face the difficult decision about compulsory redundancies.

But that hadn't produced enough savings and it all came to a head when he had to respond to the Members' call for more reductions to the salary bill as the government squeeze tightened. He couldn't do another reorganisation or it would look like his first one was a failure. So, again to avoid upsetting anyone, he persuaded the Members that a blanket freeze on recruitment regardless of need – natural wastage as people left and were not replaced - would be the most effective policy. That suited the existing staff and the unions but turned out to be completely insane as it failed to take into account the particular needs of any service group.

The CEO wouldn't listen to me when I raised the problem of staff resources. His answer was that I should prioritise the work, deal only with what was important and let the rest slide. That was all very well for him to say, but it was going to be me that would have to answer to the councillors for the failure to maintain the properties. Any surveyor will tell you that if you neglect maintenance it only increases the work and stacks up the cost for the future.

He thought that surveyors within the property group could be swapped around from estates to building surveying as and when the need arose to meet workload pressures. I needed to get him to make an exception for me and I needed a weapon to use against him: I had to exploit his weakness.

As his policy applied equally across the whole of the council regardless of circumstances, I couldn't claim discrimination by race, gender or religion, nor disability or harassment. The only option open to me seemed to be health, more particularly, stress. You may want to examine if any of the other options better apply to your particular circumstances.

I knew that the last step of his council-wide reorganisation was about to be implemented and that involved changes within the direct works department. The volunteers would go as planned so there was more than a possibility of staff with a construction-related background being considered as surplus to requirements. I had to find a way of putting the CEO under enough personal pressure that he might decide to steer one of them into property services instead of letting them go. Of course, he wouldn't hear of it.

I'd already put my request to recruit in writing. I'd explained the problems and the risks and laid it on thick – public safety, danger to staff and contractors, closure of public buildings and escalating costs for the future if we didn't carry out the maintenance. Then I followed it up with a memo directly to him but copied to HR and with a printed copy that I took home with me for safe-keeping. That memo would ensure that I had a defence if it all went wrong.

The memo set out the situation, repeated my request, spelt out the risks again and then became much more personal – it was a formal notice of complaint directed at him as my line manager. I pointed out that the situation was having an adverse effect on my health. In effect I was putting forward an allegation of stress caused by his personal failure to provide me with the resources necessary to do my job and thus protect my health. It was a gamble and it required me to put on a convincing act.

He called me to his office for a meeting and I made sure that HR and the union were represented as I needed witnesses for the record. He was clearly shocked but he didn't want to fall out with me. He'd never had a memo like mine in his entire career. He said he wasn't aware things had got so bad. He asked why I hadn't said anything before now. I kept my answers as short as possible – 'I have told you before'; 'You don't listen' etc. I was arguing that a blanket ban on recruitment regardless of circumstances was discriminatory on health grounds because it couldn't apply equally in practice unless every group had the same number of vacancies.

At the end of the meeting he said that if it was affecting my health then I'd better take some time off and seek some medical help. That was fine by me. I pointed out that my absence would only make things worse for the others, so he should expect them to suffer too. I immediately went home on sick leave. I know it sounds cynical but stress is the new backache – it's easy to fake, very hard to disprove and I was pretty sure that I could convince a doctor that I was suffering from it in a serious way. I didn't feel good about it or proud of myself but it was a necessary means to an end and I had run out of alternatives. He had all the power and all I had was the choice of weapon.

I sat at home for a week and during that time he must have discussed it with the other directors, and HR and the council's solicitor and decided that he was in a weak position legally if it all ended up in a tribunal. I knew that he would feel bad about me personally as he wanted to be everybody's friend.

In the event, as you know, you were the one that delivered his message to call me back in for another chat. He asked me if it would help if he was to arrange to transfer a surveyor from the direct works department to property services. The individual had a building qualification, experience of the ordering system, estimating, supervising of contractors and signing off work. He was a specialist on roadworks so could easily manage our car park repairs, re-linings and resurfacings and manage simpler buildings like the public conveniences and parks structures, until we trained him up for the more complex structures like the swimming pools and the office buildings.

I knew that I wasn't going to get a better offer – there was a limit even to what the CEO could do – but I could limp along with 3 out of 4 staff. Anyway, it worked. However, I don't recommend that you do this, or anything like it, without studying the problem, weighing up the risks and calculating the odds of success. I was fed up with being messed about by a manager who couldn't do his job well but thought that he knew how to do mine better than me. Maybe I was a bit stressed, at least enough to consider desperate measures, but, let's face it, my actions carried the least risk of any option for me. I could sit at home, perfectly justified on sick leave for 6 months on full pay, let him worry about the consequences and come back no worse off whenever I'd played my hand to its limit. After all, if I was ill, any disasters that arose in the meantime would have been his responsibility to explain to the councillors. He only lasted another 12 months. His next initiative was also a cock-up and a package was arranged to encourage him to move on.

You do have one other option. You can always look for another surveying job and cite the policy in your exit interview. It might help your successor.'

She'd thanked me for my advice and had left looking like I'd given her plenty to think about.

