

**PROPERTY MANAGEMENT IN ENGLISH LOCAL AUTHORITIES:  
A CORPORATE APPROACH TO THE MANAGEMENT  
OF OPERATIONAL PROPERTY**

Thesis submitted in accordance with the requirements of the University  
of Liverpool for the degree of Doctor in Philosophy

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July 1994

## Acknowledgement

I am extremely grateful to my research supervisor Dr. David Massey for his constructive and valuable guidance during the whole duration of my study, especially for reading, commenting and correcting various drafts of the thesis in detail. I have also benefitted from the advice of Ms. Sue Kidd and Mr. Allen Booker who as members of my research Supervisory Committee helped me in developing the research framework, in designing questionnaires, and, in commenting on the results of my study.

Mr. I. Toseland (Liverpool City Council), Mr. M. Irvine (Liverpool City Council), Mr. I. McLaren (St. Helens Metropolitan District Council), Mr. T. Simpson (Wirral Metropolitan District Council), Mr. J. Boughey (Liverpool John Moores University), Ms. V. Gibson (Reading University), and, Mr. D. Edmonds (the Audit Commission) generously provided their valuable knowledge and comments to improve postal survey questionnaire.

The senior property managers of the 132 English local authorities deserve all my gratitude for sparing their valuable time to answer questionnaires; some of them, particularly those involved in case study surveys, further provided their valuable time and experience in personal interviews. Furthermore, Mr. S.D. Barnden (City of Westminster), Mr. I. King (Gloucestershire County Council), and, Mr. N. Monaghan (Oxfordshire County Council) provided their comments on an earlier draft of chapter nine.

Thanks are also conveyed to my colleagues for what I have learned from them throughout the period of my Ph.D. study. Appreciation should be further extended to the U.K. Committee of Vice-Chancellors and Principals which provided partial financial support to my study.

Thanks, of course, are given to the support from my parents and my family.

In the end, for all the help I have enjoyed, any errors or omissions remain my own responsibility.

## **Abstract**

Property Management in English Local Authorities:  
A Corporate Approach to the Management of Operational Property  
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This thesis focuses on the approach to corporate property management (CPM) used in the management of English local authorities' operational property and has three main objectives. The first is to provide an understanding of the characteristics and achievements of CPM by English local authorities in the early 1990s. The second is to identify the factors which relate to the take-up and practice of CPM. The final objective is to suggest actions for local authorities in order to promote and improve CPM practice and maintain a continuously high standard CPM to meet the likely changing environment of the late 1990s.

An 'organisational management' approach was used to identify elements for investigation and analysis. The objectives of the study were achieved by using different research techniques in each of its three stages. First, by establishing a Corporate Property Management Index (CPMI) and undertaking two postal questionnaire surveys, the research provided an enriched understanding of the nature and extent of CPM practice in English local authorities. Further, the nature of the most immediately available and effective measure for achieving CPM, i.e. corporate property review (CPR), was examined through a set of case studies. Comparisons were made in the operation of CPR in four pairs (each contrasting good and poor CPM practice) of the main types of local authorities. Finally, the implementation of compulsory competitive tendering (CCT) policy has been suggested as the most important challenge to local authority property management in the near future (1995 and after). Through examining several pioneering authorities' experiences, the third stage of the research explored several aspects of local authority property management and the likely impacts on CPM of CCT requirements.

The main findings of the thesis are threefold. First, the take-up of good practice CPM is clearly related to: an adequate property management organisation arrangement; an appropriate property management database; committing an active leadership role in various property management matters to the central property management group; and, the implementation of CPR. Secondly, the implementation of CPR is the most immediately available and effective measure for achieving good practice CPM. However, undertaking CPR is only a desirable foundation and is not sufficient in itself for good practice CPM. Several weaknesses in undertaking CPR have been discovered as the obstacles to developing good practice CPM. Avoiding these deficiencies (i.e. undertaking a robust CPR) is the desirable route to achieving good practice CPM. Lastly, the study finds that the implementation of competitive tendering involves diverse and complicated tasks. CCT policy has a comprehensive impact on local authority property management, involving organisational structure, management procedure and approach, and, the relationships between the council, property managers and property users. However, CCT provides a good opportunity to promote CPM practice. Local authorities have to take action immediately in order to keep and/or promote good practice CPM.

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## **CHAPTER 1. INTRODUCTION**

### **1.1 FOREWORD**

This thesis begins with a general introduction to the study of corporate property management (CPM) in English local government with special reference to the management of operational property (which is mainly used for the delivery of local government services). This chapter provides an overall view of the concept of property management and its functions in English local authorities. It also outlines the general concept of corporate property management i.e. that properties should be used and managed as an authority's corporate resource rather than as individual service departments' assets. It further reveals that there is a general lack of literature in the field of study of CPM in English local authorities. It is necessary to make efforts to fill this gap. The aims of the study, its working hypotheses and the research methodology are subsequently discussed. The chapter concludes with a brief descriptive account of the structure of the thesis (including a descriptive figure -- Figure 1.1).

### **1.2 BACKGROUND TO THE STUDY**

Local public services in England are provided by many different authorities. Some services are provided by central government through quangos (quasi-autonomous national government organisations) i.e. regional and local ad hoc bodies, such as the health authorities and urban development corporations. However, many local services are mainly provided by multi-purpose elected local authorities, with certain services being provided through a variety of joint boards and joint committees since the abolition of the Greater London Council and the six metropolitan county councils (e.g. the joint boards for police, fire and public transport in metropolitan areas) in 1986. As the administration of these non-elected bodies is different from that of multi-purpose authorities, this research will only focus on the multi-purpose, elected local authorities in England, which mainly are four kinds: county councils, shire district councils, metropolitan district councils, and, London borough councils.

All these local authorities own and, generally have accumulated property<sup>1</sup> over a long period of time either to enable particular services or infrastructure to be established, or to facilitate redevelopment or otherwise influence social and economic change. Their property portfolios are large not only in number but also in their variety: offices, housing, agricultural estates, schools, libraries, sports centres, highways and bridges, and, in some authorities municipal docks, airports, industrial estates, shopping centres and wholesale markets. These properties are usually held freehold. The full extent of local authority property holdings is unknown. However, as mentioned in the Audit Commission's report (1988a: 1), the annual debt charges relating to local authorities properties are over £2.5 billion. This might suggest a residual debt of some £25 billion, but this certainly understates the portfolio's current value. An estimate of approaching £100 billion at replacement cost for non-housing property might be more appropriate (Estates Gazette 1988: 1). The management of this valuable resource is an essential issue in the management of local authorities.

Many authorities manage their property well. But the performance of many others leaves much to be desired. Approaches to improvement require a clear understanding of the problems within the operation of property management. In order to track the roots of these property management problems and thus to seek ways to remedy weaknesses, it is necessary to understand the background of local authority property management and the factors which influence its implementation.

Moreover, entering into the 1990s, local authorities faced many new challenges, such as the reorganisation proposals, the devolution of management, and, competitive tendering policy. First, the reorganisation proposals involve the examination of each English county and their shire districts with the intention that new mainly unitary authorities may be set up in the later

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<sup>1</sup> Property is henceforth used as a shorthand throughout this thesis to include land and buildings.

1990s. Secondly, the introduction of devolved management (e.g. the local management of schools) provides service managers with more power and responsibility in decisions related to, among other things, premises-related expenditure. The third challenge is the introduction and extension of compulsory competitive tendering (CCT) to a wide range of local authority services. This requirement means that local authorities are obliged to put their services out to tender. They are unable to use their own in-house units unless these units have been awarded the work following a strict tendering process, where the units' bid is accepted over bids put forward from private or other organisations. To respond to these challenges, local authorities may reorganise their internal management structure. The rearrangement of the property management function is likely to be part of such a reorganisation. The potential impacts on the function and operation of property management deserve to be carefully studied.

### **1.3 PROPERTY MANAGEMENT AND THE APPROACH OF CPM**

Property management is widely used as an all-embracing phrase covering any management activity related to the occupation and utilisation of property. The task of property management embraces a comprehensive range of activities relating to property ownership (occupation) and utilisation through the procedures of planning, implementation, and, controlling/monitoring to obtain the best interests for the property owner (a person or an organisation) from property uses and occupations. The main tasks in local authority property management include: development of a property use and holdings strategy, property acquisition/disposal, valuation, leasing, maintenance, use arrangement/allocation, property running cost supervision and control, property development and funding, and, the investigation of alternative uses.

Different management issues are identified as existing in different kinds of property (Audit Commission 1988a: 8). The management of operational property, for instance, is different

fundamental weakness of not using and managing property holdings as the council's **corporate resource**. There is a considerable body of opinion which believes that in order to use an authority's property efficiently, it should be regarded as a corporate resource owned by the authority as a whole and managed through a corporate approach<sup>2</sup> (e.g. COPROP 1985; Audit Commission 1988a; and, ADC 1990). In practice, some authorities have noticed the importance of CPM and adopted a corporate approach to property management; others remain at different stages along a process to that objective, and some have yet to start.

Although the importance of adopting a CPM approach has been highlighted, only a few analysts have discussed good practice CPM (e.g. Audit Commission 1988a; ADC 1990). There is a general lack of literature identifying the characteristics of CPM which could be of assistance in establishing a framework to study the practice of CPM and analyse various factors which influence the take up and operation of CPM. Moreover, local authorities need such a framework to enable them to develop and evaluate their practice in CPM and to maintain continuing high standards of property management in a changing environment. However, this general kind of work is absent and local authorities largely have to rely on trial and error in local practice.

These factors suggest the desirability of undertaking a detailed study of the practice of CPM and developing a framework to help authorities to understand their practice and weaknesses in CPM and how they may take remedial steps if this is required.

#### **1.4 THE PURPOSE OF THE STUDY AND ITS MAIN QUESTIONS**

This research is directed towards providing a reasonable and pragmatic level of knowledge

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<sup>2</sup> Corporate property management (CPM) is henceforth used as a shorthand throughout this thesis to represent the concept of property being managed as an authority's corporate resource.



to the management of investment property. The management of investment property is concerned mainly with portfolio planning in order to maximise an annual rental or a capital sales receipt financial return. Operational property is mainly used to enable an organisation to achieve its main functions/roles. The occupation and management of this kind of property is mainly concerned with the achievement of the organisation's main functions/roles and the cost of property utilisation. In addition to the management techniques and process involved in minimising property occupation costs, the study of operational property management therefore needs an understanding of the context in which the organisation operates and its main functions which reflect its property requirements in terms of type, location, size and number. As operational property is required to enable a local authority to deliver its services, each authority owns an operational portfolio. This research focuses on the management of operational property.

A review of the evolution of local authority property management shows that the main activities and functions of property management may change from time to time, depending upon the property needs which reflect the development of local government. There is no doubt that the task of local authority property management is set in a dynamic environment and is heavily influenced by the changing wider local government environment. However, some property problems result from inadequate management arrangements within the authorities themselves, e.g. inadequate organisational arrangements, inadequate property management strategy, inadequate management information, and, no action in co-ordinated property maintenance (Audit Commission 1988b: 7-14; Britton et al 1989: 19).

Many of these management problems are inter-related within local authorities, e.g. unco-ordinated maintenance may be caused by an inadequate management strategy or departmentalism. However, such inter-related problems are frequently the result of the

about the nature and extent of the CPM approach in the practice of property management by English local authorities in the early 1990s, and, to suggest measures to improve the take up and depth of CPM to meet the likely changing environment of the late 1990s.

#### **1.4.1 Research objectives**

This overall purpose can be more clearly formulated as a research framework designed to achieve the following objectives.

- (1) to explore the nature of CPM, and, to indicate that CPM is a desirable approach to achieve good practice property management in English local authorities;
- (2) to provide an overall description of the current practice of CPM in English local authorities;
- (3) to identify the elements which influence the take up and practice of CPM in English local authorities;
- (4) to highlight the basic requirements for the take up CPM, and the skills required for those who engage in the operation of CPM;
- (5) to suggest some improvements for the operation of CPM in English local authorities now and in the near future.

#### **1.4.2 The main questions of the study**

In order to carry out this research framework, the main questions that need to be addressed are:

- (1) **In what economic and socio-political context do English local authorities manage their property?**

This needs to be explored in detail and requires an understanding of the development of English local authorities' property management approach (historical background), the

economic and socio-political background of property management, the structural system of English local authorities, the internal management arrangement of authorities, the role of property management professionals, and the main measures being used to assist property management. Accordingly, the study highlights the main factors which may influence the take-up and practice of CPM in English local authorities.

**(2) What is corporate property management ?**

The meanings and characteristics of CPM need to be defined clearly. Based on these characteristics, a framework can then be established to analyse the extent of CPM in local authorities.

**(3) To what extent has CPM been undertaken in English local authorities?**

**What are the main factors which have influenced the take up and practice of CPM in English local authorities?**

The extent of CPM in local authorities needs to be examined. Moreover, the study needs to analyse whether the practice of CPM is influenced by various factors, such as: organisational arrangements; the role of the property management unit; property management information; the use of property management measures; and, policy challenges from the external environment.

**(4) What is the most immediately available and effective measure for managing local authorities' property as a corporate resource? Is this a sufficient condition for good practice CPM ? If not, what are the elements that constrain its contribution to CPM?**

There is a subsequent need to examine the operation and contribution of those main property management measures which have been used to assist local authority property management.

Based on this analysis the most immediately available and effective measure for good practice CPM can be identified. It is also necessary to undertake a detailed inspection of the operation of this measure in order to examine whether or not undertaking this measure is a sufficient condition for good practice CPM. Two sets of questions are relevant: the nature and contributions of this measure to the practice of CPM; and, the deficiencies found in undertaking this measure by those authorities which did not reveal the symptom of good practice CPM.

**(5) What are the prospects for local authority property management in the 1990s and what actions should be taken so as to ensure good practice CPM ?**

The most significant challenge to local authority property management is identified through an analysis of various challenges faced by local authorities. Three related issues then need to be tackled: (i) how local authorities reorganise their internal management structure in order to respond to this challenge; (ii) what are the possible impacts of this challenge on the requirements of property and its management services; and, (iii) how can an authority ensure good practice CPM in light of this challenge.

## **1.5 RESEARCH DESIGN**

The following six steps were taken to answer the central research questions identified above. The study began with a literature review of the concepts of property management with particular attention given to the field of local authority property management and the problems experienced in the management of operational property. This highlighted the importance of CPM in local authorities. A series of informal interviews with local authority property managers in the Merseyside area was then undertaken to provide some immediate practical information on local authority property management and to help identify the

characteristics of CPM. Using these characteristics as criteria, an evaluation framework (Corporate Property Management Index, CPMI) was developed to analyse the extent of an authority managing its property as a corporate resource.

The second step of the research compared several theoretical approaches which concern to the study of property. In the study of CPM, it is argued that an authority should be regarded as an organisation which manages its property as a corporate resource, i.e. rather than its sub-units (departments) for their individual service requirements. The organisational management approach which examines the behaviour and management of an organisation might provide an appropriate framework for the analysis of CPM. This approach provides plentiful study methods to the research of local authority property management. It is also useful in identifying the main factors which may influence the take-up and operation of CPM. Based on this approach the research framework and this study's data collection and analysis methods were identified and designed.

Thirdly, the research undertook a literature search and an analysis of documents, including the job descriptions of local authority property professionals, management reports, land and property committee meeting agendas and property management (PM) policy documents. This analysis helped to provide a more broadly-based understanding of the context of local authority PM and to list the main factors which might influence the practice of CPM (working hypotheses).

The next stage was to undertake a postal questionnaire survey and a follow-up survey to collect relevant information to support the analysis of the current practice of CPM (1992) in English local authorities. The main factors which might influence the take up and operation of CPM were also analysed. The basic requirements for the take up of CPM and the skills

required for those who engaged in the operation of CPM were further discussed. The analysis also identified the most immediately available and effective measure for CPM, and, the most significant challenge to local authority property management in the near future (later 1990s). For the purpose of ensuring a high degree of statistical confidence and ensuring an unbiased study being undertaken, the survey covered property management practices in a wide range of local authorities. In total, the practices of 132 English local authorities were analysed in this study.

Fifthly, the most immediately available and effective measure for CPM, i.e. corporate property review (CPR), was analysed in terms of its characteristics and operation. Case studies of the implementation of CPR in eight local authorities were undertaken in this stage. A personal semi-structured interview was designed to collect relevant information. The paired- comparison method was used to analyse the differences between better CPM practice authorities and poorer practice authorities in their implementation of CPR. Based on these comparisons, the essential elements for undertaking a robust CPR which leads to good practice CPM were identified. The results of the analysis provide recommendations for those authorities which are considering to undertake this measure to promote their CPM practice.

Compulsory competitive tendering (CCT) was identified as the most significant challenge in local authority property management now and in the near future (later 1990s). The final step of this study used the practice of several pioneer local authorities in tendering their property management services to analyse the impacts and possible prospects of English local authority property management system in the near future. Based on this analysis, recommendations were made so as to encourage good practice CPM in English local authorities.

## **1.6 THE WORKING HYPOTHESES OF THE RESEARCH**

Two main sets of working hypotheses emerged from steps (3) and (5) above. These hypotheses provided the conceptual framework for more detailed survey and analysis in chapters 5-8. The first set dealt with the factors influencing the take-up and practice of CPM. The second set related to the operation of the most immediately available and effective measure (i.e. corporate property review) for achieving good practice CPM.

### **1.6.1 Influencing factors for CPM**

The operation of CPM could have been influenced by a number of factors which relate either to the complicated process of the implementation of property management in an authority or to the changing environment in which the authority operates. Empirically derived observations from the context of local authority property management and local authorities' own documents revealed that the implementation of property management may be constrained by some factors such as an authority's policy or strategy in property occupation and utilisation, the organisational arrangements used in property management, property management information, the role of property managers, management measures/techniques, and, challenges from the external environment. These factors can be categorised for the development of working hypotheses into five main groups. Each of these five sets of factors is briefly discussed below.

The first group are the factors relating to the characteristics of local authorities themselves. Four kinds of local authorities have different functions in providing local services. Their property requirements are different and correspondingly the size of their property holdings and the nature of their portfolio are different. Therefore, the practice of CPM between four types of authorities may be different. Furthermore, different CPM practice may exist between those authorities located in different regions or with different size of property holdings.

Secondly, some elements relating to authorities' internal organisation arrangement may influence the operation of CPM, including the arrangement of property service functions, departmental and committee structures, the role and status of property professionals, and the relationships between councillors and officers.

Thirdly, the assertion that local authorities should collect and maintain a good quality property relevant record (information) to support its property management has been widely accepted (e.g. Audit Commission 1988a: 16-19; Kirkwood and Padden 1988: 26; and, CIPFA 1991). The extent of the establishment of property management information (i.e. the contents of the record, the extent of computerisation, and, the responsibility of updating and maintaining this system) may be elements influencing the practice of CPM.

Moreover, several new instruments have been suggested (and used in some authorities) over the last 10-15 years to assist authorities to manage their property more adequately. The main instruments include: property performance indicators (PPIs), single property review, service (department) property review, corporate (area-base comprehensive) property review, and, the asset rents system (ARs). The introduction and utilisation of these management measures may provide an opportunity for authorities taking an overall view of their property use and management.

Finally, some other factors resulting from the changing environment may directly or indirectly influence the operation of CPM. These influences are mainly come from the Government's policies, such as the Local Management of Schools, the promotion of Grant Maintained Schools, local authority reorganisation, and, the policy of compulsory competitive tendering (CCT).



### **1.6.2 The implementation of corporate property review (CPR)**

The research has identified that the measure of corporate property review (CPR) is the most immediately available and effective mechanism for achieving good practice CPM. However, there are still many authorities which have undertaken CPR but yet do not exhibit a general range of features of good practice CPM. The hypothesis is developed as: **CPR may be a desirable condition, but is not of itself a sufficient condition for good practice CPM.** The detail of this hypothesis is twofold.

First, a CPM culture is assumed to be established or enlarged through the implementation of CPR. The main motivation for undertaking a CPR may result from the realisation that property is a corporate asset. Pursuing the council's corporate benefits may be the main objective of undertaking CPR. The implementation of CPR may be engineered and initiated by top managers who have an overall view of the management of the council's resources. The work of CPR may be undertaken by and involve a variety of departments. Thus, CPR is a corporate activity rather than a departmental affair. Finally, the outcomes of CPR may contribute to developing good practice CPM. If the above points can be proved, undertaking CPR can be inferred as a desirable foundation for achieving good practice CPM.

Secondly, CPR is not of itself a sufficient condition for good practice CPM, if the evidence shows that those good practice CPM authorities handle their CPR well, while the poorer practice authorities have certain weaknesses in: property review organisational arrangements; lack of preparation for CPR (e.g. working plan, review procedures, linking with the council's strategic management objectives and resources allocated to CPR); property relevant information; supports from councillors, top managers, service departments and the local public; mechanisms for solving disputes; monitoring the progress of review; and, implementing CPR's outcomes.

## **1.7 THE STRUCTURE OF THE THESIS**

This chapter has introduced the research subject and the implementation of the research project. It has identified the functions of local authority property management, the approach of CPM, the objectives and working hypotheses of this study. It has also presented the framework of the study and summarised the main points covered in other chapters.

Chapter two reviews the concept of local authority property management. It begins with the discussion of the concept of property management, with specific reference to the nature of local authority property holdings and management. It also argues that property should be managed as an authority's corporate resource. The gap in the field of studying local authority property management by CPM approach is further identified. The main questions of this research are then highlighted. Eight CPM characteristics are further identified and used as criteria to evaluate the practice of CPM in English local authorities.

Chapter three discusses the development of an adequate research framework for the study of CPM in local authorities. It begins with a review and analysis of the approaches to the study of property management. The analysis concludes that an organisational management approach, which examines the behaviour and management of an organisation, can provide an appropriate framework for the study of CPM in local authorities. Then, the methods to be used in data collection and analysis are reviewed and analysed. This analysis concluded that the combination of sample survey and case study in the different research stages was the most appropriate strategy for this study.

Chapter four examines the context of local authority property management. Based on the organisational management approach, the study identifies the elements which should be considered in the study of CPM in English local authorities. The context analysis thus focuses

on the examination of these elements, including the current structure and functions of local authorities, local authorities' internal management structure, the role of a property management unit, property management techniques used, and challenges faced by local authorities. This analysis, then lists the factors which may influence the practice of CPM.

