



EFFICIENCIES FAVOUR THE BRAVE **- The Public Sector in 2012**



2011 has been quite a year, with change being the only constant, but we have seen public sector organisations embracing innovation and improving outcomes for communities with much, much less. This has been inspiring, but with more instability on the cards in 2012, it is vital this dynamism continues.

They say fortune favours the brave but for the modern public sector organisation fortune equates to efficiencies. Those who effectively engage with the private sector, make bold decisions and communicate clearly with their communities are likely to secure savings in the right areas; enabling them to protect jobs, improve services and encourage economic growth. Built assets have a vital part to play in this process.

In this paper, our public sector experts consider the year ahead and what it means for you. If you would like to discuss any of the issues raised in more detail, please do get in touch.

Graham Kean, Head of Public



Local Government

BILL GREEN

“In 2012 there will be a continuing drive to actually realise the level of savings committed and unlock specific practical issues to get the benefits. However, as Government seeks to foster economic growth, local authorities will also have to find ways to champion this agenda. The challenge for officers is that competent budget management is no longer enough. Local people now want positive contributions to economic wellbeing as well, whilst remaining hyper-sensitive to publicity over any investment misjudgements.

In reality there is a shrinking window of opportunity for transformation. In my opinion, 2012 is the year to be bold and implement decisions whilst people are still open to radical change. Those organisations which move quickly will benefit from the limited tools the Government has committed around new funding and freedoms.”



Affordable Housing

REBECCA BENNETT CASSERLY

“2011 was one of the toughest years in decades for the affordable housing sector and there is still much to adapt to. On the positive side, by 2012 all of the Affordable Homes Programme 2011 - 2015 contracts will be signed and the uncertainty of the new affordable housing supply model will hopefully lift. Providers should therefore get into some stride in getting their programmes underway. The impact of welfare reform will also start to be understood and providers will be able to better plan to accommodate the risks and opportunities it presents.

We will see more providers strategically reviewing their finances and future finance options and understanding loan re-pricing risk like never before. This will, in turn, impact on the longer term aspirations to develop new homes and curtail growth and new business strategies. This will demand much more innovative solutions, which will be explored by those brave enough and whom have the strength of understanding within their more commercially minded boards. Indeed, I predict a number of providers reviewing their entire operating model for efficiencies in lieu of “siloistic” measures to reduce costs that have unintended consequences.

The new planning framework within the Localism Act will be launched in April 2012 and, with support from the new Housing Strategy, house builders and developers will enjoy a lot of support to get Britain building houses for first time buyers. However, I would also like to see the Government address movement in the second hand housing market, as continued inertia will stifle wider growth, mobility and access to work.”



Health

KAREN PROSSER

“The Health Bill will continue to have a stormy ride but will eventually be passed in a watered down form which will reduce its impact on how the operation of the NHS changes. It will not however, alter the need for the NHS to save money.

Capital spend will continue to be slow with the P21+ framework looking to deliver minor schemes. Major schemes for foundation trusts may begin to be undertaken under LABVs, with trusts looking at how they can get external investment or use disposal of assets to enable them to upgrade, improve or grow their assets.

The focus will intensify on reducing operational costs with the QIPP agenda covering both asset and service efficiency much more strongly than it has done in the past. Outsourcing of support services is one way of delivering better value operating costs and with the changes to TUPE regulations assisting affordability, it may become more popular. This may add to the unrest with the Unions but given the need to make operational savings to focus spend on clinical services, it is one which the Government will have no option but to push through.

We will also see the new PPP/PFI model beginning to emerge based on some of the lessons learnt around the current review, although I believe investors will turn away from the UK, preferring to operate in the more active markets of Asia and the Middle East.”



Education

SIMON LUCAS

“The biggest single issue will be that of the austerity drive and the associated cuts to public expenditure. Education will, as a key policy area, fare better than many areas of public expenditure but we will see reduced capital spend in the schools sector as well as rationalisation and review of provision (and thus assets) in higher and further education.

We will therefore see a clear focus centred on the more-for-less agenda, although there is a need to maintain quality - doing it as cheaply as possible is not necessarily going to provide a sustainable solution and could lead to major lifecycle costs in the future. Possible solutions include a programme approach and/or modular approach.

In schools, and for local authorities, the key areas of focus will be on Basic Need and the condition of buildings. New funding (£1.3 billion plus a further £600 million announced in the Autumn Statement) is still not enough to meet an unprecedented rise in demand for places. We don't yet know how this will play through to future funding allocations. The Priority Schools Building Programme, dependent on private finance, is only just starting and we have yet to see how funders will react to the project bundle sizes once available.

For the Higher Education sector in particular, the current situation is a real opportunity to get to grips with estates rationalisation, operational costs and different operating models.”



Central Government

ALAN KEMP

“Government has stated it wants to promote growth through supporting businesses in the UK. It also intends to push forward with efficiency programmes. We will therefore see movement towards a smaller, leaner and more integrated civil service.

Budgets will be reduced but there will still be funds available to “spend to save” if the outcomes are clear and the pay-back relatively short-term. Central Government still has too much property and under-utilises its space, this is an obvious area for efficiency and should encourage strategic property decision-making and the implementation of workplace optimisation programmes. Practically this will lead to disposals and breaking leases early; departments sharing buildings; and improved technology, such as cloud computing.

We will also see the rise of collaborative procurement to support business and promote growth, particularly amongst SMEs. This will involve greater visibility of contracts and a reduction of red-tape.”

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