'After our last meeting I did everything that you said. I studied the problem,

compared our situations and then talked it over with my husband. However, an alternative presented itself that you'd not mentioned and that became the best option for me.'

'Has it worked out?'

'Well it seems to be going according to plan.'

Selwyn took another sip of his wine while she continued.

'You know that Sadiq, my husband, is an IT specialist and works for himself, mostly from home? His business is doing so well that he needs to take on staff. I'm going to work with him. Also, we'd put off having a family when we were younger until we got sorted financially. Well, now I'm pregnant. I didn't know it when I last saw you. So, I can take on his admin, accounts, invoicing and marketing, run his diary and look after the baby from home while he keeps the clients happy. I'm taking the basic maternity leave but I won't be returning afterwards. No-one else knows about it apart from him.'

'Congratulations. I'm really pleased for you. By the way, I know you. You can be a bit too honest for your own good sometimes. Maybe you should ignore my advice about the exit interview. You never know, you might want to work for the council again when the baby is older. The way things are going nationally with the shortage of valuers, it wouldn't surprise me if there are regular vacancies again in the future.'

'That's a good point. Anyway, I hope that you don't think that I'm being disloyal by jumping ship. You've done so much for me and my career. You've always promoted public service as a worthwhile occupation to your staff, giving something back to the community, defending the public against grasping free enterprise, getting the best out of the property assets for the public good.'

'Are you crazy? While I still believe in those values, local government has changed beyond all recognition since I came into public service. Loyalty has to work both ways. We've always had

lower salaries, no company cars, poorer expenses than the private sector but the reasonable hours and the pension scheme made up for some of it. Now we have constant reorganisations where you have to keep reapplying for your own job, too much work, not enough staff, pay freezes, attacks on expenses and chipping away at the pension scheme. Constant cuts make it almost impossible to do the job and, anyway, the government believes that the private sector can do it better, even though we know that they're wrong. If it doesn't work out, you can come back in the future if you want to, when your family circumstances allow it.'

Selwyn noted the smile of relief on her face. Farah had obviously been concerned about telling him. *'And if she doesn't come back then once again it will be local government's loss. When will they ever learn?'* he thought.

ESTATES GAZETTES OF YESTERYEAR

Betty Albon, ACES Editor

In 2018 Spring Terrier I featured some interesting extracts from Estate Gazettes of yesteryear. I inherited from my mentor volumes of bound 1960s through to 1980s Estates Gazettes. There wasn't room for all the gems in the last edition of Terrier, so here are some other short pieces worth sharing. What is obvious is that "plus ça change, plus c'est la même chose".

EG 11 December 1965

It is an undoubted and unfortunate fact that we are short of valuers. No doubt part of the shortage stems from a poor public image which has failed generally to prove attractive to the "right sort" of young man [Ed – ahem!].

EG 1 January 1966

The publication of the Bill on the Land Commission is obviously imminent.... My object of my writing is to express the hope that the Chartered Societies' Joint Committee may perhaps be prepared to reconsider membership of any working party set up to consider the Bill.... The membership of the 3 Societies is, of course, not drawn entirely from private practice.... I wonder how it was, therefore, that the working party dealing with the White Paper included not one member in the public service: coincidence I hope.... There were a number of technical issues in the White Paper affecting land publicly owned which needed clarification....they could, in my view should, have been included in the Joint Societies' Memorandum. [Letter to EG regarding the Land Commission, from Kenneth Blessley (ALAVES' President 1963 and 1973)].

EG 19 February 1966

The desire for natural light within buildings stems from a reaction to the dark, forbidding buildings of previous generations, but recent advances in the techniques of artificial lighting, central heating and air conditioning now mean that the only real purpose of having windows is to enable people to admire the view – and even this aspect, as far as workplaces are concerned, might be considered to be unnecessary.



EG 23 April 1966

When the microphone was first invented it was a large, unwieldy instrument. The smaller it gets, the more sinister its possible uses become. It is now possible, for example, to secrete a microphone in a man's cuff-links [Ed - !!].

EG 7 May 1966

[Auction] comes from the Latin "aucto", to increase, which of course is what the auctioneer, unless he happens to be Dutch, hopes that the bids will.

EG 21 May 1966

The preservation of the historic centres of towns and cities is usually an expensive alternative to redevelopment. This may seem obvious, but successive Housing Ministers....have repeatedly failed to provide the means by which preservation becomes a workable alternative to redevelopment. Mr Richard Crossman, the present Housing Minister, has grasped this point, however, and those who do not want to see historic city centres needlessly

destroyed, and that must include practically everyone, should be grateful to him.