Chapter five and six display the current practice of CPM (1992) in English local authorities according to a postal questionnaire survey. Chapter five mainly presents the current practice of CPM, and analyses the influence on CPM of several factors, i.e. the characteristics of local authorities, the organisational arrangement of property management, the establishment of property management information, the role of property professionals, the utilisation of property management measures. The most immediately available and effective measure for CPM is identified. Chapter six focuses on the examination of the obstacles in undertaking the CPM. The actions which could lead towards good practice CPM are also discussed. Furthermore, the chapter also discusses the tasks which should be undertaken centrally by the property management group as the minimum requirements for CPM, and, the necessary skills for property managers engaged in CPM. The most significant challenge to local authority property management is also identified.

Chapter seven and eight consider that the measure of CPR is a desirable but insufficient condition for good practice CPM. A case study approach is used in the examination of this issue. In order to prove that CPR is a desirable condition for good practice CPM, chapter seven examines the characteristics of CPR, including the reasons, objectives, organisational arrangement, procedure and participants in the operation of CPR, and the outcomes and contributions of CPR.

Chapter eight focuses on the implementation of CPR in four pairs of local authorities. The

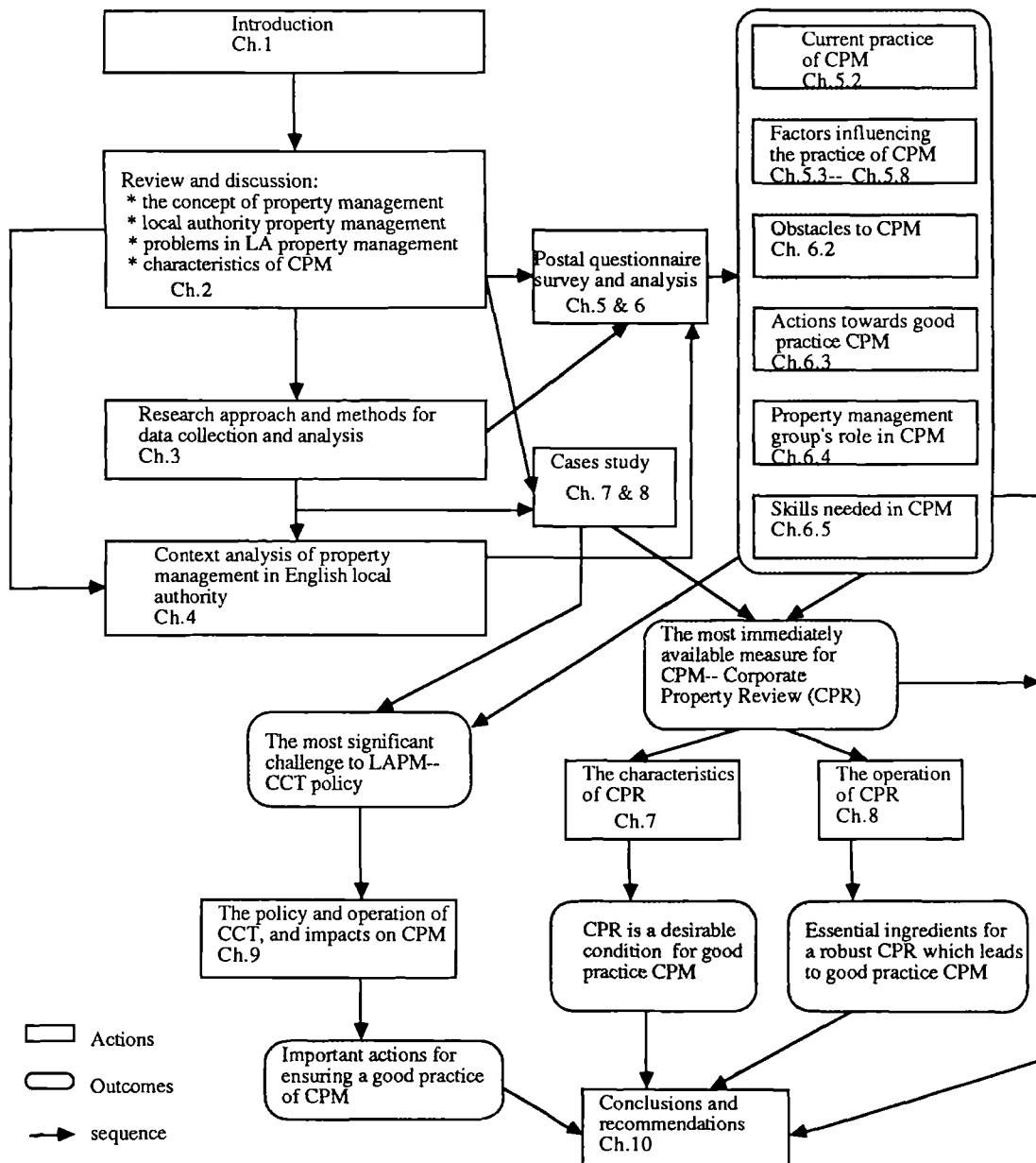
paired-comparison approach is used to explore the strengths of the operation of CPR in those good CPM practice authorities and the deficiencies in those poorer practice authorities. The chapter proves that the deficiencies in the latter are the obstacles to develop a good practice CPM even after CPR is undertaken. It concludes that avoiding or remedying the deficiencies (i.e. undertaking a robust CPR) is a sufficient condition for good practice CPM. The following elements are essential ingredients for undertaking a robust CPR: that the CPR's objectives are strongly linked with the Council's strategic management agenda; a well-organised property review team provided with adequate resources; a good working plan and all the authority's operational property being systematically covered by CPR projects; a clear framework to undertake CPR; gaining the support from councillors and top managers; early consultation with planning departments to obtain their backing; good co-ordinating working relationships with service departments; support by an adequate property database; adequately monitoring the progress of CPR; setting up a corporate mechanism to deal with disputes; and, the outcomes of CPR being appropriately implemented.

Chapter nine tackles the issue of compulsory competitive tendering (CCT) of property management services which is suggested as the most significant challenge to English local authority property management and may have comprehensive impacts on CPM in the near future. It begins with a review of CCT policy. It also discusses the procedure of the implementation of tendering and the essential issues in tendering exercise. Finally, it analyses the possible impacts of CCT on CPM and suggests some recommendations for local authorities preparing for tendering their property management services.

The final chapter of the thesis, chapter ten, summaries the main issues of the study project and raises several recommendations which are related to the findings of previous chapters.

The overall framework of the study and the structure of the thesis are summarised and shown in Figure 1.1.

Figure 1.1 Study framework and structure of the thesis



## **CHAPTER 2**

### **LOCAL AUTHORITY PROPERTY MANAGEMENT IN ENGLAND- A REVIEW**

#### **2.1 INTRODUCTION**

English local authorities have owned and generally accumulated property over a long period of time. Each owns property to provide diverse local services, while some authorities also hold certain amount of properties for investment purpose. Many of them are the largest property owner, in number or in size, within their area. Property provides the basis for all kind of local authority services and a huge amount of capital is bound up in the holding of it. The wrong type property will demote the quality of service provided; the wrong size buildings, (eg. under-used schools) will tie up capital resources and waste revenue which could be better used for service delivery and may lead to an inefficient use of non-property resources. Property is thus one of the most important resources for local authorities, and "property management" should be regarded as an important issue in local authority administration. The importance of local authority property management has increasingly been emphasised and has attracted much attention from either professional bodies and authorities themselves (e.g. Audit Commission 1988a; SOLACE et al 1986; COPROP 1985; and, ADC 1990) or from academics (e.g. Britton et al 1989; and Avis et al 1989a).

However, the functions and operational environment of local authorities, which reflect the operation of local democracy and the constraints of accountability and policy setting by central government, are different to those of other organisations. Therefore, the management of their property may equally be expected to be different. Examination of the functions and operation of property management in local authorities thus needs specific study. This chapter provides a review of the literature relating to local authority property management. It begins with a discussion of the concept of property management, with specific reference to the nature of local authority property holdings and management. Then, it reviews the evolution of local

authority property management. It also examines the main problems in local authority property management, and, the approaches suggested for improvement. The purpose of the examinations is to reveal the strength of the case that property should be managed as an authority's corporate resource. However, there is a gap in studying the current practice of corporate property management and the factors which influence the take up and practice of CPM. To develop a study framework to fill this gap then becomes the aim of this research. This chapter also attempts to identify the characteristics of CPM to support the analyses of the current practice of CPM and factors which influence the take up and practice of CPM.

## **2.2 THE CONCEPT OF PROPERTY MANAGEMENT**

The activities of property occupation and utilisation cover broad matters, including acquisition, development and disposal, valuation, property finance arrangement, maintenance/repair arrangement, property use allocation, legislation matters and lease matters. This section begins with the review of the concept of property management. Then, it focuses on the functions of property management in English local authority.

### **2.2.1 The meaning of property management**

There are many different terms used in dealing with the management of these property related activities. Property (Estate or Asset) management is widely used as an all-embracing phrase covering any activity relating to land and buildings that increases net returns (e.g. Estates Gazette 1987: 1407; Varcoe 1992). Facilities management is a relatively recent introduction covering the management of a building from an "end-user's" viewpoint, dealing with the practice of coordinating the physical workplace or space with the people and the work of the organisation, in particular dealing with issues such as costs in use, services, and information technology provision (Finch 1992; Becker 1992b). Building management is concerned with the minutiae of management, dealing with the day-to-day matters that arise from the

occupation of land and buildings (Dubben and Sayce 1991:26). The term of property portfolio management is mainly concerned with the management of investment property. Thus, decisions are taken in respect of any issue basing on the principal of achieving the maximum benefit for the owners, and the main consideration are the effects on the portfolio as a whole rather than on an individual property (Estates Gazette 1987: 1407; Jones Lang Wootton et al 1989: 144; and, Dubben and Sayce 1991:26). Although these various terms related to the management of landed property focus on different property activities, some sort of overlap exists between these property activities and management purposes. These property-related activities might all be dealt with by an authority, and therefore, this research uses the term **property management** to represent the broad management activities related to the occupation and utilisation of property.

There is no shortage of published advice on the many aspects of property management. Epley and Rabiński (1981:375-379), for instance, mention that property management is a professional activity that assists property owners to achieve their investment objectives which will change depending on individual and the market conditions. They also indicate that the management tasks include the management of physical assets, the management of financial records, the management of tenant-acquisition and tenant-selection processes, the management of rent-collection and lease-negotiation processes, investment and use strategy etc. The Royal Institution of Chartered Surveyors (RICS, 1987:1) gives a similar statement that property manager, whether in the public or private sector, should draw together the professional and technical skills necessary to produce the best results from a property or portfolio of properties, for the benefit of its owner or user. The property manager must be concerned with: **the physical** processes of construction, occupation, maintenance and disposal; **the legal** requirements affecting its use, tenure and other obligations; and **the financial** implications, including costs in use, market values and returns and fiscal considerations.



Some writers (e.g. Zeckhauser and Silverman 1983: 112-117) suggest that property should be considered and managed as a resource across boundaries of business activity and geographical distribution. Seven steps that an organisation can take to make better use of its asset are identified: (i) establishing a property inventory to know its property assets; (ii) setting clear, achievable goals, such as controlling costs and generating supplemental cash etc.; (iii) selecting appropriate activities which reflect the nature of a business and the historical legacy of its property portfolio; (iv) reorganising the property management group, which should have a knowledge of overall company objectives, corporate experience, and established relationships with senior management; (v) clarifying responsibility; (vi) choosing consultants carefully; and (vii) setting up a property information system.

Some other writers (e.g. Thorncroft, 1965:3; Stapleton, 1986:20-23), focusing on the management procedure, which is borrowed from 'general management', define "property management" as activities in providing the direction and supervision to obtain property interests by the procedures of forecasting, planning, commanding, co-ordinating and controlling. Others (e.g. Scarrett 1983; Levy and Matz 1987; Avis et al 1989a; National Audit Office 1989; and, Sibley 1992) emphasise the importance of linking property management objectives to the organisation's (owner's) strategic business objectives or plans which are highly influenced by the functions of the organisation and its operational environment. Scarrett (1983: 3), for example, suggests that property management consists of actions:

to control property interests having regard to the short and long term objectives of the estate owner and particularly to the purpose for which the interest is held: to negotiate lettings and to initiate and negotiate rent reviews and lease renewals, to oversee physical maintenance and enforcement of lease covenants, to be mindful of the necessity of upgrading and merging interests where possible, to recognise opportunities for the development of potential and to fulfil the owner's legal and social duties to the community.

He also asserts that the procedure by which these objectives are achieved will differ according to the method of property management followed and the way in which policy is formulated and decisions are made.

Some studies have been made to identify the behaviour of landowners (e.g. Goodchild and Munton 1985; Adams and May 1991), while other studies have focused on particular property management techniques, such as property information systems (e.g. Davies 1990; Clegg 1992); property maintenance (e.g. Sidney 1992); performance measures (e.g. Morrell 1991; Becker 1992b); property running cost audit, which inspects the performance of property utilisation in costs of energy, cleaning, maintenance, security and insurance etc. (e.g. Williams 1988, 1989; Varcoe 1991); and the management of office space utilisation in order to reduce space requirements or improve quality and productivity (e.g. Becker 1992a; Young 1992). For example, five factors which influence office management are identified: the need to improve quality and productivity in the face of the increasing cost of space; rising space requirements; changing employee expectations; dynamic organisations; and, new information technologies (Becker 1992a: 231).

Different management issues are identified as existing in different kinds of property. Avis et al (1989a: 50, 67-76), for instance, have focused on the management of operational property which may regard as including the following tasks:

- (1) Basic property work-- such as the tasks of repairs, maintenance, energy conservation, refurbishment, lease renewals, rent reviews, planning permission, easements and wayleaves, rating and valuation;
- (2) Strategic property work-- such as the tasks of acquisition, identification of surplus property, disposal, redevelopment, space use and allocation etc;
- (3) General management-- such as the works of making a strategic planning, performance monitoring and budget control etc;
- (4) External organisation work on property issues-- such as establishing the relationship

- with government, other local authorities, local MPs and politicians and public;
- (5) Non property management work, such as dealing with general complaints and queries from members or public.

Others (e.g. Dubben and Sayce 1991; Fraser 1993) have placed the management of property in its investment context. The main management purpose for investment property is to obtain the maximum financial return from investment, consistent with the owner's risk criteria, e.g. income flow; future outgoings (government policies, new techniques in property development etc.); and capital value. Some main factors being considered in management are the investment interest; the type of property; and the quality (performance) of the portfolio.

Edwards and Seabrooke (1991) divide property management into "conventional reactive management" and "modern proactive management". In reactive management, the property manager's role was conceived as dealing with the matter of the day-to-day administrative problems, limited to the collection of rents, the provision of property services such as insurance, repair/maintenance; there was little or no recognition on the importance of strategy. Proactive property management stresses the strategic approach of property management with the guiding principle of maintaining or enhancing the value of the property by realising the effective, efficient and economic use of the property. In order to achieve the best performance from property assets, proactive property managers must predict and prepare for threats and opportunities from the external environment<sup>3</sup> as well as understand the financial and managerial aspects of the organisation relating to its property use. They highlight the importance of understanding the objectives of the property user, and the environment in which the organisation operates. They therefore suggest a "SWOT" framework (see Figure 2.1) for property analysis which can be represented in a matrix format matching the external treats and opportunities with the internal weaknesses and strengths of

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<sup>3</sup> Environment is used here to include the physical, economic, legal, social, and cultural conditions faced by an organisation.

the organisation. The strategy of an organisation must be dynamic to respond to its changing environment, thus the SWOT matrix must consider the past, present and future situations and circumstances. The most desirable situation is the SO strategy, that is, taking advantage of opportunities by exerting the organisation's strengths. The final aim should be to develop a strategy to move the organisation from other positions in the matrix to SO strategy.

Figure 2.1 The SWOT Matrix for Property Management Strategy Formulation

Internal Factors	Internal Strengths "S"	Internal Weaknesses "W"
External Factors		
External Opportunities "O"	SO Strategy (The preferred state)  The most successful strategy, which uses the organisation's strengths to take advantages of opportunities	WO Strategy  Develop a strategy to overcome weaknesses in order to take advantage of opportunities
External Threats "T"	ST Strategy  Develop a strategy which will use strengths to cope with or avoid threats	WT Strategy  Develop a strategy to minimise external weaknesses (eg. a joint venture)

Source: Edwards and Seabrooke 1991, Figure 1.

Although the meaning of property management may differ between various emphases, perhaps suggesting that a united and acceptable definition of property management is absent, an examination of the literature suggests that most definitions in fact consider that the task of

property management embraces a comprehensive activity relating to property ownership (occupation) and utilisation through the procedure of planning, implementation, and, controlling monitoring to obtain the best interests for the property owner (a person or an organisation) from property uses and occupations. The main tasks in property management may include: the strategy of property use and holdings, property acquisition/disposal, valuation, lease, maintenance, use arrangement, property running costs supervision and control, property development and funding, and, investigating alternative uses etc. A further significant aspect from the literature review is that many factors may influence the management of property, such as the functions and internal structure of an organisation, property management techniques, and the operational environment of an organisation.

Two further conclusions may also be identified from this review of the meaning of property management. First, in addition to professional property knowledge, financial and managerial skills are also important in the task of property management. Property managers also require competencies for detecting the threats and opportunities from the changing external environment and understanding the requirements of property and the situations of property utilisation in their organisation. It is also important to formulate a property management strategy which is linked to the organisation's overall management strategy and business plan. Property managers need the skill to formulate this property management strategy.

Secondly, the main function of property management is normally to ensure the best use of property and obtain the best benefits from property holdings or occupations (e.g. Scarrett 1983:4; Edwards and Seabrooke 1991). However, the management issues and the main management functions are different between the management of different kinds of property. In the case of an investment property company or institution, the management of property is concerned mainly with portfolio planning in order to maximum financial return. In the case

of developing property<sup>4</sup>, which includes five stages in the development cycle of inception, design, construction, in-use, and demolition (see Harvey and Ashworth 1993: 25), the tasks of management embrace: identifying a need for a project; the selection of an appropriate site; the choice of consultants and funding sources; design; project planning; the supervision of construction; and/or control over subcontractors.

However, in the management of operational property, which is required by an organisation for undertaking its primary functions (Avis et al 1989a:1), as for example with the Metropolitan Police, the main function is: 'to achieve the maintain an estate of sufficient size, type and quality to meet force requirements, which is flexible enough to accommodate changing needs, constructed to minimise running costs, sites to reconcile operational need with value of money and managed overall to achieve the maximum benefit from the minimum expenditure.' (National Audit Office 1989: 17).

The management of the Government's Civil Property by the Property Services Agency (PSA) is another example of public sector operational property management. The main functions of its property management are stated to be: (a) provide economically and efficiently for the present and planned future needs of clients, either by arranging for the reallocation of space within the existing estate, or by building, purchasing or leasing additional property as necessary; (b) keeping outgoings on the leased estate such as rental payments and service charges to the minimum achievable through efficient negotiating of rent reviews and lease renewals with landlords; (c) hold an estate sufficient to meet objective (a) and to dispose of any surplus accommodation quickly and effectively; (d) reduce the amount of vacant space to the minimum possible; and, (e) maintain the operational fitness and value of the estate by timely and adequate maintenance. (National Audit Office 1988: 1)

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<sup>4</sup> Development is usually regarded as a wider range of property management function.

Obviously, operational property is mainly used to enable an organisation to achieve its main functions/roles, under the lowest (or as low as possible) occupation and utilisation costs. The occupation and management of this kind of property are mainly concerned with the achievement of the organisation's main functions/roles and the costs of property utilisation. A study of how an organisation manages its operational property needs an understanding of the context in which the organisation operates and its main functions which influence its property requirements in terms of type, location, size and number. Further, within an organisation some units/sections may experience explosive growth, while others experience decline, thus, resource utilisation should shift between those units. The management of operational property therefore should go beyond a view of individual property users or units in pursuit of the best interest of the organisation.

### **2.2.2 English local authority property holdings and management**

Local authorities in England are the owners of substantial holdings of property. The holding of this property is mainly related to the provision of their various services. Some authorities also own a certain amount of property for investment purposes.

As the management of operational property may be different to other kinds of property (e.g. investment property) this research focuses on the management of operational property in English local authorities for the following three reasons. First, evidence has shown that in the public sector (including local authorities) the most important element in property decisions is the consideration of operational requirements (Avis et al 1989a: 7). As the occupation and use of this kind of property is mainly for the delivery of council services, it is possible that authorities focus more on the service rather than on property. The result is that property tends to be regarded as a free good, and its value and opportunity cost are ignored. As the occupation and running of this kind of property is very expensive, appropriate management

of this kind of property is an important issue for local authorities. Secondly, one of the main characteristics of operational property is that it is non-profit-led, in contrast to the profit-led nature of investment property. As the pursuit of profit from property transactions is not a main or a required function of an authority, not all authorities have an investment property portfolio. However, operational property is required to enable a local authority to deliver its services, and each authority therefore owns an operational portfolio. Finally, many operational property are particular in the character because of they are purpose built for a specific function or service. How to provide the maximum flexibility for movement or adjustment in the reuse of such property in order to accommodate changing service requirements or new uses, at a minimum of cost, is a great challenge for the property manager.

However, there is no unified definition of the **operational property** held by local authorities. The main definitions made by several organisations are briefly reviewed below. A further discussion of these definitions is undertaken in order to clarify the subject, i.e. the content of operational property, of this study.

First, the RICS (1987: 5) has divided local authority's property holdings into operational property and non-operational property. Operational property is the property required by an authority for undertaking its various functions. The main reason for the use and occupation of this kind of property is in supporting the delivery of the council's various services, and therefore the evaluation of the performance of using/occupying operational property should be based on the contributions which this property makes to the performance of the council's functions (Gibson 1990: 9) and the costs attached to its use/occupation (e.g Audit Commission 1988a: 41; Britton et al 1989: 34). The profit from property transactions is not the main purpose of holding a certain operational property. All the other properties which do not



belong to operational property are regarded as non-operational property. Obtaining the best income benefit for the council should be regarded as the main purpose of holding this kind of property. This dual definition provides an easy way to know the main purpose of the property being occupied and used. However, the detailed items of local authority property which should be regarded as operational have yet to be identified by RICS.

CIPFA's (1992b: 11) definition may fill the RICS's gap. In its categorisation, non-operational property includes: land awaiting development, commercial property, investment property, surplus assets, and, tenanted farms.

