

Reducing Operational Cost



The requirement for government departments to reduce costs and to actively manage their estate is now essential policy and a key part of the High Performing Property Initiative (HPP).

The OGC property benchmarking service process seeks to provide a consistent method of measuring estate performance on building by building basis, and from 1 April 2008 agencies occupying more than 500 sq m of office accommodation were required to participate in the service on an annual basis.

GVA Grimley was reappointed to the Buying Solutions Estates Professional Services Framework in 2008 and has a wealth of experience in advising the public sector on property issues. We have developed some practical steps to help measure the efficiency of a property estate and we are currently helping a number of departments to meet the requirements of the HPP, such that:

“It is recognised that good quality consistent data is essential to inform effective property asset management.”

Maintaining the accuracy of lease information is the most important task to ensure consistent property data and efficient performance management.

In our experience lease data can be either missing or incorrect, and this can cause a wide range of issues, including:

- Inaccurate data being reported into benchmarking databases.
- Missed notification of lease events – break options or expiries. These are often contractual provisions that once missed cannot be retrieved.
- Action taken such as repairs, may be the landlord's liability under the lease.
- Proposed asset management initiatives may not be permitted under the terms of the lease, or may require landlord's consent.

GVA Grimley can undertake a full lease audit and can help to overcome such issues by providing:

- A detailed schedule of the lease documents for every occupied unit.
- An electronic file or disk with a scanned copy of the current lease documents for every occupied unit.

- A detailed summary of key lease terms, i.e. length of lease, rent reviews, breaks, repair, alienation, insurance and service charge provisions where applicable.
- A report to compare core data, e.g. rents payable, outstanding reviews or renewals, current insurance premiums and service charges.
- An exception report to highlight any onerous obligations or positive opportunities with proposed asset initiatives to reduce risk, enhance cost savings or add value.

GVA Grimley, has developed an intranet product "Datapoint", which enables our clients to view their property data and report on line through a secure web portal. The system is able to store a wide range of data relating to each property, and also an instruction schedule for asset management initiatives. The product is held in a highly secure environment and different levels of access can be provided to the client, and other professional advisers. We have specifically tailored the output reports in a format that can be used and uploaded into the EPIMS system and for use in the OGC benchmarking process or other initiatives.

From the lease audit we specifically look to identify those lease liabilities that have a significant effect on total costs of property occupation. These are rents, rates, insurance and service charge payments. In our experience the variable nature of service charge levels gives an immediate opportunity to reduce operation costs

Service Charge Consultancy

As part of our role in reducing operational costs we have been able to achieve significant savings for our clients by challenging the service charge costs in multi-let properties. GVA Grimley will initiate a project that establishes:

- A full review of invoices received for the relevant period.
- An analysis of lease documentation to establish the tenant's obligation to pay and the landlord's ability to recover.
- Correspondence and negotiation with landlords and their advisers.
- Liaison with client's solicitors as necessary on any legal challenges.



GVA Grimley is able to identify potential savings in a number of ways:

- Administration errors caused by input error; duplicate charges or addition and apportionment errors.
- The different interpretation of lease clauses such as the consideration of a repair cost versus that of a renewal or improvement.
- Analysis of the landlord's contribution to any void parts, the basis of apportionment and the basis of budget preparation.
- The operation and administration of sinking funds.
- A level of costs based on "best value", benchmarking against industry standard data such as OSCAR or our own independent data.
- A challenge to the competitive tendering of service provision, and procurement policy.
- An audit to ensure compliance with Statutory and Industry Standards – The RICS Service Charge Code of Conduct launched on 1 April 2007 provides guidance to practitioners in property in the areas of service charges.

Savings achieved can be shared between GVA Grimley and client, enabling clients to appoint us at low base cost.

For further information, please contact:

John Jones
London
john.jones@gvagrimley.co.uk

Chris Hipkiss
Birmingham
christopher.hipkiss@gvagrimley.co.uk

Jonathan Gould
Bristol
jonathan.gould@gvagrimley.co.uk

Jacqueline Flatley
Manchester
jacqueline.flatley@gvagrimley.co.uk

Shirley Emery
Leeds
shirley.emery@gvagrimley.co.uk

Diane Kerr
Scotland
diane.kerr@gvagrimley.co.uk

www.gvagrimley.co.uk

08449 02 03 04