EG 28 May 1966

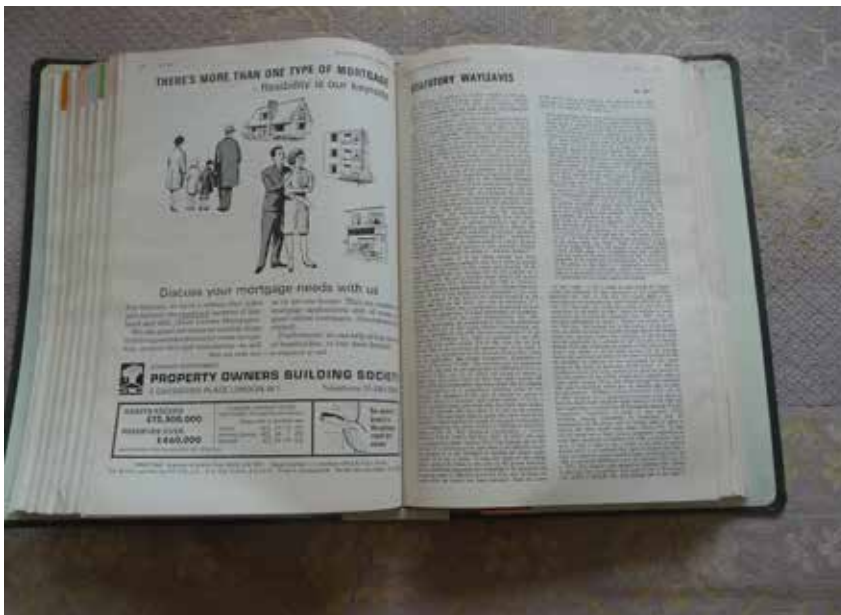
....a property developer was fined £100 by the Solihull magistrate for demolishing....an historic 14th century manor house which was the subject of a preservation order. Imposing the maximum penalty for the offence, under the Town and Country Planning Act 1962....described as probably the county's most perfect example of a half-timbered hall...."strained relations" with council officials led him to demolish the hall.

EG 4 June 1966

The poisoning of honeybees as a result of the use of chemical pest control sprays on growing crops is an old problem for which a long-term solution has yet to be found.

EG 6 August 1966

There are nearly 90,000 buildings in Britain which are listed as being of



historic and architectural interest and for the past 8 years they have been legally destroyed at the rate of more than one a day.

EG 6 August 1966

May I....make the obvious statement that in an Association of this kind there must inevitably be a wide range of opinion on the contentious subject of compensation, because each of us will have political and professional views on the basic principles involved. Moreover, the authorities which we represent have differing policies towards those fundamental issues and to some extent our own approach does become coloured by their policies. [Report on a paper by Kenneth Blessley, Valuer to the GLC, at a meeting of ALAVES on 23 June at the City of London Guildhall].

EG 1 October 1966

One snag about setting up a Royal Commission [Chair Sir John Maude] is that its existence is used as an excuse for not taking any action. Thus the Royal Commission on Local Government already appears to be having a stultifying effect on even the most minor reforms which local authorities could undertake in advance of the Commission's findings.....increase efficiency....within their existing framework....Grimsby BC has been able to cut spending by nearly £43,000 in 44 weeks by means of work study and bonus incentives.

EG 19 November 1966

It has been well said that no one learns anything from history except the fact that no one learns anything from history.

EG 14 January 1967

Even today, when mass communication has reached so advanced a level, we still suffer from false information [Ed – did he mean 'fake news'?).

EG 28 January 1967

The Minister of Housing and Local Government told the conference that he could see little sign that private builders putting up houses for sale would employ system building on a large scale in the next few years. It followed, therefore, that the 100,000 system-built houses expected to be erected by 1970 would have to be found almost entirely in the public sector, so that by then perhaps 40% of all public sector housebuilding would be by one kind of industrial system or another.

EG 25 February 1967

The sale of council houses is now being used as a plank by the Conservatives in their attempt to gain control of the Greater London Council and by advocating this policy they may well claim quite a lot of votes.

EG 20 May 1967

"We believe the Land Commission Act is a measure which historians in the future will judge as one of those strokes of British genius which strike that balance and which I believe is still envied by thinking people in other free countries." Sir Henry Wells, Chairman of the Land Commission, addressing the OGM of the RICS [Ed – 'balance' is defined here as the freedom of the individual and the needs of the nation].

EG 27 May 1967

.....the government should review with trade and industry the possibility of limiting any excessive use of packaging.

EG 3 June 1967

One of the government's targets is to achieve 250,000 houses in the public sector by 1970. It is a target they will be extra keen to reach, even if it means slowing down the private housebuilding programme.

EG 29 July 1967

The question of quality v quantity leads on to what was probably the principal conclusion to be drawn from the conference: the folly of pouring all our building resources into new houses and flats while continuing to neglect the enormous stock of good, sound houses already in existence. [Report of the RIBA conference on housing, talking about the government target of 500,000 p.a.].

EG 26 August 1967

During the past decade salaries and wages have risen by about 72%. During the same period the average price of new and existing houses has risen by about 82%. By 1966 the average price of a new house had jumped to £4,097.

EG 2 September 1967

Finally we come to the problem of controls in every walk of life. Nothing can be done without the most tedious and cumbersome administrative process.... The only cure for a 'bad control' would appear to be another one. Does no one ever consider how many controls could properly be dispensed with?



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