In fact, the line between operational and non-operational property in local authority property holdings is not always clear cut. Local authorities are not limited to the provision of services, but are also concerned with the overall economic, cultural and physical well-being of the community (Bains report, 1972:122). In order to undertake these functions, many local authorities use property as an instrument to achieve their specific purposes. For example, some of them have placed considerable emphasis on property ownership as a means by which they could promote the economic and physical development of their communities (SOLACE et al 1986: 5; Kivell and McKay 1988: 166-167; and, Johnson and Newman 1992: 17). Thus, the lease of industrial premises might include certain kinds of subsidy. In addition, tenanted property which is leased to voluntary bodies with some sort of subsidy in the form of low rents, is another case of an authority's use of property to provide indirect services. These kinds of properties are difficult to place into either an operational property or non-operational category, because they could be regarded as the essential base for providing local authorities' functions, or, be treated as part-investment assets.

To regard all those tenanted properties, either for commercial purposes or for providing

indirect services, as non-operational property i.e. using CIPFA's classification obviously means losing the opportunity to understand the management issues of these semi-investment assets. As indicated by the Audit Commission (1988a:32), many properties are leased out by local authorities for non-commercial reasons i.e. for providing indirect services. For instance, the lease of industrial sites may primarily be part of a policy for the development of the local economy; accommodation let at low rents to voluntary bodies (e.g. citizens' advice bureaux or local law centre) is to encourage the activities of these bodies.

The Audit Commission (1988a: 7) therefore provides a more detailed categorisation of local authority property holdings. In addition to **municipal housing**, the Commission divided local authority property holdings into three main categories (see Table 2.1). In fact, four types of property are identified, with tenanted property being divided into indirect service property and investment property. The advantages of this categorisation are twofold. The first one is that it divides and lists the tenanted property into indirect service property and investment property, and, further highlights different management issues existing between these two. Therefore, the part-investment (or semi-operational) property can be distinguished from the investment property. Secondly, this categorisation also suggests the importance of managing vacant (surplus) property, which may be only temporary surplus to an authority's current requirements<sup>5</sup>. If the authority finds it can be used for other purposes at a future date, it will become operational property again. Therefore, the Commission's classification seems more appropriate for identifying the subject of this study, i.e. that indirect service property and surplus property should also be considered in this study as the semi-operational property.

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<sup>5</sup> Although the surplus property can further be divided into temporarily surplus property, and permanently surplus property, the distinction between the two is sometimes difficult to make (Britton et al 1989: 15).

Table 2.1 Property types and management issues

Types of property	Management issues
<p><b>HELD FOR DIRECT SERVICE PROVISION</b></p> <p>occupied by local authority staff to provide direct services: (schools, social services establishments, libraries, offices, leisure centres, swimming pools, open space and sports grounds, car parks, theatres, fire and police stations, etc.)</p>	<ul style="list-style-type: none"> <li>* Opportunity cost of site</li> <li>* Utilisation</li> <li>* Property running costs</li> <li>* Additional uses if under-occupied</li> <li>* Acquisition and disposal at the right time and value</li> </ul>
<p><b>TENANTED PROPERTY</b></p> <p>(i) <b>INDIRECT SERVICE PROPERTY:</b> industrial starter units farms and smallholdings council estate shops, etc.</p> <p>(ii) <b>INVESTMENT PROPERTY:</b> commercial offices shopping centres completed industrial estates</p>	<ul style="list-style-type: none"> <li>* Occupancy</li> <li>* Rate of return, and hence implicit subsidy (if any) required to achieve service objectives</li> <li>* Initial capital subsidy</li> <li>* Influence on planning and development</li> <li>* Return on capital</li> <li>* Capital appreciation</li> <li>* Opportunity value</li> </ul>
<p><b>VACANT PROPERTY</b></p> <p>land held in advance of requirements property surplus to service requirements</p>	<ul style="list-style-type: none"> <li>* Other uses</li> <li>* How long in advance</li> <li>* Speed and value of disposal</li> </ul>

Source: Audit Commission (1988a: 8)

However, whether tenanted farms and smallholdings should be embraced into this study is an arguable issue. This kind of property is regarded as indirect service property by the Audit Commission. However, CIPFA treats it as non-operational property. The main objectives in the management of tenanted farms is to hold their land for land bank purposes and/or to help young farmers (RICS, 1987:11). The management of this kind of property is clear in its purpose. This study accepts CIPFA's classification and excludes it from the scope of this study.

For many years, at least until the early 1980s, local authorities played a central role in the provision of social housing (Rao 1990:1). The development and management of local housing

includes a wide range of matters, such as reviewing and improving the quality of local housing strategies, identifying housing need and demand, tenant selection, lease management, and repairs (Audit Commission 1992:4). The Audit Commission distinguishes the management of this kind of property from other kinds of property. Additionally, since 1935 local authorities have been required to keep a housing revenue account (HRA) in which to record the revenue income and expenditure of the land, housing and other buildings within its scope. The Local Government and Housing Act 1989 further restricts discretionary transfers from the general fund to the HRA and vice versa. Thus, either from the management view point, or from the accounting view point, the management of municipal housing is usually regarded as a separate field from the management of other local authority property. Many authorities also reflect this separation in establishing a separate housing department/section to manage their housing stock. This study accepts this separation and excludes the management of municipal housing from the scope of its review.

Therefore, this research will focus on the management of **operational property** which is broadly defined as the property held by an authority to provide its various functions excluding municipal housing, investment property and tenanted farms. The tasks of managing this kind of property in local authorities include: formulating and implementing property management strategies; property acquisition and disposal; lease matters; property utilisation and allocation; property running cost; maintenance; alternative uses for vacant property and additional uses for under-used property; and, capital receipts from property disposal. These management tasks are undertaken under as a series of planning, implementation, controlling, and, monitoring and feedback actions.

### **2.3 THE EVOLUTION OF LOCAL AUTHORITY PROPERTY MANAGEMENT**

The number of services provided by local authorities have increased considerably during the

present century. The delivery of these services unarguably requires the occupation of at least some properties. Thus, the growing volume of services provided directly by local authorities has resulted in their occupation of a continuously increasing amount of property. Some authorities also amassed substantial additional property holdings. Industrial properties, for instance, were acquired by some authorities to achieve economic and social objectives. The redevelopment of post-war town centres was often achieved by local authorities exercising powers of compulsory purchase to assemble the freeholds of key sites which were then let to developers on long term leases.

The main functions and activities of property management have changed from time to time, depending upon the changing property needs of local authorities. A review of the recent development of the management of English local authorities property therefore provides a background to local authorities' property holding and management and may disclose some property management issues. After the Second World War, there was an urgent need for comprehensive planning and redevelopment. In addition, the concept of a certain degree of social welfare investment was broadly accepted. Responding to expanding local service needs, many larger authorities established separate departments to deal with the particular affairs of their development schemes, such as planning, architects and estates' departments. However, in smaller authorities, the estate management function was generally subsumed into some other department (the prevailing location was in the clerk's department) with specific acquisitions and disposals handled by the district valuer. These new departments were established to execute the planning and property acquisition functions for new housing schemes, road and school developments, rather than dealing with a comprehensive approach to medium and long-term property requirements and property management affairs. (Estates Gazette 1989: 86-87)

During the 1960s and 1970s two main reasons led many councils to set up separate estates departments to seek development opportunities and manage council's estate assets. The first was the successful experience of many well known estates departments in their redevelopment schemes, particularly in the town-centre shopping schemes. Secondly, local authorities recognised that compulsory purchase powers and marriage value through development schemes could bring them huge benefits. These departments were initially established to carry out specific tasks determined by the authority, such as land acquisition, and the development of greenfield expansion areas, especially the establishment of new industrial estates away from residential areas. In other words, their effort was concentrated on implementation rather than the consideration of any alternatives. They were generally divided into three sections to carry out different functions. First of all, an acquisition section was set up for purchases for new roads, housing estates, slum clearance and schools. Secondly, a development section responded to new industrial estates, redevelopment following road schemes, shopping and town centre development proposals. And lastly, was a section responsible for managing the authority's general estates, except council houses<sup>6</sup>, including municipal offices and shops and factories and other property bought in advance of requirements (Ibid: 86). These general properties were usually regarded as being not just in the occupation but also in the ownership of the department that delivered the service. The estate management section was seen as providing support for the service departments and did what it was instructed to do. Thus, management of the general property tended to be in response to call-out by property users or occupiers. Under this circumstance, as Britton et al (1989: 12) commented, property was almost never regarded as a corporate resource, and very little true management took place.

With the 1970s' local government reorganisation and the recognition of structural decline in

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<sup>6</sup> Local authorities also owned a large amount of dwellings to provide their social housing service. The management of this kind of property was usually regarded as a separate function from the management of those council's general properties.

industry in the older industrial areas, many local authorities were forced to reconsider their property development activities and were encouraged to rearrange their property management organisation. The need to respond to local industrial requirements by helping local economic development was an essential factor to be considered in many authorities' property development schemes. Many authorities began to pay more attention to the needs of the market-place and to try to understand the industrial and commercial base of their areas. This kind of information was important to the preparation of structure plans and planners recognised the need to consult valuers and estate managers on locational and other aspects of the local market. The need to coordinate departmental activities led to a corporate approach<sup>7</sup> rather than the utilisation of individual and isolated expertise. Different approaches were adopted: some authorities merged planning, engineering and estates functions into a technical services department, while others adopted the property department format. As part of a corporate plan and management system, the property department (or division) had a much wider role, covering areas such as advising on longer-term plans, reappraising the existing portfolio and the preparation of estimates of alternative options. This in turn led some authorities to adopt a more proactive and corporate approach in their property management. Moreover, for the purpose of supporting the functions of capital programmes, rent rolls, revenue estimates, repair and maintenance expenditure and some sort of data on what the authority actually owned, property departments had to establish more precise property record systems. Some authorities therefore established a computerised property information system to assist their property management. (Estates Gazette, 1989: 87)

With the constraints on local authority expenditure from the early 1980s onwards, authorities had to consider the cost of all their property holdings far more carefully, and to consider

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<sup>7</sup> "The corporate approach to the management of local government means the management of the activities of the local authority as a whole when these are seen as activities aimed at the solution or alleviation of social problems which are interrelated and which exist within a common environment which is constantly changing." (Haynes 1985: ch. III)

disposing of surplus property to fund their capital investment programmes. The Audit Commission (1987a:1) commented that resource constraints had shifted the emphasis from providing new buildings to obtaining the best value from existing property. Utilising buildings to their full, identifying and disposing of surplus property, increasing the effectiveness of expenditure on maintenance, cleaning and energy, and improving the return from property attracted many local authorities' attention. Property also became a dynamic resource, with, as Shaw (1991:484) indicates, the result that "a well defined thrust towards the corporate management of land and buildings has emerged in local government". Some local authorities took a further step in the extension of a CPM approach and organised their property departments with a clear remit for planned maintenance, asset registers, review of surplus property etc. (Jenkins et al 1990: 76).

In the early 1990s a further change is emerging as a result of changing attitudes towards local authority accounts. The reformed system of capital accounting which is proposed for local authorities is based on the need to value properties at their worth to the business (Shaw 1991:488). Property is to be regarded as a financial asset requiring a yet more comprehensive attitude in its management and hence may need more management skills than were appropriate in a solely property-orientated approach. How to obtain professional staff or the skills for this new kind management has been an essential issue since late 1980s (RICS 1987: 2; Kirkwood and Padden 1988: 24; and, Jenkins et al 1990: 76). Other recent changes include the introduction of the Community Charge (revised to Council Tax since April 1993), the Citizen's Charter, Compulsory Competitive Tendering (CCT), the local management of schools (LMS) and grant maintained schools (GMS), and, the moves towards a reorganisation of shire county authorities as "unitary councils" etc. Shaw (1991:404) indicates that local authority property management is now greatly influenced by pressure towards devolution, competition and local autonomy. In the near future the management of local authorities may



be subject to deeper reorganisation, including property management, to reflect this changing environment. The possible impacts of these changes on the role and operation of PM deserve careful study. At least, three interesting issues which relate to property management can be raised: (1) will the corporate approach to property management, which has been emphasised since 1980s, still be an imperative issue in local authorities ? (2) how do authorities adjust their internal administrative structure to respond to the changing environment, including rearranging the functions of property management? and, (3) what are the possible impacts on local authority property management, especially on the management of property as a corporate resource ?

#### **2.4 ENGLISH LOCAL AUTHORITY'S PROPERTY MANAGEMENT PROBLEMS**

The review of the evolution of local authority property management has revealed that the task of property management is set in a dynamic environment, i.e. the functions and activities of property management change from time to time, depending upon the property needs associated with the development of local government. However, some property problems are the result of inadequate management arrangements within the authorities themselves (Audit Commission 1988b: 7-14; Britton et al 1989: 19). This section argues that many property management problems stem from or are related to the lack of a corporate approach in property management. Table 2.2 shows the main problems in property management and their consequences. Many of these problems are inter-related and occur together, e.g. the ignorance of opportunity costs may be accompanied by inadequate property management information; or, unco-ordinated maintenance may be caused by an inadequate management strategy or departmentalism. It is argued that these problems are the results of the fundamental weakness of not using and managing as an authority's **corporate resource**. Each of these problems are discussed below.

Table 2.2 Property management problems and consequences

Fundamental Weakness	Management Problems	Consequences
Property not to used and managed as a corporate resource	Inadequate organisational arrangements	* under-used or unused asset cannot be exploited * difficult to undertake actions of joint use or transfer property in order to achieve the full use of property capacity
	Inadequate property management strategy	* conflicts in property use * badly utilised property because of the difficulty of deciding priorities in utilisation, and maintenance
	Inadequate management information	* poor control of running costs * failure to know property holdings and their value * poor decisions in property holdings and utilisation
	Failure to recognise opportunity costs	* amounts of capital locked up in idle property * failure to improve services
	Lack of flexibility in property utilisation	* badly utilised property * failure to respond to changing property requirements in service delivery
	No action in co-ordinated property maintenance	* Deteriorating building stock

(1) Departmentalism and inadequate organisational arrangement

For many years local councils have been organised on the basis of a main service board or committee and a department for each of the major services to be delivered. An education department reports to an education committee, a social services department to a social services committee, and so on. As local authorities grew in size and complexity, other "support departments" were set up to undertake functions incidental to the delivery of services. For example, the role of the Architects Department was often to design and supervise the construction of new buildings and a Legal Department to carry out legal tasks. These departments were regarded as providing support for the service committees and departments and, essentially, did what they were instructed to do. Many local authorities' estate departments were established on the same basis- doing what they were instructed:

buying and selling specified landed property when instructed, and "managing" property when it was not in actual service use. Britton (1985: 126), for instance, has commented that local government's professional estate managers have usually only been permitted to manage, in the fullest sense, property not in operational use. Each service committee has held, or as they would prefer to say, 'owned', their own property and managed it in their own way, calling in the professional manager when they judged it necessary.

Under this arrangement, property was thought of as being "owned" by individual service committees/ departments and not as an authority's corporate resource. Although since the late 1960's most local authorities have moved, to a greater or lesser extent, towards thinking and acting corporately (the corporate approach in local government management), the corporate spirit in some local authorities has not extended to property which has tended to remain departmental. Thus, each department maintained its own landbank and retains exclusive occupation (Britton 1985: 126). Thus, a under-used or unused asset by one service department is hardly available to be exploited by another, and the actions of joint occupancy or transferring property between committees to use property fully are both difficult to undertake.

## (2) Inadequate property management strategy

Some commentators (e.g. Audit Commission 1988a: 5; Avis et al 1989: 11) have identified that some authorities lack an adequate property management policy/strategy linking with the council's overall policy/strategy. Due to the absence of a clear property management plan/policy/strategy, neither can the conflicts in diverse property utilisation be dealt with, nor can the priorities for property utilisation and maintenance be agreed. The requirements of property users cannot be judged as to whether they fit into the authority's overall policy or not. Thus, property is badly utilised. The reason that a property management strategy cannot be formulated and implemented is partly or mainly that property has not been treated as a

corporate asset (SOLACE et al 1986: 3; ADC 1990: 6).

(3) Inadequate management information:

If the council lacks adequate information about its property, e.g. terriers out of date, no information on what property they own, why they own it, what the running costs are, and what value it is, it is impossible for an authority to develop adequate actions covering the acquisition, maintenance and disposal of properties as well as other property management functions. For instance, the performance of property occupation and utilisation cannot be evaluated, with the lack of precise information about property physical conditions, operational costs and potential usages. Thus, there is no means to inform the decisions being made about the arrangement of property utilisation and the control of property running costs. As the property portfolio of an authority has generally been accumulated through the historical development of local authority functions, the lack of information about property results from authority having failed to recognise a corporate approach to property management. As their properties have been managed by service committees/departments individually, those property information items might have never been centrally assembled, recorded, and updated.

(4) Opportunity costs of holding property not recognised

If an authority does not use its property as a corporate resource, decisions about property use and occupation will only consider the requirements of individual services. The result is that the authority fails to recognise, and will not consider, worthwhile opportunities for wider use of its underused property (Audit Commission 1988a: 29). Furthermore, it is almost impossible for the authority to judge whether alternative, more economical, arrangements could be made in property utilisation. Therefore, the capital "locked up" in idle or under-used property cannot be released and shifted to the most needy areas to provide a higher quality of overall services by the authority or sold to provide capital receipts for reuse.

#### (5) Lack of flexibility in property utilisation

The services provided by local authority are constantly changing and property requirements will correspondingly change. Therefore, flexibility in property utilisation is an essential element in responding to the changing requirements of property-using services. "Anything which restricts flexibility of approach is not good practice" (ADC 1990: 6). The report of SOLACE (1986: 3) has suggested that inflexibility of property utilisation is often reinforced by service committees and departments who exclusively consider the current property use. The failure to treat property as a corporate resource has caused difficulty in authorities exploring property which is under-used or unfitted to its current user(s) and transferring it to its most suitable property user(s), or, in combining with other users who may employ the property jointly.

#### (6) No action in co-ordinated property maintenance

Many authorities have incurred the problem of serious under-funding for property maintenance. This problem is likely to peak in the 1990s as a reflection of the major building expansion of the 1960s and 70s. Furthermore, when an authority faces the pressure of budget cuts, maintenance items may be put towards the top of the cutting list due to the relatively painless savings which can be made with little immediate impact on services and jobs. These cuts are often made with the positive intention of putting at least some money back into the maintenance budget next year, but inevitably next year is worse and the positive intentions are never carried out (Thornton and Jones 1993). The strategy of inadequate property maintenance further results in a backlog of disrepair and a requirement to spend more money on day-to-day maintenance. This may lead to a reduction in the efficiency of service provisions (such as poor standards of workplace) and lower capital realisation upon the disposal of property (poor conditions). This problem stems mainly from the lack of a co-ordinated maintenance programme which identifies maintenance requirements and their

priorities. As a consequence, there is no means to assess the effects of decreasing or rephasing the budget programme. The difficulty of undertaking a co-ordinated property maintenance programme again frequently relates to the failure to manage property as a corporate resource.

In summary, it can be concluded that many property management problems are the result of or related to local authorities failing to regard property as a corporate resource and managed as such. Adopting a corporate approach to the management of local authority property is likely to be an important condition for solving these property management problems and achieving good practice in property management.

## **2.5 APPROACHES TOWARDS GOOD PRACTICE PROPERTY MANAGEMENT**

In order to offset these property management problems and/or improve the management of local authority property, many approaches have been suggested either by property professional bodies or by academic institutions. Over the years many aspects of these suggestions have been adopted by local authorities. A review and analysis of these approaches highlights the fact that almost all of them embrace the concept of CPM, which emphasises that property is a corporate resource belonging to the authority overall and should be managed as such.

The Bains Report (1972) suggested that authorities set up a central record of their property holdings, review their property holdings and utilisation constantly, and, establish a Property Management Sub-committee under the Policy and Resources Committee. More recently, COPROP (1985) has provided a guide for authorities to undertake a property review to help them more towards managing their property as a corporate resource. SOLACE et al (1986) have suggested as a further step that property should be used and managed as an authority's

corporate resource. They argued that authorities must tackle this responsibility across the board to ensure that assets are corporately reviewed, managed and maintained, regardless of which service department is currently occupying the property. Authorities should have the power to acquire and dispose of property, to relocate occupiers, and to redeploy the resources thus released across the range of all their service interests. Accordingly, the report recommended that the relocation of space, the elimination of waste, building maintenance, energy conservation and the sale of surplus property must all be seen as corporate activities of special concern to the Policy Committee and the Chief Executive on behalf of the whole authority. Some important property management tasks were also highlighted, such as co-ordinated property review, direct incentives, organisational arrangements, and, a strategy for building maintenance among others.

Two years later, the Audit Commission (1988a), after carrying out an extensive survey, recommended a comprehensive approach to authorities' property management organisational arrangements, a strategy for property management, the establishment of a property information system, using incentives, and, reviewing property holdings and utilisation etc. Their report indicated that since 1980, there had been a move away from the centralised corporate management concept of the mid- 1970s towards more decentralised approach, i.e. in greater delegation to building occupiers and service managers. However, the Commission (1988a: 66) asserted that certain property functions of a more strategic nature in preserving the authority's assets should still be centrally controlled. Following this report, the Association of District Councils (ADC) (1990) published a good practice guide, which highlighted the importance of CPM and suggested some actions for undertaking good practice CPM, such as a property management strategy, a clearly organised management structure, incentives, property management information, and, property review.

Within this emerging consensus, further attention has been given to specific components and techniques in a good practice CPM approach. In 1990, Drivers Jonas and Partners (Chartered Surveyors) organised a seminar (Making Property Perform: a seminar for senior local authority officers) discussing the strategic approach to property management. In 1991, Hertfordshire County Council in association with RICS/ACC/LAVA organised two conferences (Property Management, and, Property Review) discussing effective property management mainly through property review. Kirkwood and Padden (1988) have emphasized the requirement of cultural changes in property management, and have pointed out that the success of property management is dependent on two interrelated elements: developing an effective strategy with regard to the council's customers and its constraints, and, creating an effective culture with regard to managerial effectiveness. Other components given attention include property management information (e.g. Collier et al 1988; COPROP 1989; Jenkins and Gronow 1989; and, Thornton and Jones 1993 ), property review (e.g. Britton 1985; Gammans 1990; and, Johnson and Newman 1992), and, the analysis of the characteristics of operational property management and further comparison of the practice of public organisation, including local authorities, with other (private) organisations (Avis et al 1989a).

One component which has received particular attention is asset rents. CIPFA are undertaking the task of reforming capital accounts leading to the establishment of an Asset Rents system. The idea is that the full cost of providing property should be brought home to those who use it, so that a landlord-tenant relationship is established between the council and the service departments or property users. Under this system, property is treated as a corporate resource which belongs to the council (CIPFA 1989 and 1992b). Additionally, an essential task of the reform is establishing an Asset Register system which records all the authority's assets in a systematic manner (CIPFA 1991). The Surrey County Council/Kingst n University joint project (Britton et al 1989) has emphasized economic, effective and efficient property



utilisation by carrying out the approach of asset rents. The joint project has specially focused on the operational design for the practice of the Asset Rents system.

Reviewing the development of these property management approaches and techniques, it is suggested that they constitute an overall system which can be identified as Corporate Property Management (CPM). This review also reveals that it is now widely accepted that property should be used and managed as an authority's corporate resource. However, little concern has emerged on identifying the characteristics of CPM; the current practice of CPM in local authorities; and, the factors which influence the practice of CPM. Moreover, an appropriate framework for the study of CPM is still to be established. Most efforts listed above are based on one or few local authorities' situations (e.g Kirkwood and Padden 1988; Britton et al 1989), or are focused on one or some specific property management topics or techniques, such as, property review or property information system. There has been little concern about how to generalise such findings and how they contribute to the understanding of the general process of property management and the practice of CPM. Furthermore, although several property management techniques (e.g. property review, asset rents, property indicators) have been suggested and adopted in assisting local authority property management, there has been no more general review of the extent to which these approaches have been adopted and their contributions to the practice of CPM. There is also a need for study of: the obstacles experienced by local authorities in the practice of CPM; the skills required by property managers who engage in CPM; and, identifying the functions/tasks which should be centrally dealt with by a property management group as a minimum requirement for good practice CPM. Finally, local authorities need an appropriate approach to understand their practice and weaknesses in CPM to respond to an environment of the changing circumstance in order to keep a continuing standard of good practice CPM. However, these work are absent and the main guidelines seem to be learned more through trial and error in local practice. This

research aims to deal with these issues.

## **2.6 CHARACTERISTICS OF CORPORATE PROPERTY MANAGEMENT**

In order to analyse the current practice of CPM and the factors which influence the take up and practice of CPM, it is necessary to identify the characteristics of CPM. The foregoing review shows that the management of local authority operational property includes diverse tasks related to the utilisation and occupation of property, and the management is undertaken under as a series of planning, implementation, controlling, and monitoring and feedback actions. These management tasks and activities provide a base from which to develop the characteristics of CPM. Based on a literature review and a series of detailed interviews with local authority property managers<sup>8</sup>, eight characteristics have been defined for the purposes of this study as instituting as the central features of a corporate approach to property management.

### **(1) Property management strategy/policy**

The importance of property management strategy or policy for the management of authorities' property has been highlighted by other authors (e.g. ADC 1990: 6; Britton et al 1989: 29; and, Avis et al 1989: 5). The objectives and directions of an authority's property occupation and utilisation can be identified within a coordinating strategy, thus helping managers to tackle conflicts in property utilisation. When an authority formulates and evaluates its' directions and priorities, a corporate strategy will enable departmental boundaries to be crossed, so as to obtain the most benefits for the council as a whole. Priorities for property utilisation, acquisition, disposal and maintenance can also be identified, if the council has a property management strategy which links with the council's overall management strategy and

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<sup>8</sup> During the early stage of this study (October 1991 to March 1992), the researcher visited several property professionals in the metropolitan district councils of the Merseyside area, for interview discussion about the characteristics of corporate property management.

policy. As a consequence of having a property management strategy, property is more likely to be regarded and managed as the council's corporate resource. An approved comprehensive property management strategy which considers a council's operational property overall is one of the key characteristics of CPM.

(2) A property acquisition and disposal plan;

An authority's property requirements change from time to time to respond to the growth and decline of its various services. Property therefore must at all times be treated as a dynamic resource (Audit Commission, 1988a:65). The council may require some new properties to support its growing services, while some properties are surplus to its needs or under-used due to the decline of certain services. One consequence of an ad hoc approach in property transactions is that when certain departments urgently acquire properties for their growth services, other departments may be disposing of their surplus properties. A better solution for the council's overall interests may be to make available those surplus or under-used properties for the newly-growing services if they are appropriate to the new uses (SOLACE et al, 1986:5). Setting up a property transaction plan, which considers the acquisition and disposal of the council's overall operational property, can ensure that this better solution is considered. Thus, formulating a property transaction plan can be regarded as one of the characteristics of CPM.

(3) Property maintenance/repair plan;

The lack of co-ordinated property maintenance has resulted in the maintenance budget usually being the first to be cut under financial pressure. This causes a backlog of disrepair to build up. Through preparing a property maintenance plan, an authority can clearly identify the requirements of property maintenance, and then regulate the standard and priorities of property maintenance activities. Property maintenance can thus be arranged from an overall

and not just a financial viewpoint, and maintenance works can be budgeted and the costs can be kept relatively even from year to year by careful calculation and arrangement (Grevatt 1992: 69). The temptation of property occupiers shifting their maintenance budget elsewhere can be prevented. Thus, formulating a property maintenance plan could ensure that the consideration of property maintenance while their budget allocation and control crosses departmental boundaries. An overall property maintenance plan can therefore be regarded as one of the indicators of CPM.

#### (4) Property expenditure supervision

Property can be regarded as being managed as a corporate resource, if all property related-expenditure is centrally controlled by the property (sub)committee; that is, any proposed expenditure on property within the council is subject to the approval of this (sub)committee. However, recent management practice to devolve more responsibilities to service departments runs against this view. Additionally, in practice, many local authorities do not control all their property expenditure centrally. Property running costs and tactical maintenance (internal decorations, minor repairs, fixtures and fittings) are decided by individual service committees/departments (Audit Commission, 1988a: 54).

Nevertheless, with high occupation and maintenance costs, property relevant expenditure should be carefully governed. "The problem often is that users are unaware of their running costs and more particularly do not have the performance benchmarks available to know whether savings are possible" (ADC 1990: 12). Undertaking regular inspections of property expenditure can disclose those properties which exceed the average cost by a substantial margin and the reasons for this. Such inspections can reduce the cost of premises related-expenditure, which can then provide opportunities for other services. Additionally, the implementation of property maintenance can be monitored in order to prevent service

departments moving maintenance budget/funds elsewhere. Thus, this research regards the overall supervision of property expenditure, either by the action of regular (e.g. yearly) inspections of property expenditure, or, providing for any proposed expenditure on property to be subject to the approval of the property committee/department, as one of the characteristics of CPM.

(5) Physical condition and use performance audit:

Properties are occupied and used by the authority's various service departments. Through many years of utilisation, the physical conditions of these properties may deteriorate year by year and fall below standard. Such out-of-date buildings almost always face higher maintenance and operating costs. Replacement or refurbishment may be necessary. It is to the council's benefit for surplus, under-used or unfit properties to be highlighted and the overall budget demands for property maintenance to be predicted. Properties with unreasonable high running costs can then be separately considered and either cut from the council's portfolio or alternative policies for replacement, relocation, or remodelling analysed. A property physical condition and use performance audit could ensure that such property problems are highlighted, thus opportunities for improvement could be realised. Therefore, undertaking an audit of the physical conditions and use performance of the overall property portfolio is one of the characteristics of managing the council's property as a corporate asset.

(6) Space standards:

As mentioned above, local authorities are moving towards devolving resources and moving power to the "sharp end" of service delivery. In property management terms, this means giving a greater delegation to property users. However, property managers still have to ensure that property is used effectively by reducing any unnecessary property occupation or eliminating the running costs incurred (Shaw 1991: 484). To protect the corporate asset and

to monitor the performance of property being used, it has been suggested that space standards should be established for property occupation and utilisation, e.g. setting space standards for workplace areas per occupant (Audit Commission 1988a: 19). Setting space standards for property use or occupations can therefore also be regarded as a criterion to indicate the extent of CPM.

(7) Surplus property being centrally held or managed:

Some properties are surplus from service requirements or held in advance for future requirements. As indicated by the Audit Commission (1988a: 13), this kind of property does not necessarily have to be sold to raise capital receipts. Surplus property can be switched to provide another kind of local service, or kept temporarily, as an investment property. In holding this kind of property the council has to consider elements of: the costs of keeping it within the council's portfolio, the potential uses, how long it will be in holding, and, the speed and value of disposal. The policy of any surplus property being transferred to or centrally managed by the property (sub)committee or a central committee, can ensure that this property is managed as a corporate resource. First, these elements can be fully considered to the advantage of the council. Secondly, the council can evaluate whether or not this kind of property is best served by retention in the estate or disposal.

(8) Lease management of tenanted property

Some authorities may let out properties for the purpose of providing indirect services in the pursuit of wider social or economic objectives (Audit Commission 1988a: 7) . The leasing of property to other organisations (such as charities), without the involvement of the property department, may not consider the long term repercussions (Avis et al 1989: 50). Moreover, for the most efficient use of property resources, the council must consider and balance between the achievement of social or economic objectives and the performance of property

utilisation (Audit Commission 1987a: 118). It is hard to achieve this, if property leasing is dealt with by individual service managers, who will always focus on service delivery rather than property. Therefore, involving the central property manager in the process of leasing out this kind of property can be an important factor in making sure property is managed as a corporate resource.

In summary, eight indicators have been developed as the key characteristics of a corporate approach to local authority property management: (1) having a comprehensive PM strategy/policy for an authority's operational property holdings; (2) having an overall property acquisition and disposal plan for operational property; (3) having an overall property maintenance/repair plan for operational property; (4) property expenditure being centrally supervised, i.e. regularly (e.g. yearly) inspection of the council's operational property expenditure and/or any proposed expenditure on property must be approved by the property group (committee/departments); (5) regular audit of the physical condition and use performance of the council's overall property holdings; (6) setting space standards for types of property use or occupation; (7) surplus property being centrally held or managed; (8) the leasing of property to voluntary or charitable organisations being centrally dealt with or led by property group rather than by service departments individually.

The characteristics described above as (2) to (8) may be related to (1), but none of them are necessary for characteristic (1) to be implemented. For example, the formulation of an overall property maintenance plan may be based on a comprehensive property management strategy; however, an authority can still formulate an overall property maintenance plan without a comprehensive property management strategy. It is reasonable to use these eight characteristics as indicators to evaluate the current practice of CPM in English local authorities and to analyse factors which may influence the take up and good practice of CPM.

## 2.7 CONCLUSIONS

In summary, three conclusions can be made from the foregoing discussions. First, an authority's property should be used and managed as a corporate resource due to the following four reasons. First, from the review of the evolution of local authority property management, the study shows that CPM was an essential issue and is still important in the 1990s. Secondly, from the analysis of the current property management problems, the study identifies that most of these problems stem from or are related to the failure to use and manage a local authority's property holdings as a corporate resource. Thirdly, from the review of the development of the good practice property management approaches and techniques, the study reveals that these approaches and techniques, constitute an overall system of CPM. Finally, an authority should ensure that it has the capability to interact efficiently with the challenges from the dynamic environment. Property undoubtedly is one of the most important resources for an authority. It should be used and managed as a corporate resource to support the authority in its efforts to respond to challenges.

The second conclusion is that it is necessary to establish a research framework for the study of: (1) the current practice of CPM in local authorities; (2) the factors which influence the practice of CPM; (3) the obstacles experienced by local authorities in the practice of CPM; (4) the skills required by a property manager who engages in CPM; (5) the property management functions which should be centrally dealt with by the property management group as a minimum requirement for good practice of CPM; and, (6) the possible impacts on CPM from the changing environment.

The third conclusion is that those eight characteristics developed in the previous section can be used as indicators to evaluate the current practice of CPM in English local authorities and to analyse factors which may influence the take up and practice of CPM.



## **CHAPTER 3. RESEARCH APPROACH AND STRATEGY**

### **3.1 INTRODUCTION**

It has been concluded in previous chapter's analysis that it is necessary to develop a research framework for the study of: the practice of CPM in local authorities; the factors which influence the take up and practice of CPM; the obstacles to the take-up and practice of CPM; the skills required by a CPM manager; the property management functions which should be centrally dealt with; and, the impacts on CPM from the changing environment. This chapter focuses on an examination of the research approach and research strategy. The purpose of examining the approach to research is to formulate an appropriate research framework and to identify the elements which should be considered in the study of CPM in English local authorities. The aim of the examination of the research strategy is to identify the appropriate methods for data collection and analysis. This chapter begins with a review and analysis of the main approaches to the study of property management. It then identifies the appropriate approach for the study of CPM in English local authorities. It also lists the main elements which need to be analysed in the study of CPM. The final section reviews and examines the main strategies for social science research in order to identify the most appropriate strategy for this study in terms of methods of data collection and analysis.

### **3.2 APPROACHES TO THE STUDY OF PROPERTY MANAGEMENT**

The exercise of local authority property management must be set within the functions and accountabilities of authorities' operations. It will also reflect local circumstances, e.g. size of authorities, nature of their property portfolio, as well as political and management choice (Audit Commission 1988a: 65). Thus, the study of local authority property management must consider both the field of property management and the field of local authority administration. This section reviews the main approaches to the study of property as well as to the operation of local authorities in order to formulate a framework for the study of CPM in English local

authorities. Three main approaches are considered: the neo-classical economic approach; the radical political economy approach; and, the organisational management approach. Based on the purposes of this study and the characteristics of CPM, these main approaches are briefly introduced and evaluated with a view to identifying ideas and techniques for the study of CPM.

The neo-classical economists assume that landowners or property investors behave "rationally" in the sense of maximising the money reward from their property investments. Market failures and imperfections are viewed as justifying the state's intervention to deliver public goods or services which are felt to be desirable and which the market either cannot provide or is perceived to be provide inefficiently (see Kivell and McKay 1988). Authorities may therefore be regarded as owning their properties only for performing their duties for providing such services or to enable others to provide a service. Accordingly, the principles for an authority managing its property may include:

- (1) It will measure its use of landed property in money, just like its other resources.
- (2) It will use only the minimum possible amount of property, measured in money, which it actually needs to perform its duties and attain its objectives.
- (3) It will expend the minimum possible resources on the day-to-day management and use of its property. (Britton et al 1989: 7)

This approach can provide the basis for a measurement of "good property management" in money terms and has been quite influential as such in the last 10 years in terms of good practice efforts in property management. However, it leaves unresolved the issue of cause and effect in the practice of CPM. Harvey (1992: 123), for instance, has mentioned that local authority may be motivated by civic pride or political dogma rather than by economic considerations, especially where costs and benefits are difficult to measure in money terms.

This approach does not greatly assist in understanding the management process and operational culture in property utilisation and management. These two elements (management process and operational culture) have been suggested as important factors in local authority property management (Kirkwood and Padden 1988). Furthermore, this approach provides little help to the analysis of various factors which might influence the take up and practice of CPM. Considering the purposes of this research, it can not be regarded as the best approach for the study of CPM in local authority property management, although some of its methods are useful for the study of CPM.

Secondly, the radical strand of political economists has also examined the characteristics of property. However, they have not worked out any agreement on their theoretical approach to those characteristics (Haila 1991: 343). Their attention focused mainly on the functions of land in capital accumulation (e.g. Luithlen 1992), on struggles between groups for control of interests in property (e.g. Healey 1992), on the role of the state in intervening in the process of property development (e.g. Healey, 1990), on analysing types of property investment (e.g. Haila 1991), and, on examining the role of land ownership within the capitalist mode of production (e.g. Massey and Catalano 1978). Massey and Catalano (1978) suggested that interests in property may reflect the complex interrelationships of economic and political structure through the production process. They highlighted three different types of landowner (i.e. former landed property, industrial land ownership, and, financial land ownership) with special reference to their role within the social structure and their contribution to the process of production. They further argued that the ownership of land is likely to be related to the political, ideological and economic position, and, the function of each type of landowner. Their classification therefore implies some commonality of behaviour between the three identified types (Adams and May 1991: 690).

Although Massey and Catalano have listed the functions of three types of landowner, they did not discuss in any depth the role of state (including local authority) land ownership. Montgomery (1984; 1987) has filled this gap with his study of local authority land use, development and ownership in the cases of Sheffield and Oxford. With the application of political economy rent theory and theories of state intervention, he illustrated the links between the main interests (i.e. production, consumption and circulation) within capitalist societies and the questions of land use, development and ownership. His thesis has linked detailed consideration of how a local authority conducted its acquisition and disposal of property to wider aspects of economic demands and social needs in a particular locality. He suggested that local authority property ownership must respond to a variety of non-local structural, local structural and local conjunctural trends, needs, demands and constraints (Montgomery 1984: chapter 6 and Figure 1.2). He explained that land markets and the commodification of land and property represent both the means of allocating land to land uses, and also a barrier to those who must pay for the right of occupancy. Land users have to pay "rents" for access to land expressed either as an annual rental or a capital value to a landowner. Landownership is therefore an economic relation, but also a social one in terms of the privilege and social status it bestows, such as the right to use, enjoy and profit from exclusionary access to land (Ibid: 67). Rent, however, is a subtraction from surplus value which must be paid from the profits, wages and salaries of the consumers of space. Thus, landowners, production and consumption interests struggle over access to property, rent levels and conditions of occupancy. It is this process which allocates land to land users and which simultaneously presents barriers to all users of land -- especially those users which cannot pay the rent of a property as determined by the market (Montgomery 1987: 44).

It is in response to this dialectic process, and the epiphenomena produced by it (e.g. conflicts

over the use of land between different groups of producers and consumers)<sup>9</sup>, that land use planning in the UK can be regarded as having developed as a form of state intervention which attempts to take account of the various interests in the land use and development process and to arrive at a "technical solution" to conflicting economic demands and social needs (Ibid.). Montgomery has further suggested that this system has caused two main "land problems": high land values, and, land scarcity. In order to tackle these problems, local authorities have used the taking of property into public ownership as a tool to meet a variety of social, economic and political goals in particular places at particular periods of time (Montgomery 1984: chapter 2 section 4). These include fuelling the market and supporting production interests in the development industry through land assembly, the provision of rented housing for the working class, and, facilitating the development of major infrastructure projects (Montgomery 1987: 45). Accordingly, he identified five separate functions for local authority property ownership.<sup>10</sup> The first two are regarded as the "production" functions: to make industrial property available to manufacturing and service industry; and, to make development land available to the development industry. The third function is making land available for "consumption" uses, such as housing, health, education, social and recreation services. The fourth function may be considered as "circulation" function; land is provided for "general interest" uses such as conservation, transport or public utilities. Finally, property is also owned for "investment" purposes, by securing the full market returns on rental agreements and on disposals of property. A local authority may also hold land as a "landbank" function (i.e. as an "investment") for the development in the future. These various functions result in local authorities holding different types of property which pose different management issues (see Table 2.1, p.31).

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<sup>9</sup> As mentioned by Montgomery (1984: 88), private landownership is both a necessary basis for capitalism, but it also represents and poses several structural problems for capitalism.

<sup>10</sup> Adams and May (1991: 691) mentioned that a similar approach developed by Montgomery could be taken to the analysis of central government land ownership and it would be possible to extend this to state ownership more generally.

However, their role as land use planning authorities as well as landowners has resulted in considerable problems for local authorities trying to balance their property interests with their wider social and economic policies (Montgomery 1984: 225). Furthermore, the nature of changes in legislation can directly influence the way in which local authorities engage in the purchase, management, use and sale of their property (Ibid: chapter 3). Moreover, local authorities operate within a framework of external structural relations. As a response to structural relations and contingent factors, the purposes and functions of local authority property ownership are likely to be diverse and multi-faceted, and are likely to change over time in response to economic demands and social needs (Ibid: 100). Local authorities land trading activities must, therefore, be seen in a much larger context of the constitution of the development process, the localised articulation of interests in the land use and development process, the conflict over the use and exchange values of land, the institutional structure of landownership, political and professional ideologies, and the legal, policy and financial controls exerted by central government on local authorities (Montgomery 1987: 43).

Montgomery (1986) has further analysed the element of government's policies, both direct or indirect, which related to the issue of property disposals by public sector bodies. The strong emphasis on disposing of property assets in line with market criteria and many of the changes of land use policies since 1979 can be explained by a number of government policies (e.g. the mechanisms of statutory land registers and central financial controls) and market ideology (e.g. active disinvestment from public welfare provision and the support of privatised forms of consumption; the promotion of private sector profitability in the development, construction and housebuilding industries through asset sales and the relaxation of planning control) (Ibid: 23). Under this market-oriented regime, some public sector bodies (e.g. Health Authorities) have set up Property Review Groups to dispose of surplus land for their "maximum benefit" (Ibid: 25). In some cases, Montgomery's work can explain the

relationship of property review to the way in which privatisation as a whole has significantly redefined the boundary between public and private action since 1979. However, he suggested that (from the planning viewpoint) certain interests might lose when the criterion of realising the fullest market gain were used in property disposals. Therefore, before property is disposed of, his view is that it would be better to undertake fully detailed, wide ranging consultations to ensure that surplus land goes to the best socially agreed use<sup>11</sup> (Ibid: 26).

The approach adopted by the radical strand of political economists, with special reference to Montgomery's work and analysis, may provide a useful explanation of the different functions of property holdings by local authorities and their role within the capitalist mode of production. Montgomery's work provides a valuable insight into the structural relations between local authorities (as well as property ownership) and the economic, legislative and environmental frameworks within which they must operate. This approach therefore can help towards an understanding as to why and how substantive property ownership has been used to considerable effect in pursuit of different policies overtime. This approach can be regarded as helpful in providing an explanation of the evolution of English local authority property holding, development and management which has been considered in chapter 2 section 3 of this thesis.

Furthermore, while property ownership may be used as a policy tool, local authorities must often resolve internally the conflict over the use and exchange values of land, because they are both as landowners and land use planning bodies. This suggests that a diverse range of interests within a local authority is likely to be involved in property decisions, and that each may assess the value of property on a very different basis from the property professional and that this may be the cause of conflict and often of political controversy. Proposals to

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<sup>11</sup> In certain extent, this suggestion is similar to the idea of corporate property review (CPR) which is discussed in the later chapters (7 and 8) of this thesis.

rationalise the use of property (e.g. schools) may therefore cause political concern and local controversy, even if such proposals are well founded on purely technical property management grounds. Good practice corporate property management therefore needs to anticipate the likelihood of such opposition and prepare accordingly, including recognising the "value" of non-market criteria in property allocation decisions where wider policy considerations are taking the lead.

However, the political economists' approach has mainly dealt with macro-scale issues, involving economic and social tendencies within which individual organisations are subsumed. Under such macro-scale consideration, these political economists use collective concepts such as "social class" or the "state" to assist their analyses. But as Saunders (1986: 29) has pointed out, it is not a class or a state that acts, but rather the individuals who comprise it. This approach may have the drawback of ignoring the differences between individual local authorities deriving from e.g. contrasts in their internal structural arrangements and operational practices. Another area in which this approach can be criticised is the lack of ability to construct valid generalisations, which it has been suggested may derive from its exponents rather selective and partial biographical experience (Ibid: 19). Furthermore, this approach is mainly designed to indicate and analyse problems from the economic and social tendencies in the process of production. It has not developed enough methods or techniques to offer a solution to the problems being indicated. For example, Montgomery (1987: 49) has mentioned the conflict role of local authorities both as landowners and land use planning bodies. However, he (and other political economists) have not further tackled the issues of how local authorities deal with this conflict and what is the best way to solve this conflict in order to achieve an optimum or reasonable solution for authority's multi-purpose of property ownership under the requirement of the efficiency of resource utilisation which is at the core of this thesis.



Another issue not fully considered by the radical strand of political economists is the issue of how to maximise the use value of properties. They have not developed approaches and/or methods to investigate the property management problems faced by local authorities and thus to develop feasible methods or techniques to help local authorities to improve their property management practice. Using their approach in the analysis of local authority property management thus provides little help to formulate pragmatic solutions for the management of property, even if it provides a lead to knowledge about a wider role of local authority property ownership and the constraints of local authority property decisions within capitalist societies. Furthermore, no matter what functions of local authority property ownership are and whether property ownership is used as a policy tool, property should always be used efficiently considering overall return to the municipality (e.g. using a property to its maximum capacity) while pursuing social benefits. As Simons (1994: 334) has noticed with regard to local authorities' property ownership and management in the United States, deficiency in property utilisation may reduce the effectiveness and raise the costs of pursuing policy objectives.

The approach adopted by the radical strand of political economists, thus, cannot be considered as the most appropriate approach for a detailed study about the practice of corporate property management in local authority, although it provides a useful approach to study local authority property trading/holding activities and to help explain these activities under the conditions of changes in political, economic and social structures.

Finally, organisational theory is concerned with the activities of organisations, how an organisation should be managed, and, why it should be managed as such. It provides a framework to explain how organisational characteristics or variables are causally related. It also provides plentiful approaches in studying and formulating the objectives, strategies, internal structure and factors influencing structural design (or organisational change), staffing

and communication and the procedure of the management of an organisation etc. (e.g. Daft 1989; Scott 1987; and, Meyerson and Martin 1987). CPM relates to the property being used and managed in an organisation (authority)<sup>12</sup>, and the operation of CPM requires an understanding of how organisations operate and manage. Organisational theory may thus provide a useful framework for the study of the CPM. However, before borrowing any idea or approach from organisational theory for the study of local authority CPM, it is necessary to make a brief review of the main approaches and factors to be considered in the study of organisation.

Classical organisation theory (e.g. Weber's bureaucratic model) is concerned with the division and definition of functions within orderly structures within which power (authority) is concentrated, unified and clearly identified and complemented with responsibility at every level. The concept of hierarchy is important in this theory, which identifies precisely one superior authority for each person and each function (Baker 1975: 22). The theory asserts that careful planning and a prudent blend of the approval and the disapproval can lead to co-ordination and bringing organisational behaviour into line in the service of the organisational objective laid down from the top (Dearlove 1979: 160). Thus, the theory indicates that all organisational "diseases" must be the result of some kind of structural inadequacy or weakness in the formalisation of rules and procedures (see Haynes 1985: 9-10). This theory is often useful in providing ideas about how organisations could be structured and managed. However, its weaknesses are over-simplification and over-generalisation. This classical theory has been criticised as lacking a source in systematic research, ignoring the effects of the

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<sup>12</sup> Many authors have already attempted to explain a local authority as an organisation (e.g. Mellors and Copperthwaite 1987, and Haynes 1985). A local authority holds the basic characteristics of an organisation: *participants, strategies, structure, technology*, and, *environment* (see Dawson 1986: xviii, and, Scott 1987: pp.15-20). In their study of a local authority's property management operation, Kirkwood and Padden (1988) have also indicated the importance of "cultural aspect of an organisation". Thus local authorities have been regarded and analysed as an organisation.

human factor in organisation, an over-reliance on formal structure and authority, neglecting the psychological and sociological variables of organisational behaviour, goal displacement, poor internal and external communications, and, lack of adaptive capacity (see Baker 1975; Dearlove 1979: ch. 6; and, Haynes 1985: ch.II).

In attacking classical organisation theory's weaknesses, the "human relations school" has claimed to look underneath the surface of formal organisation structure to the more real but informal relationships of individuals and groups, their activities, attitudes and motivations. Although this approach added new elements of realism to the study of organisation, it has also been criticised, for instance for ignoring work objectives (see Baker 1975: 23), and, in a limited view of organisations' capacities to respond when conditions require creative thought and behaviour (Barley and Kunda 1992: 376).

Up to the mid-1960s the management of the public sector was dominated by two above-mentioned theoretical approaches. Since the mid-1960s, however, various new and much more sophisticated ways of thinking about organisations have emerged. They have been broadly categorised as the **systems thinking** approach which has had very practical applications for organisational analysis, particularly as applied to large and complex organisations such as local authorities. This thinking takes more account of the complexities and uncertainties of the real world than do the classical and human relations theories (see Baker 1975: 24-25). The systems approach highlights the mutual dependence which exists between an organisation and its environment. It asserts that the whole process of management and organisational structuring should have an environment orientation.

Under a systems thinking approach, management is regarded as the process of setting objectives and designing systems to meeting those objectives by planning, implementing and

controlling while taking into account the changeable environment (Barley and Kunda 1992: 380). Many quantitative and qualitative techniques have been developed (see Bryman 1989). Koontz and Weihrich (1990) for instance have suggested a TOWS matrix as a tool for an organisation considering and evaluating environmental 'Threats' and 'Opportunities' together with this organisation's 'Weaknesses' and 'Strengths'. Through this evaluation, appropriate actions can therefore be taken.<sup>13</sup> Furthermore, contingency theorists in organisation studies (such as Lawrence and Lorsch 1967; Thompson 1967) have proclaimed that the adequacy of an organisation's structure depends on the specifics of its environment and technology (Barley and Kunda 1992: 377), and that the relative appropriateness of the management of an organisation depends on the nature and characteristics of specific environmental contexts (Haynes 1985: 28). Therefore, the performance and effectiveness of an organisation will be a function of the goodness of fit existing between the internal attributes of the organisation, environmental variables (size of environment, its complexity, technological make up, and so on), and, the attitude and behaviour of the participants (see Haynes 1985: 33).

Over the last few years there has been an increased interest in the relevance of the postmodernity debate for organisational analysis (see Parker 1992). The theory suggests that bureaucratic methods of structuring are being replaced by the "post-modern corporation" (Cooke 1990: 143). The characteristics of these organisations are outlined as: de-differentiated; flexible; niche marketed; and, having a multi-skilled workforce held together by information technology networks and sub-contracting (Clegg 1990: 181). The organisational culture is another important element to be highlighted in the study of organisations and their management (Barley and Kunda 1992: 382). Thus, some writers (e.g.

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<sup>13</sup> This TOWS model has been adopted by Edwards and Seabrooke (1991: 376-377) as a tool in undertaking proactive property management (see p. 24). However, the "TOWS" analysis puts the emphasis on external threats as the originator of strategic planning. Edwards and Seabrooke suggested that the proactive property manager should begin by examining the strengths and weaknesses of the organisation, and so be ready to tackle opportunities and threats as they arise. They, therefore, used the term "SWOT" in their discussion.

Parker 1992: 9) indicate that methods for organising have to be developed in an increasingly turbulent and complex environment. In summary, some new elements, such as culture and flexibility, have been added into the study of organisation management.

Reviewing the field of local authority administration, the management of authorities has to a certain extent been influenced by organisational theory. The appreciation of the dynamic and systemic nature of the environments faced by local government engendered the advocacy of corporate management in English local authorities during the late-1960s and 1970s. The corporate approach means the management of the activities of the local authority as a whole when these are seen as activities aimed at the solution or alleviation of social problems which are interrelated and which exist within a common environment which is constantly changing. Therefore, it is argued, there is a need to identify key objectives for the council as a whole, and to list key corporate policies and priorities, with the intention of providing the organisation with a clear, positive vision. Individual committee strategies can then be guided and informed by and contribute to these wider corporate objectives. The technique of corporate planning has been introduced as a part of corporate management, with a cycle of setting objectives, evaluating alternatives, monitoring and review. In terms of organisational arrangements, the establishment of a policy and resources committee, the appointment of a chief executive, and the setting up a chief officers' management team were the mechanisms suggested for a corporate approach to local authority management (see Bains Report 1972). A generation later, Arnold and Cole (1987: 138) considered that the corporate management approach had a profound effect on the management ethos in local government.

While the elements of management culture, technology and flexibility have been emphasised by the new organisation management writers, similar changes can be seen in the way in which local government operates and will operate (Hoggett 1987: ch.12; Stoker 1989: ch.8). The

new-wave public management theory has increasingly emphasised a concern with the public as customer and citizen, with efficiency and reviewing performance, with developing strategies and decentralised structures, and, with the introduction of competitive forces into public service delivery (pluralism or market approach) (Stewart 1989: 175; Stoker 1990: 254). Within the organisation of an authority, control is seen as being exercised less through a rigid hierarchy, rather than through the establishment of a 'corporate culture' and 'control system' using new technology, e.g. the use of performance measurement and information systems (Stoker 1989: 147; Brooke 1989, 1991).

In their empirical study of the response to the changes faced by seventeen local authorities, Isaac-Henry and Painter (1991a: 86-88) conclude that the arguments for a managerial ethos and culture are now generally accepted, and, therefore, recognition of the importance of basing organisational practice on sound management principles. In the effective management of organisational change, the essential elements are: structures, processes, people, attitudes and behaviour, and, culture. Some important themes have emerged in the management of English local authorities. First, the organisation (authority) acts as a whole by adopting a corporate approach to the management of its services, in the hope of providing a more integrated service. Secondly, it is important to take steps to improve internal communication. Finally, it emphasises the imperative actions of setting clear objectives, strengthening and clarifying the "centre's role" to provide a greater sense of direction and to identify priorities of resource allocation and policies for the organisation as a whole, and, instituting proper review procedures as a means of improving management performance and evaluating achievements (Ibid: 74-77).

The role of a local authority becomes a matter of enabling not providing (Stoker 1989: 157). The management of the enabling authority, as indicated by Brooke (1991: 529-531), has

several aspects. First, it takes a synoptic view of the community and its needs through the utilisation and allocation of all its resources. Secondly, the management is seen as concentrating on outputs not just inputs, so that targets must be clearly set up. Thirdly, in order to use its resources efficiently to achieve those targets (outputs), the authority will also increase tailor its services to its citizens' needs. In order to compete with its service efficiency and meet diverse needs of its citizen, a very flexible approach in service provision and management should be adopted. Fourthly, it is important to use information technology and the authority's existing database. This information management system gives an accurate picture of management problems and citizen's requirements. It also provides an interactive means of assessing the authority's services and monitoring progress. A further significant aspect is that it is not necessary for the authority to provide all its outputs by itself. The authority has to influence the strategy of other agencies as well as its own service departments to provide high quality services to its citizen. Finally, in terms of organisational management it needs a central group which forms a core for identifying needs, scenarios and strategies for members, securing implementation of the plans agreed through a variety of agencies, and monitoring achievements against the targets the authority seeks.

Reviewing these different theories of organisational management, it can be concluded that organisational management approach can offer an appropriate framework for the study of CPM in English local authorities. It provides three types of advantages. First, it can highlight the direction of the newly-developed themes in local authority management which influence the use and management of local authority property. This provides a huge benefit for the study of CPM through directing attention to considering property as a resource being used in the overall organisation.

Secondly, organisation theory provides plentiful approaches and methods in understanding

both the operation of an organisation and comparisons between several organisations or groups of organisations. These methods and approaches can be usefully borrowed for a study of CPM in local authorities, not only in the overall practice of CPM and comparisons between different groups of local authorities, but also in more detailed studies of more specific CPM techniques.

Finally, and most importantly, organisation theory has helped the researcher to list the main elements in the study of CPM in English local authority: the natures of local authorities (types, location); management structure arrangement; property management strategies; the role/power of property managers; the relationships between the central property management unit and other departments or property users; property management techniques/measures; property management culture; and, the increasingly turbulent and complex environment. Based on a consideration of these elements, research can be designed to desirable and analyse the context and practice of local authority property management which will highlight the factors which may influence the take-up and practice of CPM.

### **3.3 RESEARCH STRATEGIES- A REVIEW**

There exist two broad categories of research approach in the social sciences: quantitative and qualitative research. Quantitative research is typically taken to be exemplified by *survey* and *experimental investigations*. The survey uses a particular framework within which data are collected by standardised questionnaires or interviews. This approach can test theories or hypotheses by generating quantifiable data on large numbers of by reference to a sample which are known to be representative of a wider population. In an experimental investigation, it is necessary to distinguish between an experimental and a control group. Other vehicles of quantitative research are the analysis of previously collected data (such a official statistics data), structured observation- whereby the researcher records observations in accordance with



a pre-determined schedule and quantifies the resulting data, and, content (archival) analysis-- the quantitative analysis of the communication content of media such as newspapers. (Bryman 1988: 12)

Informant interviews (unstructured or semi-structured), participant observation, and the examination of documents are the main approaches to collecting data in qualitative research (McClintock et al 1979:619; Bryman 1989:142-51). *Participant observation* entails the sustained immersion of the researcher among those whom he or she seeks to study with a view to generating a rounded, in-depth account of the group, organisation, or whatever. This method allows the researcher to gain first-hand, rather than somewhat indirect knowledge. Furthermore, it permits the researcher to look behind the formal aspects of organisational settings and to reveal a rich, and often deliberately concealed interior. Compared with the survey method, which is undertaken on the basis of what the investigator plans to find, participant observation opens up possibilities for encountering the completely unexpected phenomenon that may be more significant than anything the researcher could have foreseen, suggesting important hypotheses worthy of further study. However, the reports from participant observation may be suspected being easily coloured by the investigator's personality and values. The high cost in time is another limitation of participant observation.

*Informant interviewing* is the method by which the researcher provides minimal guidance and allows considerable latitude to the interviewees. Informant interviews are thus different to survey interviews, which tend to be structured and standardised, often with closed-ended questions. The aim of informal interviews is to elicit the respondents' ways of thinking about the issues with which the researcher is concerned, so that there is usually a preference for minimising the degree to which they are constrained and force respondents to think carefully. Other advantages of this approach are allowing great flexibility in the questioning process,

high response rate, and, collecting supplementary information (Frankfort-Nachmias and Nachmias 1992: 227-228). However, there is a risk that the respondent will impose his/her own agenda or issues on the interview. These issues may be in the positions that are not directly relevant to the research purposes (Schoenberger 1991: 182). This approach may also have the weakness of requiring a great amount of time to get systematic information. Data obtained from interviews may be difficult to pull together and analyse (Patton 1987: 110-111).

*Document analysis* is a method used to examine various documents which are related to the research subject. Such sources of data can fulfil a number of functions for the researcher. They can provide information on issues that cannot be readily addressed through other methods; they can provide checks on the validity of information derived from other methods, and, they can contribute a different level of analysis from other methods. In general, documents are used to provide additional data and to check on the findings deriving from other source of data (Bryman 1989:151).

Most qualitative research derives from studies in a single setting. Therefore, some writers treat qualitative research and case study research as more or less synonymous terms (Rist 1984: 160; Bryman 1988: 87), although case study does not imply the use of a particular type evidence, i.e. case study can use either qualitative or quantitative evidence (Yin 1981:58; Bryman 1989:175; and, Stoecker 1991:99).

Research methods must be appropriate to the nature of the object and the purpose of study (Sayer 1992: 4). Cropper (1982: 342) also argues that the research methodology is clearly bound up with the nature of the subject matter that forms the substantive concern; the types of theory being espoused; and, the state of knowledge in the field of inquiry. Therefore, it is important to link the research strategy (data collection and manipulation procedures) with

developing or testing explanations of the social world. Yin (1989:16-20) further suggests a framework to compare different research strategies by three conditions: the type of research question posed; the extent of control an investigation has over actual behavioral events; and, the degree of focus on contemporary as opposed to historical events. His work is briefly summarised in Table 3.1.

Table 3.1. Relevant situations for different research strategies

Strategy	Form of Research Question	Requires control over behavioural events?	Focuses on contemporary events?
Experiment	How, Why	Yes	Yes
Survey	Who, What*, Where, How many, How much	No	Yes
Archival analysis (e.g. economic study)	Who, What*, Where, How many, How much	No	Yes/No
History	How, Why	No	No
Case study	How, Why	No	Yes

\* "What" questions, when asked as part of an exploratory study, pertain to all five strategies?

Source: Yin, R. (1989: 17).

Taking into account the characteristics of local authority property management and the purposes of this research, which is mainly concerned with the current practice of CPM and the factors influencing this practice of CPM, several strategies among those discussed above have been excluded by the researcher as unhelpful. First, the need to control certain variables (behavioral events) or provide for the separation of an experimental and a control group as in a laboratory would impose severe restraints on the scope of the study and is premature. CPM is only beginning to emerge as a field of research, much evidence is anecdotal, and there is little available by way of general information on CPM in local authorities which would provide the essential parameters for such tightly controlled work. Secondly, the lack of statistical data (previously collected data) makes archival analysis an inadequate strategy.

Thirdly, participant observation is so high cost in time and resources that it is virtually impossible to be undertaken by an individual researcher, particularly for the purpose of understanding the experience of a large number of local authorities. It is also difficult to tackle the history of working practices and the reasons leading to the choice of certain activities by this method. Moreover, although documentary analysis can provide some of the information required for this research and will be used for this purpose, it can only provide a very small part of the total.

This leaves the survey and case study approaches to be considered. *Prima facie* each has something to offer the research. As introduced by McClintock et al (1979:612), the differences between case study and a sampling survey can reflect a broader distinction between qualitative and quantitative researches. Qualitative methods are described as thick, deep and holistic, while quantitative approaches are characterised as thin, narrow but generalisable. In the sample survey, standardised measurement and sampling procedures are used to: enhance the reliability of observation; facilitate replication studies; and, permit statistical analysis of data and generalisations to larger populations. The aims of case study are: to capture the frame of reference and definition of the situation of a given informant; to permit detailed examination of organisational process; and, to explain those factors peculiar to the case that may allow greater understanding of causality.

However, the selection between sample survey and case study or a combination (as the third strategy) should prudently consider their strengths, weaknesses and their suitability to the nature of the object and the purpose of study. The remainder of this section therefore further analyses the strengths and weaknesses of these strategies with reference to the nature and purpose of the study of CPM in English local authorities. Based on this analysis, the selected approach for data collection and analysis is highlighted.

### 3.3.1 Sample survey

This method, as indicated by Schoenberger (1991: 180), is usually undertaken by a highly standardised questionnaire comprising a fixed sequence of predominately closed-ended or fixed-alternative questions characteristic of large-scale survey instruments. This method is an appropriate and useful means of gathering information under three conditions: (1) when the goals of the research call for quantitative data; (2) when the information sought is reasonably specific and familiar to the respondents; and, (3) when the researcher himself has considerable prior knowledge of particular problems and the range of response likely to emerge (Warwick and Lininger 1975: 9-10). The virtue of using this method is that it provides the possibility of formal hypothesis testing with a high degree of statistical generalisability and confidence. This method is strong in reliability, generalisation, and replication. Reliability means the probability that repetition of the same procedures will produce the same results. Adopting survey research has the advantage of allowing the same results to be produced by repeating the structured procedure.

The general emphasis on random sampling in survey research is that findings can be generalised to a wider population of which the sample is representative. Further, statistical inference techniques which are widely used by survey researchers, make sense only in the context of randomly selected samples which permit inferences to a population. Through these inferences theories and hypotheses then can be tested by the examination of these quantifiable data (Bryman 1988:30-38). Replication can provide a means of checking the extent to which findings are applicable to other contexts. In addition, it is often seen as a means of checking the biases of the investigator. It should thus be technically feasible for someone who insists on replication to use precisely the same questionnaire in relation to a comparable sample as employed in an original study. In this way it is possible to examine the nature of any biases of research by survey.

To explain why some things are caused by other things is one of the main purpose of social research. In a survey, data are typically collected from a sample of individuals at a fixed short time period. The data allow the researcher to establish whether there are associations among the different variables that are reflected in the questionnaire. The concern to establish causal connections between variables is primarily geared to the establishment of simple associations and correlations among variables. The critical point, however, is that correlation cannot imply causality, which indicates that the social scientist's ability to establish causality from survey research is severely limited. However, survey researchers have by no means been deterred and have developed a variety of procedures for the clarification of causality by means of a post hoc reconstruction of the logic of causal order that lies behind the cluster of variables generated by a particulate investigation. Another limitation of this method is the reliance on large-scale, standardised surveys implies that certain assumptions about terms and meanings of given questions are equally transparent to all respondents and are interpreted identically by them according to the researcher's intentions. Pretesting (pilot survey) therefore is important as a means of reducing possible misinterpretations. Finally, it should also be noticed that statistical data may not be able to present some detailed factors, such as strategic decisions, conflicts, tradeoffs or historical contingencies (Schoenberger 1991: 181).

### **3.3.2 Case study**

This approach's main strength is in providing in-depth and detailed analysis of a particular set of circumstances (Bryman 1988: 63). Furthermore, it has high contribution to "knowledge" in periods of great economic and social context change that pose new challenges to the analytical categories and theoretical principles underlying quantitative research (Schoenberger 1991: 181). Thirdly, the use of case studies has the advantage of helping to understand the operations of a complex and dynamic organisation (Diesing 1972:264; Elkin 1974:10). It reveals not only the effects but also the reasons for those effects (Kennedy

1979:668). Moreover, the flexibility of the case study approach provides a useful tool for some types of social research, particularly when traditional research methods like the survey questionnaire seem to be inappropriate (Rose, 1991:190). The case study approach also has the potential to make a contribution to the development of theory or producing new ideas as has been suggested by Eckstein (1975:94-123) and by Cropper (1982:346).

Many other advantages of case study method have also been suggested. Yin (1981:59) has pointed out that the case study can examine: a contemporary phenomenon in its real-life context, especially when the boundaries between phenomenon and context are not clearly evident. Masser (1982:8) has indicated that case study can deal with the sequence of decisions that is taking place over time. Cropper (1982:344) has argued that the case study is seen as useful primarily when the subject matter is ambiguous, contemporaneous, and rich in detail. A good research strategy implies developing less costly means to the same ends, and Eckstein (1975:121) has mentioned that the most manifest practical advantage of case study is that it is economical for all resources: money, manpower, time and effort. Finally, the case study approach holds the strength to deal with a full variety of evidence (Yin 1989: 20). It allows, as mentioned by Cropper (1982: 345), a researcher to cross-examine types and sources of evidence to establish a network of connections between the various evidences and themes.

However, two basic problems for case study have been identified: the difficulty of maintaining the objectivity, and, the findings from case study lacking generality (Stoecker 1991: 91; Bryman 1988: 87-91). That case study takes too long and results in massive and unreadable documents is a third problem (Yin 1989:21).

Some scholars have attempted to solve problems of case study by making it more sophisticated and rigorous. Several strategies have been adopted to inject greater scientific

rigour into the case study method to mitigate its weaknesses. Bromley (1986) advocates triangulation (the use of multiple methods) to shore up internal validity (cited in Stoecker 1991: 92). Campbell (1975) has suggested that the case study need not be based on an N of 1, since degrees of freedom could be increased by testing the multiple implications of any one theory and comparing it to a test of competing theories. McClintock et al (1979:612) have also proposed the case-cluster method which stated that a single case study could be treated as a cluster of units of analysis. They commented this approach as walking a line between the case study and the standardised sample survey. Yin (1981: 62) has recommended the case survey method which provides a means of quantifying and drawing together the findings of a number of cases that have focused on similar substantive matters but which are methodologically distinct. He has further listed several tactics for judging the quality of case-study research design by the tests of construct validity, internal validity, external validity and reliability (Yin 1989:40-45).

In terms of tackling the weakness of generalisability<sup>14</sup>, the case comparison method has been suggested (Becker 1968: 236; Yin 1981: 63). This method may make possible a stronger conclusion, because of a comparison of the number of such instances with the number of negative cases in which some alternative phenomenon that would not be predicated by the theory appears. Cropper (1982: 351) mentioned that "the case-comparison method involves the comparison of entire cases looking for structural similarities and building generalisations on these". Bryman (1988:88-90) has listed three approaches to deal with generalisation: study more than one case (case comparison); through the examination of a number of cases by more than one researcher; and, to seek a case which is 'typical' of a certain cluster of characteristics. Kennedy (1979: 666-668) has suggested a more detailed approach to

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<sup>14</sup> While some authors make efforts to overcome the weakness of generalisability, some other writers argue that case study has the ability to generalise theory (see Stoecker 1991: 105).



strengthen the generalisation of case(s) study. She defines four criteria for case attributes: wide range of attributes across the cases; many common attributes between cases and population of interest; few unique attributes in the cases; and, relevance of attributes.

Yin (1989: 21 & ch.6) has indicated that the problem of over complicated and lengthy reports can be avoided if a study is built on a clear conceptual framework. This then relies on the research design with regard to data collection and analysis. Yin (1989: chapter 2) has also suggested five essential components of a research design: a study's questions; its propositions; its unit of analysis; the logic linking the data to the propositions; and, the criteria for interpreting the findings. He further listed some tactics in undertaking a high quality case study, such as using multiple sources of evidence, doing pattern matching and/or explanation-building in data analysis, using case study protocol, developing case study data base, maintaining a chain of evidence, and having key informants review draft case study report. Diesing (1972: ch.11) has listed the steps of case study as: prior preparation, activities in the field, discovery and interpretation of themes, building a model to connect themes in a network or pattern, explanation of the model not only in any one component but in the whole, and, writing a report.

### **3.3.3 A 'Combined' Survey and Case Study Strategy**

It is possible to combine quantitative and qualitative research in order to benefit from the two approaches' strengths in data collection and analysis (Bryman 1988: ch. 6). Survey can thus be used as a precursor for case study. The former may act as a kind of insightful pilot stage, capable of generating interesting hypotheses or ideas for empirical confirmation by case study. Case study may also facilitate the construction of scales and items for quantitative research by survey. Moreover, the existence of qualitative data may greatly assist the analysis of quantitative data. Finally, a different view of the ways in which qualitative and quantitative

findings may interrelate, as Bryman (1988: 136-37) has pointed out that soft findings of qualitative research are confirmed by the hard data of a quantitative approach; on the other hand, the initial quantitative research allows a mapping of the issue to be addressed and also provides the basis for the selection of comparison groups for in-depth qualitative interviewing. Furthermore, both approaches have their specific functions for research. Different strategies may be suitable to different stages of the research process (Spencer and Dale 1979:346, and Bryman 1988:149).

A model of this combined strategy would be carrying out a survey in order to fill some gaps which cannot be readily filled by a reliance on case study or unstructured interviewing alone. For example, in his study of the routinisation of organisations, Yin (1982) combined a set of case studies and a telephone survey. The case study was undertaken by field visits consisting with interviews of key informants, inspection of relevant documents, and direct observations of actual organisational practice. This was followed by a short-time telephone interview. The telephone interviews filled the gap of generalisation through a large-scale sample of agencies across the country with questions focusing on some key phenomena.

#### **3.3.4 Summary and conclusion**

In summary, sample surveys can give the researcher a generalisable but thin consideration of the research subject. The survey approach has the claimed virtues of matching the requirement of scientific testing in generalisation and replication. Case study research, on the other hand, has the strength of undertaking a deeper and holistic investigation of specific site(s) so as to understand the process of operation as well as the process of change and to analyse the factors and influences of the operation and change. The combination of these two methods in the same research project at different stages is possible and a useful research strategy to gain the advantages and avoid disadvantages of the two methods. The selection of

the functions of property management, the organisation arrangement of property management and the measures used in property management. Adopting the terms used by local authorities themselves and these two bodies, a clear and consistent meaning of those terms has established and has been kept in the research. This has also been helpful in eliminating the prospect of misunderstandings of property management events, meanings and activities between researcher and respondents. This preliminary work enabled the conditions of undertaking a sample survey, as defined by Warwick and Lininger (1975: 9-10), to be met. It was thus both feasible and appropriate to undertake a sample survey to obtain reliable data to describe and analyse the current practice of CPM, and, the factors which influence the practice of CPM. The benefits of this approach offered the possibility of formal hypothesis testing with a high degree of statistical generalisability and confidence and ensuring the replicability and consistency. Furthermore, the results of survey would be used to generate interesting hypotheses for further empirical confirmation by case study. Accordingly, the survey was designed to identify the most immediately available and effective measure for good practice CPM and the most significant challenges to local authority property management. Results from the sample survey were also designed to contribute to the judicious selection of cases for further study.

## **(2) Part two by case studies**

Having identified the most immediately available and effective measure (corporate property review, CPR)<sup>15</sup> for good practice CPM, i.e. Corporate Property Review (CPR), the research further required a more detailed inspection of the operation of this measure. This included studying the contributions made by this measure to good practice CPM and the essential elements (actions) which ought to be noticed in undertaking a robust CPR which can lead to

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<sup>15</sup> The development and operation of property management measures which have been suggested and used in English local authorities are briefly described in the following chapter (4.5). It is likely that corporate property review (CPR) is the most immediately available and effective measure to achieve good practice of CPM. Evidence will be brought in by the postal questionnaire survey (see chapters 5 and 6) to support this view.

good practice CPM. It is argued that these actions could provide the basis of suggestions and recommendations for those local authorities considering undertaking such a measure.

As the circumstance underlying the operation of this measure (CPR) within the overall CPM practices is so complex, it is difficult to understand its detailed implementation by a standardised survey questionnaire. Many elements are difficult to deal with by a statistical analysis using a standardised questionnaire, such as the implementation process, the interactions between participants, and the priorities or the choice between tradeoffs. The case study approach provides for an in-depth and detailed analysis and explanation, and permits direct examination of those elements.

### **(3) Part three by case study**

Local authorities face many new challenges in the 1990s, either from socio-political structural change (e.g. demographic changes and the growing importance of the European Union dimension) or from central government's policies (e.g. reorganisation of local government, compulsory competitive tendering, and the introduction of devolved management approach). The research identifies the most significant challenge to local authority PM as the proposal for compulsory competitive tendering (CCT)<sup>16</sup>. It further investigates the background of CCT and its potential impacts on CPM. Some recommendations are made in order to help local authorities keep a continuing good practice CPM under this challenge. As the evidence may be slight and the complexity of the impacts from CCT while local authorities still in their learning stages, a standardised survey is not a suitable approach for this part of the research. A more appropriate way (or may be the only way at this moment) is to use the practice of those pioneering authorities, which have taken action to response to CCT, as examples to analyse relevant issues in more detail.

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<sup>16</sup> Evidence will be brought in by the postal questionnaire survey (chapter 6) and by further case studies (chapter 8).

### **3.5 CONCLUSIONS**

Two conclusions can be drawn from the discussion in this chapter. First, an organisational management approach is appropriate to the study of CPM in local authorities. Indeed it is helpful for the study of CPM in local authorities by: providing a direction by which to understand the development of local authorities' management styles; offering plentiful methods to be chosen in the study of CPM; and, highlighting the main factors which may influence the operation of CPM and the undertaking of specific property management instruments. Secondly, the combination of sample survey and case study in the different stages of the research provides the preferred strategy for the study of CPM in English local authorities, taking into account the research objectives, the existing state of knowledge in the subject, and, the nature of the subject of study itself.

## CHAPTER 4

### THE CONTEXT OF LOCAL AUTHORITY PROPERTY MANAGEMENT

#### 4.1 INTRODUCTION

Local authority property management, as mentioned in chapter 2, is influenced by an authority's internal management arrangements and the challenges felt from its operational environment. A context analysis helps to provide a general aspect of local authority property management and to identify the main factors which may influence the practice of CPM. This chapter uses the approaches which have been suggested for the study of organisation management to undertake the context analysis of local authority property management. Elements suggested by Montgomery (1987: 43) (e.g. the legal policy and financial controls exerted by central government on local authorities) are also considered in the analysis. Accordingly, the elements which should be considered in the study of CPM in English local authorities are: the characteristics of local authorities themselves (e.g. functions, locality, and size); management structure arrangements; the role of property managers and the skills they need; property management techniques/measures being used; and, the challenges from the external environment. This chapter begins with an analysis of the system and functions of local government in England, highlighting some of the main factors which may influence the operation of CPM. The discussion then turns to examine the organisational arrangements of local councils, especially focusing on the function of property management. The role of property managers in diverse property management matters and the skills they need in corporate property management are then considered. The chapter also describes the main property management instruments which have recently been developed and used by local authorities. It also analyses the main recent changes in local authority management and lists some elements which may influence the operation of CPM in the near future. Finally the concluding section summarises those influencing factors and indicates the necessity of

undertaking an empirical survey.

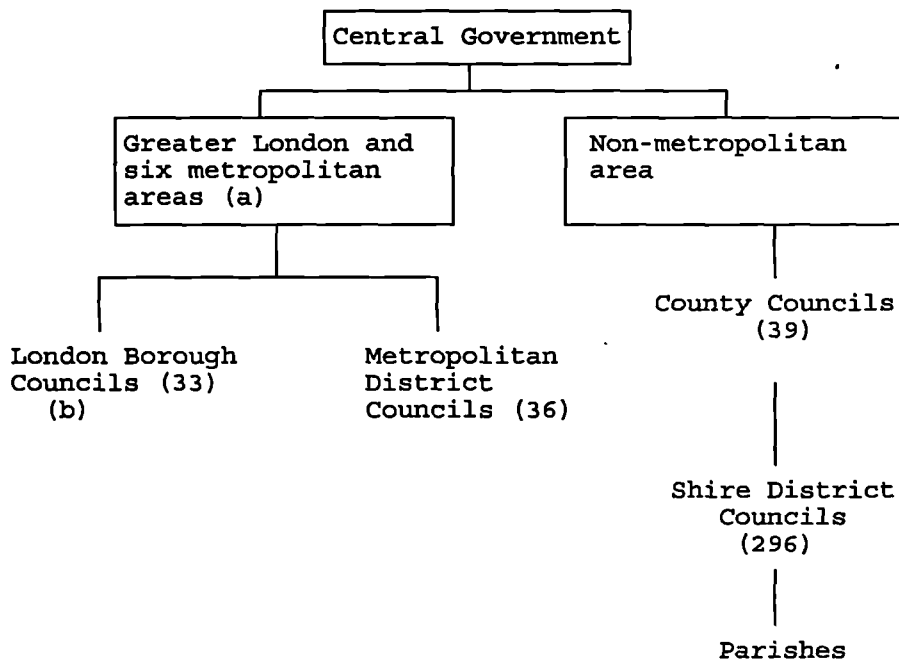
## 4.2 THE STRUCTURE AND FUNCTIONS OF LOCAL AUTHORITIES

This section begins with a brief review of the current structure and functions of local authorities.<sup>17</sup> Based on this review the main factors which may influence the operation of corporate property management are highlighted.

### 4.2.1 Local authority structure

The multi-purpose elected authorities in England can be divided into two systems, including four kinds of authority. The structure and the number of these four kinds of authority are shown in Figure 4.1.

Figure 4.1 Local government structure in England, 1992



(a) Greater London and the six metropolitan counties still exist as administrative

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<sup>17</sup> This discussion is based on the structure and functions in 1992-93 when the author's detailed research surveys were undertaken. The Local Government Commission has begun reviews of local government organisation in selected areas, but its recommendations have not yet been put into effect.

areas; however the Greater London County and the Metropolitan County Councils as authorities were abolished in 1986.

(b) Including the Corporation of the City of London.

Within Greater London and the six metropolitan counties (Tyne and Wear, West Midlands, Merseyside, Greater Manchester, West Yorkshire and South Yorkshire), local government services are provided by unitary multi-purpose authorities (London Borough Councils and Metropolitan District Councils<sup>18</sup>). These unitary authorities also co-operate with several non-elected joint boards or joint committees to carry out certain county-wide services, which cannot conveniently be handled at the district level, previously administered by the GLC or the MCCs<sup>19</sup>. The structure of local government in non-metropolitan areas is a two-level system of county councils (or 'shire' councils) and district councils. In some metropolitan districts and counties there is a third level of parish councils. There are no hierarchical relationships between a county council and its district councils and therefore, in order to avoid appearing vague, this study uses the term "level" rather than "tier" to describe the local authority structure in non-metropolitan areas. As all the authorities' functions, duties and powers come from Parliament, they have the same status and are independent of each other under the law, but differ in their functions and powers. Thus district councils are by no means subordinate to the county council. They each have separate responsibilities, and, in some circumstances will share functions. For example, district councils supply the service of refuse collection, but refuse disposal is the responsibility of shire councils. An examination of the functions of the different types of authority can reveal the property requirements they may have.

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<sup>18</sup>Hampton mentions(1987:43) that "In legal terms local government in England outside London is divided into areas known as counties and districts with parishes existing in certain circumstances. None of the other titles such as 'borough', 'city' or 'town' convey any additional powers or responsibilities. The Act allowed the retention of adoption of such titles simply as a further concession to local sentiment."

<sup>19</sup>In Greater London the joint authorities for fire and civic defence and joint committees for planning and waste disposal and in six metropolitan areas joint authorities for fire and civil defence, police, waste disposal and public transport were set up to carry out their county-wide simple-purpose service. The members of those joint authorities/committees are appointed by the districts.



#### **4.2.2 Functions of local authorities**

Local authorities in England have many functions. Kingdon (1991: 35) has divided authority's functions into two main categories: those delivered to the community, and, those needed to sustain the local authorities themselves. The latter are also called "housekeeping" functions and include the management of resources (property, personnel and finance). Elcock (1986: 109) has listed a third function: planning for the future which covers the development of policies and proposals for planning for the future, both for local authorities themselves and for the local community generally.

The management of property thus belongs to the resource management function but is also related to the functions of providing services and planning for the future. Different authorities have different policies in planning for their future which influence their property resource management. For example, some authorities may insist that continued ownership by the authority somehow benefits the area, thus they adopt a policy against the disposal of property in any circumstances. Conversely, some authorities may accept the policy that all property which becomes surplus to requirements must be sold immediately. Another strategy is, in the words of the Audit Commission (1988a: 4), for local authorities "... to strike a balance between immediate financial and service pressures and the long term needs and wishes of the community."

The main functions in providing services are different between four types of authority. DoE's The Functions of Local Authorities in England (1992) report provides a detailed and updated functions of different types of local authority. English County Councils generally have responsibility for strategic planning, highways (maintenance, improvement and construction), traffic, social services, consumer protection and trading standards, education, libraries, police, fire, refuse disposal, and, providing and managing smallholdings. The functions of Shire

Districts mainly encompass local planning, building control, street management (e.g. providing street lighting, fencing of lands which adjoin streets), housing, environmental health (air pollution and nuisance control), markets and fairs, refuse collection, cemeteries and crematoria, leisure services and parks, and, electoral registration. London Boroughs and Metropolitan District Councils are known as unitary authorities and operate all the functions of local government. Both in London and in metropolitan areas groups of authorities have joint bodies to administer particular functions over a wider area. Police and fire services are specific examples.

It could be argued that county councils are generally the largest operational property holders and the holders of a widely spread portfolio. This is because they require a large amount of land and buildings to support the delivery of their services (such as schools and social services) within a broad area. Metropolitan district councils and London borough councils, which are all-purpose authorities, hold among the most varied and valuable portfolios. Shire district councils might be expected to be the smallest owners of operational property. The existence of these characteristics in their property holdings may be expected to be reflected in differences in their CPM practice. For instance, those authorities with large property holdings might be encouraged to adopt a more systematic or comprehensive approach to property management. Those authorities owning a small amount of operational property might deal its management by a quite simple system.

Another factor influencing property management (Audit Commission 1988a: 7) in local authorities may be the nature of the locality itself particularly with regard to its level of economic growth. For example, the high sales price of land in south-east England might lead authorities to stress an active management of surplus property; but the issue of reducing property running costs might be more important for those authorities located in the north of

England. Another example is that in the London area local authorities may search for development opportunities for small but valuable surplus sites as an essential management task (Johnson and Newman 1992: 17); however, this issue may be a low priority for small and more rural district authorities. Therefore, the practice of CPM may differ between authorities located in the eight English regions: North, North West, Yorks and Humber, West Midlands, East Midlands, East Anglia, South West and South East.

Accordingly, the hypothesis is developed as that **CPM is influenced by the type of local authority; by the size of property holdings; and, by the area where the authority located.**

In order to examine this hypothesis, the data of authorities' type, locality, and size of property holdings need to be collected and cross-analysed with the practice of CPM. This examination is expected to identify whether general differences exist in the practice of CPM between different type authorities, between authorities with different size of property holdings and located in different regions.

#### **4.3 INTERNAL MANAGEMENT IN LOCAL AUTHORITY**

A local authority is controlled by its elected councillors who each year elect a mayor or chairman, whose duties include presiding over the council's meetings. However, the mayor by no means holds the real power. This lies with the leader of the council, who is usually a member of the majority political party<sup>20</sup> and acts as the chair of the main (Policy and Resources) committee, which determines the council's overall priorities and policies and co-ordinates the activities of the various spending committees. This main committee is usually also responsible for the overall financial policy, approving the overall revenue and capital budgets and recommending the rate to be levied by the council. Most of the council's other

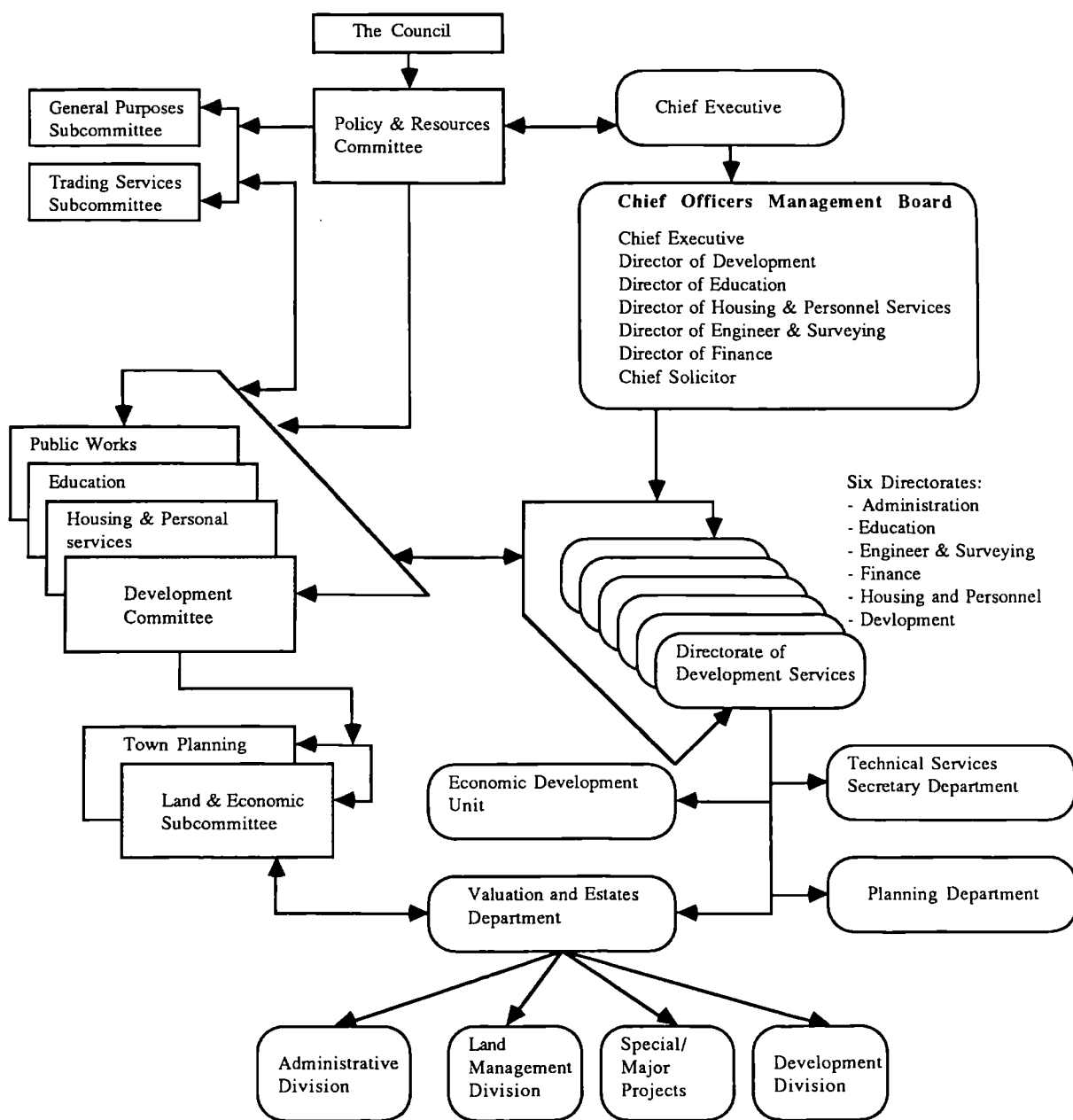
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<sup>20</sup> In a hung council, no political party controls the majority. The council is jointly controlled by two (or more) political parties or through some more ad hoc arrangements.

The management of a London Borough Council (Bexley) can provide an example of the reasonably general practice of local authority management. Many of the Council's powers are delegated to Directors or Chief Officers who are responsible for the day to day running of the authority, while councillors mainly concentrate on policies and priorities. An integrated process is operated which enables Members to allocate resources to maximum effect and to set targets against which to measure the Council's performance. Figure 4.2 shows the Council's internal management structure. All Directors and Chief Officers are expected to make a significant contribution to Bexley's management programme. This culminates in the adoption of a rolling 3-year Central Policy and Resources Plan. This plan becomes the foundation of the Council's annual budget-making process, and is linked to an annual Action Plan, which sets out policy objectives and operational targets for each department. Each Chief Officer is responsible for achieving the targets set out for his/her services and for the effective management of the resources allocated. Chief Officers report quarterly to their service Sub-Committees comparing achievement and budgetary performance against the approved plan. Each Director similarly produces quarterly summaries for the strategic Committees. These quarterly reports form the basis of the Council's retrospective annual report. (Bexley London Borough's job description package: Assistant Chief Valuer, March 1991)

From this example, three main elements which may influence the council's overall management can be identified: the internal organisational arrangement; the top management system (strategic management); and, the councillor-officer relationship. These elements then are examined in more details in order to highlight the organisational factors which may influence the practice of CPM.

Figure 4.2 Bexley London Borough Council's internal management structure (1991)



Source: Bexley London Borough's job description package: Assistant Chief Valuer (March 1991)

### 4.3.1 Internal management structure

With the exception of some statutory committees (such as the education committee and social service committee), an authority has the full freedom to appoint any committee to undertake any of its functions. The council can also reorganise its structure at any time if it thinks fit to respond to the dynamic local environment, caused by changing socio-economic situations or central government policies, or, to improve the management efficiency within the council (Knowles 1988: 30). Therefore, internal organisational structures may vary considerably between English local authorities.

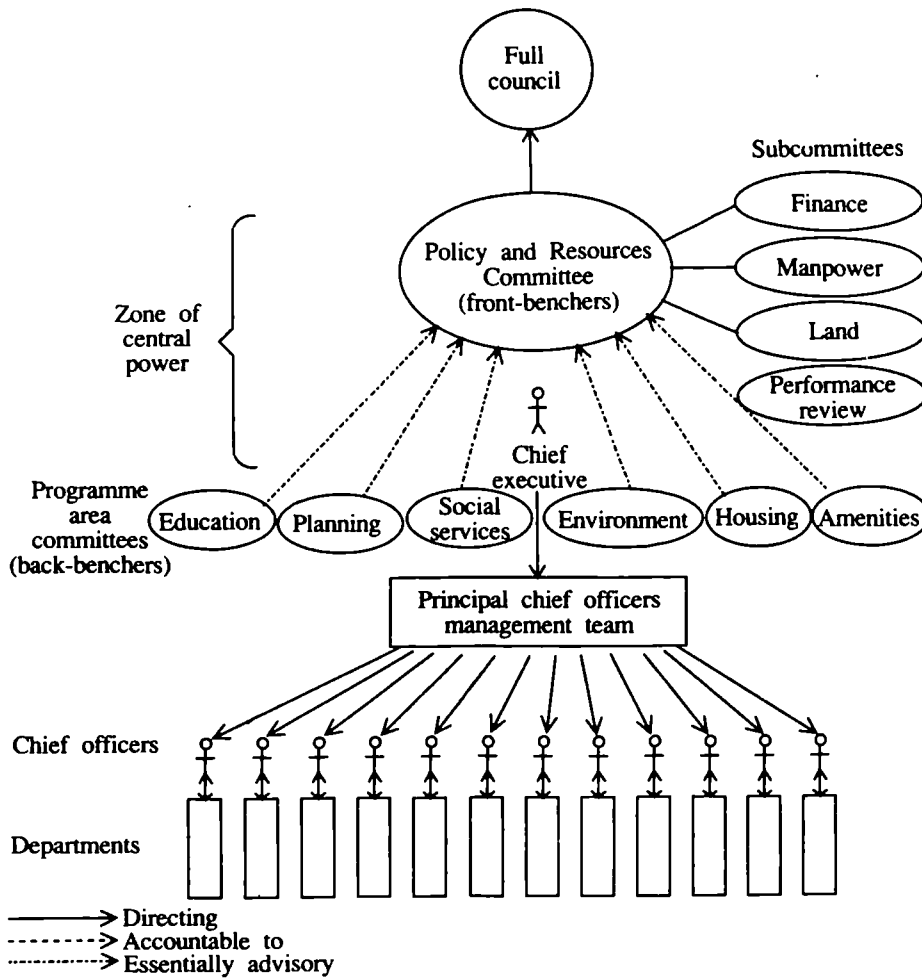
In practice, most local authorities have appointed a chief executive officer and set up a chief officers' management team (or group or board) in the departmental structure, and have established a main (policy) committee to decide the council's overall policies and priorities in resource allocation<sup>22</sup>. The overall management has been pursued through this main committee and chief officers' management team with close interaction between the two (Knowles 1988: 95). This form of organisation structure is mainly based on Bains-style<sup>23</sup> management structure (see Figure 4.3).

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<sup>22</sup> According to the survey of Widdicombe Report-Research (Volume I, Cmnd 9798, 1986), in England, 95 per cent of local authorities have a central policy committee (Ibid, Table A31) of some kind, such as 'Policy and Resources Committee' ( more than 60% of them using this title (Ibid, Table 5.2). All local authorities have a management team of chief officers (Knowles 1988: 110).

<sup>23</sup>A study group, under the chairmanship of Malcolm Bains, was appointed jointly by the Secretary of State for the Environment and the local authority associations 'to examine management principles and structure in local government at both elected member and officer levels' for the guidance of the new authorities which were to come into existence after the mid-1970s' reorganisation of local government in England and Wales. This report (1972) is referred to hereafter as 'Bains'. (Knowles 1988:3)

Figure 4.3 The Bains-type management structure



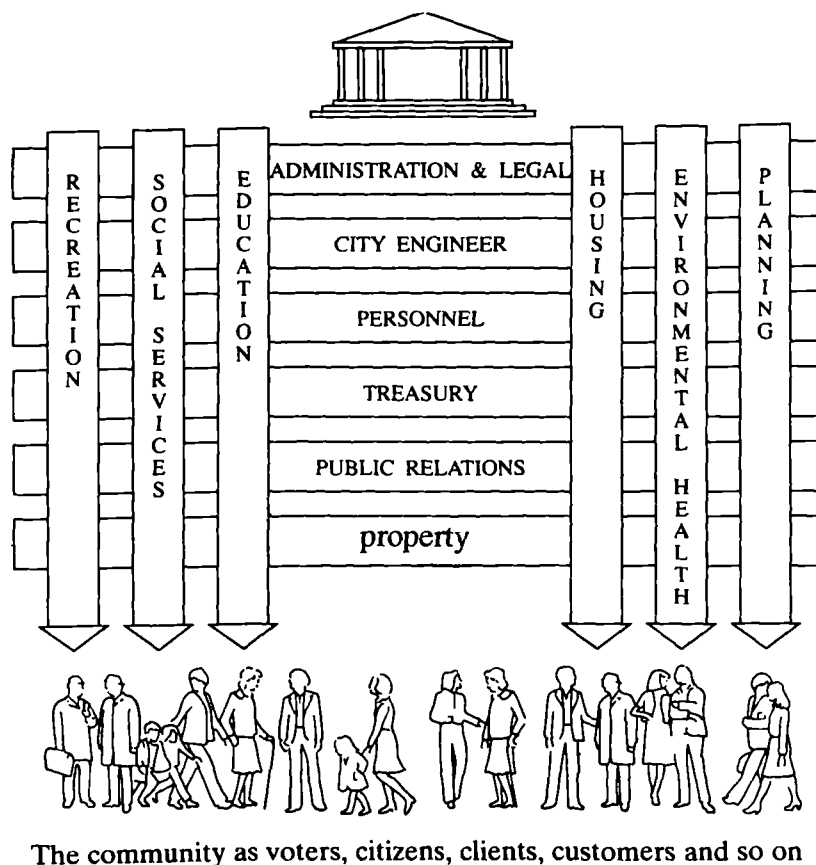
Source: Kingdom 1991, p.164.

Some authorities have further combined several of their related service departments into directorates to improve the efficiency of their management through a more corporate approach. The functions of committees and departments and their relationships network also differ between authorities to reflect their local circumstances. Appendix A further presents some examples of local authorities internal management structures<sup>24</sup>.

<sup>24</sup> These examples are selected and abstracted from property professionals' job description information packages which were collected in the early stage of this study.

Generally, local authorities' internal structure is organised by combining *vertical* and *horizontal* principle (see Figure 4.4). Vertical organisation involves division of the responsibility between committees/departments according to the functions provided by authorities. Education, housing or social service departments provide their services directly to the community. In addition, some horizontal committees/departments are set up to serve other departments. The typical examples of this kind of function are finance, personnel and property. Their main function is in co-ordinating the utilisation of resource in supporting the delivery of services (Lloyd 1985: ch. 2; Knowles 1988: 12; and, Kingdom 1991: 138).

Figure 4.4 Vertical and Horizontal structure



Source: Kingdom (1991: 139)



The function of property management is mainly seen as belonging to the "horizontal" function in providing various property services to other departments/users. A further analysis of the primary roles of local authorities' property departments and the main roles of property managers listed in local councils' own documents (e.g. job descriptions) helps to provide a general view of the functions of "local authority property management" including definitions of the essential tasks of property management. Many local authorities' property management job descriptions (67) were collected in the early stages (October 1990- September 1992) of this research. Appendix B presents the details of the collection of these 67 job description packages. Although this information reveals the different roles of various tier officers and various details about different authorities and is not presented as a representative sample, there is no difficulty in depicting the functions and contents of property management.

The functions of property management mainly include five areas. First, it provides a full range of property management policies for the authority for property acquisition and disposal, building design, and, property maintenance and operation. Secondly, it establishes, coordinates and monitors "best management practices" for all authority properties, while at the same time achieving a balance between corporate and client department interests. Thirdly, it secures optimum financial advantage in the acquisition and disposal of land and buildings. Furthermore, it intends to maximise the return on the authority's capital investment in property. Finally, it pursues that property is used efficiently and effectively by minimising costs on property occupation, running and maintenance, and, by avoiding the wrong type, wrong place and wrong size in property utilisation.

The main property management activities include:

- (1) Property survey and valuation: i.e. appraisal, property acquisition, development and disposal, fire insurance valuation, rating and valuation

- advice, keeping abreast of legislative or other changes which will influence a council's interests in property holdings, marketing, investment portfolio management, lease renewals, and rent reviews etc;
- (2) Planning: such as development and disposal opportunities identifying, development feasibility analysis, planning consent seeking, and planning permission possibilities explorations etc;
  - (3) Architecture and building design; such as the design for new buildings, improvements and refurbishment.
  - (4) Building management and engineering: such as building caretaking, cleaning, building structure surveying, maintenance, repair, refurbishment, energy conservation, etc;
  - (5) Legal property matters: such as boundary dispute dealings, rent arrears, easements and wayleaves dealing, encroachments dealing and illegal occupation dealing etc.
  - (6) Financial analysis and arrangement: such as capital development project financial analysis and arrangement; building maintenance, repair budget arrangement etc.
  - (7) Use arrangement and others: such as use space allocation, janitorial services, internal decoration, fixtures and fittings, and ground maintenance etc.

Thus, the property management sub/committee and department (section or unit) have a complex network relationship with service departments and other central service departments. The arrangement of those property service functions vary between authorities based on their local circumstances and choice. First, in terms of committee structure, some authorities establish a land (property) subcommittee of the council's main (Policy and Resources) committee, but others have set up an independent property committee (or its equivalent).

Shaw (1991: 484), for instance, has indicated that in order to preserve property as a long-term asset, many large local authorities have set up a more powerful central property committee. Some other authorities only establish a subcommittee under a non-main committee, such as a Development Committee, to deal with property management matters, while yet others leave their service committees to manage their individual property. Appendix A gives some examples to show these different types of property management sub/committee. The arrangement of committee structures (e.g. setting up a property management committee) may reflect the degree of importance the council attaches to the issue of property management. The chair of such a sub/committee, who attends the council's main committee, can help ensure that property is regarded as an essential resource and is managed corporately, bringing any issue or policy related to property utilisation to be discussed fully in this top corporate management mechanism.

Secondly, at officer level, the combination of various property professionals working together in a separate unit (see Appendix A) is an element which indicates a degree of recognition of the significance of the council's property management. Some authorities have embraced various professionals in a comprehensive property services department; some set those professionals into two or more different departments, such as an Estates Department and an Architects Department; others have established a division/section of a central department, such as Chief Executive's Department or Finance Department, to undertake property management functions; while, others may leave service departments to manage their "own" property with the support of a central valuation or estates unit when needed. Other authorities do not even supply this level of support.

It seems that the combining of estates management and architectural services into a central property department is a general form in English local authorities property management

arrangements. This form may have certain advantages to support a good practice property management (Audit Commission 1988a: 75). Some other authorities have also placed development planning functions and property services in the same department. Planning has a key role through its concern with strategic land use, and hence is important in determining development opportunities which influence the opportunity cost of existing land and property. Combining it with property management functions in the same department may have the strengths of identifying development potential and thus contributing to property review and to the recognition of the opportunity costs of land holdings (Shaw 1991: 486). However, since planning has an independent quasi-judicial role in controlling development, there are inevitable tensions between developers and planners. If both are in the same department, then it might be doubted that the planners are fair in the treatment which they give their own development schemes and the treatment which they give private development schemes. Other property-related functions which were found to have been subsumed in a property department (or section) include Building Regulations, Economic Development, Engineering, Building Maintenance, and Facilities Management<sup>25</sup>. (see Appendix A).

In the same way as the chair of the property committee being a member of the authority's main committee, the chief officer of property unit might well expect to be a member of the top corporate management mechanism of the Chief Officers' Management Team.

Thirdly, some authorities' service departments have their own internal property managers to manage the property they occupy/use. In Kent County Council, for instance, the main property-using committees (e.g. Education, Social Services and Libraries) have their own "property people" whose role is primarily to deal with day to day property matters and act

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<sup>25</sup> These examples are selected and abstracted from property professionals' job description information packages which were collected in the early stage of this study.

as an interface with the central Land and Property Department on strategic issues. This type of management structure seems adopting a more decentralised approach in property management arrangement, and may influence the management of property as a corporate resource. It is essential to ensure property is used and managed as a corporate resource by setting up standards to guide and monitor these departments in managing "their" property.

#### **4.3.2 Strategic management**

Local authorities undertake three general functions: the provision of services; managing resources; and, planning for the future. To carry out these functions, the council must consider service provision as well as the resources available, and, the balance between long term and short term considerations. In order to achieve these functions, strategic management has attracted more attention and been widely used recently as local authorities increasingly experience conditions of far-reaching change (Brooke 1991: 530; Issaac-Henry and Painter 1991a: 87); Choo (1992: 42) has described it as including a range of management practices and corporate issues, such as determining strategic direction and long-term performance, providing a set of managerial decisions that relates the authority to its environment, and, guiding priority use of resources and internal managerial activities. In some authorities, property has been regarded as one of the council's essential resources, and its management issues have been listed on the strategic management agenda (see Alexander and McEwen 1992: 40).

Developing such an approach in relation to a property management strategy implies that it will link to: the council's management strategies (indicating the direction and priorities of property utilisation); service development plans/policies (highlighting the property requirements of service provisions); the council's short and medium term capital programme and financial plan (showing the funds available to support property and/or the requirements

of capital receipts from property disposals). In the case of property ownership being used as a "tool" to meet variety of local authority's social, economic and political goals (as identified by Montgomery 1987: 45), a property management strategy considering these linkages may be helpful in reconciling the conflicts between those diverse objectives. The question whether local authorities have developed a property management strategy considering these linkages and the contributions of these linkages may thus be regarded as a further element relating to the status and effectiveness of their CPM.

#### **4.3.3 Councillor-officer relationships**

Local authorities mainly operate through committee and departmental structures. Through the committee system, councillors can carry out their duties of policy-making and policy review, as well as control the execution of service provision, including resource allocation, organisational arrangements and monitoring operation. As councillors are the representatives of constituents and the representatives of an area, as well as most being members of a political party, they must respond to local needs (actually they are in some degree subject to various popular pressures from local people or groups) and support the policy of their party when they carry out their duties. For example, an authority might want to close a school because of the reduction of pupil numbers or disrepair. This might be opposed by councillors representing angry parents or local people who feel comfortable with the image of their local school. Thus, in addition to the efficiency of property utilisation, other factors are also considered in the policy decision process. Through the departmental structure the appointed officers can implement those policies made by committees, contribute their professional knowledge to residents through service provision, and, execute the day to day business of the authority. Through the co-operation of committees and departments, the authority is not only an administrative body but is also a 'government', which can take action to reflect the differences in local circumstances and can execute the political role of democracy.

In practice, however, these relationships are not always clear cut and vary between authorities and over time. Stewart (1990: 27) has mentioned that policy and implementation cannot be completely separated. In some authorities the leading political party may directly employ policy officers; but, in most authorities policy directions are usually put forward by officers for approval by councillors (Knowles, 1988: 57). This arrangement may cause councillors to complain that officers have too much influence over decision making. On the other hand, officers may complain that councillors intervene too deeply in their day to day administrative affairs<sup>26</sup>.

The problem is partly or even mainly rooted in the complexity of management matters. Many management matters indeed relate to complicated professional knowledge. The lay people who make up the councillors may not have full access to this knowledge. Property disposal, for example, requires the considerations of various factors, such as legal matters, physical constraints, development potential and the possibility of gaining planning permission for higher value uses, the situation of the (local) property market, the possible (or special) purchaser, and, the disposal methods etc. The complexity further varies case by case.

Helping councillors to understand those complicated works and thus establishing a good working relationships between councillors and officers is therefore essential. In practice, two main approaches have been widely used. One is that the committee chairperson is briefed by the chief officer immediately prior to and between committee meetings. This close relationship is invaluable to both chairperson and officer. The chairperson can be fully informed and forewarned of officer' views. Officers can anticipate the reaction of the committee membership and so prepare for it beforehand.

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<sup>26</sup> Councillors might respond that officers fail to implement political decisions or are inefficient in their management, thus they are forced to become more involved in the detail of management (Stewart 1990: 26).

The other approach is to produce a policy or a working framework to state the important factors in assisting decision-making. For example, the Property Management Unit of Blackburn Borough Council has listed all the essential factors relating to property disposal matters in the council's corporate property disposal policy<sup>27</sup>. Such documents can help councillors understand the complexity of property disposal, thus misunderstanding and conflict can be reduced.

#### **4.3.4 Summary**

From the above discussions and analyses, working hypotheses are developed that the good practice of CPM in an authority is related to the factors of: (1) the types of property management (PM) committee; (2) the membership of the council's main committee by the chair of the property management committee; (3) the types of property management unit (department or section); (4) the chief officer of property management unit participating in the Chief Officers' Management Team; (5) the arrangement of property functions; (6) service departments having their own internal property managers; (7) the property management strategy and its contents; and, (8) member-officer relationships.

In order to examine these hypotheses, the following data has to be collected and cross-analysed with the practice of CPM: type of PM committee and unit; whether the chair of PM committee is a member of the council's main committee; whether the chief officer of PM unit is a member of the Chief Officers' Management Team; the arrangement of property functions; whether service departments have their own internal property managers; whether the authority has a PM strategy and its contents; and member-officer relationships. These examinations are expected to prove that those good CPM practice authorities are supported by a good internal

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<sup>27</sup> Blackburn Borough Council (actual publication not dated) Corporate Disposal Policy: Part I: Legal Framework; Part II: Disposal Framework.



management arrangements.

#### **4.4 THE ROLE OF PROPERTY MANAGERS AND SKILLS NEEDED IN CPM**

This section first discusses the role of property managers which may influence the practice of corporate property management. Then, it analyses the essential skills which are needed by those who engage in corporate property management.

##### **4.4.1 The role of property managers**

The combination of vertical and horizontal structures in local authorities is mainly based on the acknowledgement that a wide range of services should be seen as a network of interwoven activities. The efficiency of resource utilisation can be pursued through a better co-ordination of these interwoven activities by allocating the central departments (horizontal functions) a broad range of powers of approval, inspection, direction and audit (Loughlin 1992:10). Property management belongs to this group of central services which embrace various functions and activities as listed in the previous section (4.3.1). The central property group's role may include all or some of the following features:

- (1) responsibility for the effectiveness/efficiency of the council's property utilisation and occupation;
- (2) to formulate and implement property management strategy;
- (3) to establish and update a property inventory which records property ownership and utilisation;
- (4) to lease property to another (e.g. voluntary/charitable) organisation to provide the council's service by indirect means;
- (5) to manage surplus property;
- (6) to acquire and dispose of property;
- (7) to formulate a property maintenance plan, to carry out or supervise

maintenance projects, and, to monitor the implementation of maintenance projects;

- (8) to control property maintenance budget;
- (9) to inspect the expenditure on property used/occupied by service departments;
- (10) to monitor operational properties's physical condition and use performance;
- (11) to deal with (decide or suggest) those properties which are underused or unfitted to their current use;

The role played by the property management group in these tasks can be divided into an "active" role and a "passive" role. This research has assumed that the property management group plays an active role if it deals with those property matters totally (solely) or it is the leader in dealing with those matters. Otherwise (i.e. the group is not involved or involved, but not as leader) the property management group is regarded as playing passive role in these matters. Thus, a further hypothesis can be developed: **those authorities give their property departments a more active role in property management matters have a better practice of corporate property management.** In order to examine this hypothesis information on the role of local authorities' PM group in dealing with above property management matters need to be collected and cross-analysed with the practice of their CPM.

#### **4.4.2 Skills needed in CPM**

Based on an understanding of the functions of local authority property management and its main activities, the following skills may be important for a property manager engaged in local authority corporate property management<sup>28</sup>:

- (1) formulating property management strategy plan;

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<sup>28</sup> The list has been drawn up by the author from information contained in a survey of 67 local authority property management job descriptions (see Appendix B) over the period of October 1990 to September 1992.

- (2) identifying the objectives of property holdings and use;
- (3) integrating various parties' interests and determining priorities;
- (4) understanding the property needs of service departments;
- (5) imagining/creating alternative property uses;
- (6) communicating with/persuading councillors and service managers;
- (7) detecting the changing environment which will influence the interests of property use/occupations and accordingly formulating response actions;
- (8) property maintenance/repair financial analysis;
- (9) monitoring the performance of various property uses/occupation;
- (10) identifying the opportunity costs of property occupation.

In order to highlight the importance of these skills for a property manager engaged in CPM, the opinions from local authorities' property managers are collected and analysed.

#### **4.5 PROPERTY MANAGEMENT MEASURES/INSTRUMENTS**

The use of instruments such as information systems, internal accounts, performance measurement and review have been emphasised in the literature on new-wave management theory (Brooke 1991: 527; Isaac-Henry and Painter 1991b: 13). Similar trends can be seen in property management i.e. some of these instruments have been adopted to promote and monitor the efficiency of property utilisation and occupation. First, many authorities have set up (or are wish to establish) a good quality property management information system to support their property management. Property performance indicators, property review and asset rents system have recently been developed and attracted many local authorities' attention. This section briefly describes the development and operations of these property management measures, and their possible contributions to local authority property management. The hypothesis that these techniques may assist an authority to manage its

property as a corporate asset is then developed.

#### **4.5.1 Property management information/records system**

The view that a local authority should collect and maintain good quality information to support its property management has been suggested by the Audit Commission (1988a, 16), Kirkwood and Padden (1988: 28), Collier et al (1988: 6), and, CIPFA (1991: 9). It is argued that authorities should at least have some basic information on their property holdings. First, outdated, underused or unsuitable property may go unchallenged or unnoticed due to a lack of accurate property information. The consequence is that many opportunities are missed, such as the opportunity of more intensive or reasonable use of those properties, or, generating capital receipts from property disposals. Secondly, up-to-date information about property utilisation may only be held by individual service departments or property users who may not have the knowledge or incentive to maximise the efficiency of their property utilisation. Thirdly, without correct or up-to-date information, the holding of property may even be overlooked. This will increase the risk of deterioration, misappropriation or loss of title (CIPFA 1991: 4). In addition, the establishment of a comprehensive property records system enables the development of policies and criteria for monitoring the efficient and effective use of assets. Thus, setting up a property database to support property management is an imperative for good practice.

Four main attempts, at least, have been made to list the key information which is required for an authority to manage its property efficiently. First, the Audit Commission (1988a: 84-87) has suggested a database structure which includes three dimensions: property, information and system. The property dimension includes four elements: site, establishment, building, and, floor/room. The information dimension comprises core data, intermediate data and use data. The system dimension embraces the core data, functional data and service data. The

core data is usually maintained centrally. The functional data is separate sub-system or module linked to the central system but for the purposes of a single activity or function. The service data is a module of interest primarily to an individual service department. The establishment and the links between the elements of each set will reflect the characteristics and requirements of the individual authority. The structure of the database can help to identify responsibility for collecting and maintaining the information. The Audit Commission (1987a: 38) further listed some basic core data which are considered as the minimum to which an authority should have. These core data are terrier reference, site survey details, site area, ownership/title, committee user, capacity/potential hours of use, gross internal area of all buildings, type of building, year and type of construction, significant maintenance problems, type of heating system, and property running cost.

Secondly, Association of District Councils (ADC) (1990: 22) has also suggested that an authority should set up the following information for their direct service properties: type of building, gross internal area, maintenance programmes, occupancy rates, outgoings, and, energy consumption statistics. Some essential data required for the management of other kind properties (e.g. indirect service properties) are: occupier's name and address, area, user attributes, maintenance responsibilities and programmes, insurance, and, capital values.

Thirdly, Buxton (1991) has also indicated that the information required is diverse, including (i) physical structure and condition of buildings (ii) operational costs and (iii) present and potential usage. He further mentions that it is important for an authority to have a system which enables all the factors relating to a specific property to be brought together and to be used in comparison with other properties to assist the decision making process

Finally, a more detailed list of the items of property records has been suggested by CIPFA

(1991). In its guideline to establish asset registers, it suggested that authorities need to distinguish between sites, establishments, and, buildings. The data needed for each site would include: area; statutory purpose of holding; tenure (e.g freehold); financial obligation; planning designation; and, restrictive covenants, terrier or deed reference number, cost and date of acquisition, and valuation made for any other purpose. The essential data items required for each establishment are: present function; maximum capacity (e.g numbers of places or resident days); periodic (actual) usage figures; main accommodation and facilities available; and, cost centre code. The essential data items needed for each building are: gross external and gross internal floor area, tenure, financial obligation, date of construction, materials and method of construction, known defects, dates of last internal and external redecoration, premises related costs, the length of the maintenance cycle adopted, extent of repairs liability, cost of construction and of any major extensions, insurance valuation, and any valuation made for any other purpose.

In summary, those data items, suggested by ADC, CIPFA and the Audit Commission, can be summarised into the following eight groups:

- (1) property ownership, including legal deeds, location, size, area;
- (2) property use situation, including present user, occupation ratio, running costs;
- (3) physical attributes, including year and type of construction, maximum capacity;
- (4) acquisition cost and purpose;
- (5) historic spend on premise maintenance/repair;
- (6) maintenance/repair cost requirements and in progress;
- (7) property awaiting disposal;
- (8) value of property.

However, there are arguments about the necessity of establishing some of these items of property information, e.g. property value (see Greenly 1989 and 1992; Miller 1989; Bennett

standards (indicators) to assist in the management of local authority property, e.g. a space standard for workplace area<sup>29</sup> per staff (or occupant). A regular inspection of space utilisation can then be undertaken to assess: (1) whether the overall provision of office space matches the number of occupants; (2) whether the ratio of gross usable area to gross internal area is satisfactory; and, (3) whether discrepancies in space provision between departments and between grades of staff are identified and corrected.

The measurement of the performance of property utilisation is divided into three steps: (1) calculating the theoretical capacity of a building; (2) counting the actual number of occupants; and, (3) calculating the number of occupants as a percentage of the theoretical capacity. Thereafter actual numbers can be monitored against theoretical capacity (Audit Commission 1987a: 47). Thus, those under-used or poor performance properties can be highlighted. The Commission (1987a:48-57) has further suggested some standards for measuring the performance of five major categories of operational property: schools; colleges; social services establishments; libraries; and, offices.

Britton et al (1989: 56) has further suggested establishing a rolling programme, rather like regular financial audits, to evaluate the performance and fitness of property utilisation and occupation. The system emphasises the council's whole portfolio rather than on some selected properties. The performance indicators suggested cover three headings: **physical size**, e.g. site area, internal area, volume of buildings; **occupancy and use**, e.g. number of hours of teaching x number of pupils taught, throughput of materials; and, **cost**, e.g. annual expenditure on outgoings such as energy, annual value of properties (Ibid: 55).

Although establishing indicators seems important and useful for a council to manage its

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<sup>29</sup> The space allocated to members of staff individually is called the workplace area.

property as a corporate resource, there are no agreed universal sets of criteria. Authorities must rely on their own decisions to determine those standards in relation to the nature of the buildings (e.g. different design and age), and, the requirements of different services (Audit Commission 1988a: 19). This results in the argument that measuring the utilisation of property is difficult, because of a lack of explicit and quantifiable policy standards for the provision of property for local services. As a consequence, authorities are only able to identify and confirm service department interpretations of their property requirements. It is argued that the measurement of property utilisation is either difficult to achieve objectively or is hardly realisable (Christie 1991: 31).

Thus, it is important for an authority to develop a robust set of standards to carry out an objective measurement of property utilisation. As the Audit Commission (1988a: 19) has suggested, local authorities must determine their own local standards for each type of property and use them on a consistent basis.

In practice, some authorities have mentioned responsibilities of developing standards and performance indicators to monitor property use to ensure that it is appropriately matched to the council's needs and policies in their property professionals' job description. However, it is not known how far property performance indicators (PPIs) have been used by local authorities; and whether those authorities which have adopted PPIs are in good quality practitioners of CPM. This research will therefore examine the hypothesis that **property performance indicators (PPIs) are useful measures for the achievement of good practice CPM.**

#### **4.5.3 Asset Rents**

An asset rent has been defined as an annual money measure for the use of an organisation's



disadvantages. The choice of method for asset rent valuation is a hard job (Lomax 1990). It also is very costly in time and money to calculate the reasonable rent of each property and transfer the rent between central property account and service departmental accounts (Audit Commission 1988a: 69). Adopting a suitable basis and calculating the rent are the things which will harass the decision makers and managers in designing the asset rents system. The valuation of properties also rests on assumptions about planning decisions which can bring considerable uncertainty into the valuations. Even if an authority can choose an appropriate basis for assessment of asset rentals there is still a major problem with ensuring that the impact of the rentals and consequences of the user's actions are equitable and efficient (Avis 1991: 35). Furthermore, there is also the problem that the system may create efficient individual user action, i.e. vacation of surplus space, but provide no contribution to the whole authority's overall, e.g. where the surplus property cannot quickly be reallocated or disposed of. Moreover, the system of accounting required is a very complex matter and the situation of the costs outweighing the benefits may be the result (Pipe 1993a: 20).

Due to these problems there have been arguments about the suitability of adopting this system. The Audit Commission (1988a: 70), for instance, has asserted that it is "unlikely to be of practical benefit for most direct service property in view of the administrative effort to set up and maintain and the uncertainties of valuation". Therefore, a more limited approach may be used or restricted to certain types of property in particular circumstances: (1) high property value areas; (2) office accommodation, where there is a ready comparison with other organisations and a market for any surplus; (3) subsidised tenanted service property; and, (4) an organisation where management responsibility is devolved away from central control (Audit Commission 1987a: 11; Britton et al 1989: 59).

It is not known how far the asset rents system has been used and whether a relationship exists

asset (Britton et al 1989:57). Under this system, all the authority's property is regarded as a corporate asset, and usually a property unit (department) acts as property manager on behalf of the corporate "landlord". Property users (services committees) are charged a rent for the property used or occupied and, if they surrender property, they can use the rent saved for other purposes. The system works as follow: first, all council's property is valued; then, an asset rent is calculated from the value; finally, a property holding (trading) account is created. The charges to service committees are credited to this account. This account is in turn debted with the "landlord's" responsibilities including valuation services, structural maintenance, and, finance costs (Audit Commission 1987a: 110; ADC 1990: 13). An adequate property management information system is very important to the effective operation of this instrument by bringing property attributes and utilisation records together with running cost and other financial management data (Shaw 1991: 488).

In theory, the asset rents system is a useful aid to local authority property management. Its main functions are: (1) to discourage property users from regarding it as a free good; (2) to draw the property user's (service committee) attention to the value and cost of asset, therefore, releasing surplus space and saving running costs; (3) to provide an incentive to help make the specific strategic decisions about whether to retain or dispose of existing assets, to acquire new assets, and to invest further capital in assets which are already owned; (4) to facilitate the measurement of performance of individual properties and, their managers thus enabling improved performance; (5) to formulate the culture of property is a corporate resource which belongs to the council (Britton et al 1989: 58; Avis 1991: 34).

However, some problems exist in practice. First, many operational properties, such as museums, schools and roads, do not have an open market value. Although many bases for calculating asset rents have been suggested (e.g. Britton et al 1989: 60-83), each basis has its

1992; and, Darg 1991). A survey of property management information in local government (Collier et al 1988) also showed that many authorities regarded some of the Audit Commission's fundamental data requirements as neither essential nor important. Items such as market value and hours of use have been given a relatively low priority by many authorities. Nevertheless, it is now generally accepted that for good practice property management it is necessary to establish and maintain a precise property record with some key information, although the necessary items are arguable. Indeed, establishing and maintaining this property database may be one of the main functions of the central property management group. Accordingly, a further hypothesis is developed: **a property management information system which embraces all or most of the above eight kinds of data is an essential element for good practice CPM.** In order to examine this hypothesis, the situations of above data items being compiled, updated and computerised are collected and cross-analysed with CPM practice.

#### **4.5.2 Property performance indicators**

The necessity for an authority regularly to evaluate its performance and fitness in property utilisation and occupation has been suggested by some authors and professional bodies. The Audit Commission (1987a: 47) has indicated that it is important to ensure the performance of property utilisation and occupation as low utilisation means a wasted capital resource (i.e. an opportunity cost in terms of capital receipts or wide use); low utilisation also implies a long-term and unnecessary maintenance commitment; and, finally, poor performance in property utilisation means high revenue unit costs on premises related expenditure, such as cleaning and energy. Regular monitoring of the performance of property utilisation can also support decisions about the acquisition or disposal of property (Avis et al 1989a: 36).

The Audit Commission (1988a: 88-90) has further suggested certain property utilisation

between adopting the system and corporate property management. This research thus has suggested the following hypothesis for testing: **the Asset Rents System is a useful measure for the achievement of good practice CPM.**

#### **4.5.4 Property reviews**

Since the 1980s, as the pressure on financial resources has increased, authorities have reduced their expenditure on new property development schemes, on property maintenance/repair, and, on operating costs. They are, therefore, concerned more about their property holdings in terms of reducing property-related expenditure and more concentrating on recycling their capital resource through the disposal of surplus properties. Thus, issues of utilising buildings to their full, identifying and disposing surplus property, and, increasing the effectiveness of expenditure on maintenance, cleaning and energy, have attracted more attention (Audit Commission 1987a: 1). The circumstances of local services and demographic change have also led local authorities have to consider the fitness of property to be used in service provision. To review their property holdings against their various service needs has therefore become an important task in some local authorities. This has been demonstrated in an examination of local authority property management job descriptions undertaken by the researcher (see Appendix B) which listed 'reviewing the council's property portfolio' as an important task so as to ensure the appropriateness of property occupation and to obtain the maximum benefit for the authority as a whole. Furthermore, in a wider aspect, property reviews may be regarded as a characteristic type of property management response to central government's privatisation policy which has significantly redefined the boundary between public and private action since 1979 (Montgomery 1986: 25). Thus, property review is suggested as a mechanism which will help a good practice of property management to emerge in response to changing circumstances (COPROP 1985: 1; SOLACE et al 1986: 3-4; Audit Commission 1988a: 126; and, Britton et al 1989: 57).

Three kinds of property review are being used by local authorities, i.e. single property review, service property review, and, corporate area property review (Audit Commission 1988a: 16). The **single property review** is an investigation into the alternative uses of an individual building or site no longer required for its original purpose. The **service (department) property review** is an examination of some or all of its property holdings by an individual service, e.g. the social services department might decide to review current utilisation of children's homes in response to falling numbers in care. Usually, service committees/ departments are the main bodies in undertaking this kind of property review. The policy committee may or may not give guidelines and require each service committee to review the property holdings it used in a given cycle and to report any land deemed surplus to its requirements. As mentioned by the Commission (1988a: 19), unless service committees and their supporting departments see a clear gain from surrendering property, they are unlikely to try very hard. This kind of review has the advantage that the service is aware of the quality of properties in terms of service delivery. However, it may be too concerned with the delivery of services, while ignoring property factors, e.g. the relative property values, opportunity costs in property use, and, the relative costs of running buildings.

Some authorities have recognised the defects of a service-based property review which may result in opportunities being missed and solutions not being the best available. Thus, they have undertaken a **corporate (area/locality) property review** (also called a comprehensive property review)<sup>30</sup> of all the council's property holdings in a particular area. This kind of property review comprises the requirements of property from various service departments. As these requirements and urgency are different and may conflict with each other, a corporate property review is more complex than other types of property review. The corporate benefits

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<sup>30</sup>In order to reflect the importance of the corporate view in property review, this research, therefore, adopts the term of 'corporate property review', which has been used by the Audit Commission' audit guide (1987a: 105) and Meikle (1986: 190), in describing this kind of property review.

of this kind of property review have been emphasised when considering the council's overall priorities and objectives. The need for a corporate commitment to this kind of property review has also been suggested (Audit Commission 1987a: 102; COPROP 1985: 2), i.e. setting up a review team which would embrace service managers, property professionals and representatives from other central service departments. A corporate property review (CPR) allows a concentration on all property in a given location. Under or over use or changes in property requirements can be comprehensively examined. Alternative options in property occupation and utilisation can be tested for their financial and operational effectiveness. The involvement of property users can encourage recognition of the importance of property issues. Therefore, CPR has a place in good practice of property management (Audit Commission 1988a: 26; Britton et al 1989: 57).

Briefly, the items to be examined in a property review mainly include the property requirements of service provisions, property physical conditions and use situations, premises' related costs (e.g. running cost etc), and, the alternative uses to which the property which might be put or the potential benefits might be obtained from the rearrangement of property utilisation (COPROP 1985: 4-6). Precise information is crucial. Hands (1991: 13) for instance has indicated that in her Council's property review scheme more than half of review group's work was spent in collecting and analysing information. Further, compared with the asset rents system, property reviews are cheap and simple to set up and operate, but they cannot provide a continuous reminder of the financial consequences of the use of property which a successful asset rents system can (Britton et al 1989: 53 and 56).

However, it is also not known how far property reviews have been adopted, and whether the implementation of property reviews leads to a good practice of CPM in local authorities. This research will examine the hypothesis that **property reviews are useful instruments for the**

**achievement of a good practice CPM.**

#### **4.5.5 Summary**

A comprehensive and precise property inventory would seem to be the basis of a good practice of property management. The instruments of property performance indicators, property reviews, and, asset rents system require the support of a precise property information system. There is a need to know the current position of setting up a property inventory and the data items to be embraced in their inventories by local authorities. There is no literature which considers whether and how these instruments are being used in different types of authorities, nor have the contributions of these instruments to corporate property management (CPM) been evaluated. Thus, research into these issues is proposed by examining the following hypotheses:

- (1) Those authorities which have adopted property performance indicators have a better CPM practice.**
- (2) Those authorities which have undertaken property reviews have a better CPM practice.**
- (3) Those authorities which have used asset rents system have a better CPM practice.**

#### **4.6 CHALLENGES IN LOCAL AUTHORITY'S MANAGEMENT**

The management of local authority property is also influenced by other elements from the external environment. Central Government's Land Register policy, by which authorities were obliged to sell unused land for private development, has been suggested as a significant element which influenced local authority property management (Gregory 1992: 53; Montgomery 1986: 23).

Under the national non-domestic rate (NNDR) system, which is a single national rate poundage to non-domestic property set by central government and collected centrally and, then, reallocated to local authorities on the basis of population, it will be essential for an authority to control its non-domestic buildings usage to ensure the minimum NNDR charge falls on the council (Dillon 1990: 13). Furthermore, the local tax (Council Tax) directly relates to the amount paid by local people. An authority must save its expenditure and/or try to find another income sources from government grants, service charges/fee and capital receipts. These financial initiatives may have impacts on local authority property management.

The current capital accounting system has its deficiencies, such as: it cannot reflect the costs of occupation and use of an asset; cannot show current worth of assets; and is impracticable to make a meaningful comparison of operating costs between authorities (Parkes 1990: 36). CIPFA (1989, 1991, and 1992b) has made efforts to separate accounting for capital assets and cost of services from accounting for their finance; has introduced the "Asset Registers" guide to record of fixed assets; and has associated with RICS to categorise assets and decide on methods and procedures to value an authority's asset stock. This capital accounting reform may further influence the operation of local authority property management.

Moreover, since 1980s the structure of local government has been a matter of political concern. The 1986 abolition of Greater London County Council and the six Metropolitan County Councils changed one area of local government into a unitary local authority system. A review of local government structure in non-metropolitan area is now being undertaken by the Local Government Commission. The intention of the review is to re-examine area by area in the hope that new unitary authorities could be set up from April 1994 onwards. Obviously, following the structural adjustment of local government, the functions, boundaries and resources of authorities will be adjusted. All these adjustments certainly will change local



authorities' internal management structure, including property management services.

Furthermore, under the heightened awareness of consumer expectations, the attitudes and wishes of the local public and community are also the important element in the decision of service provisions which will further influence the decision on property utilisation and management. In July 1991, the Government set out the policy of *The Citizen's Charter (Cm 1599)* which is being used to "give power to the people". The aim is to make public services answer better to the demands of their users and to raise their quality. The main themes contained within the Charter are: "quality, choice, standards and value". There are a range of mechanisms for delivering its themes, including: privatisation of services; wider competition; further contracting out; published performance targets; and, information on standards. The comparative league tables of performance for local authorities mean that under-performers will be obvious. Authorities thus will concentrate on setting priorities, determining the standards of service, and finding the best way to deliver those services. More power may be devolved to the service managers to undertake more flexible approaches in responding to the wishes of citizens. As indicated by Shaw (1991: 484), challenge to property management in the 1990s is mainly driven by pressures for devolution, competition and local autonomy. These three new challenges are briefly described below.

### **(1) Devolved Management**

Under decentralised structures, some property management matters will be devolved to property users or service departments, e.g. in property use or the decisions of premises-related expenditure. The provisions in the Education Reform Act 1988 for the local management of schools (LMS) include the devolution of responsibility for, among other things, routine building and grounds maintenance and energy conservation. Similar initiatives have also been developed in other areas, such as social services, police and fire services. The

issue of effective planning of property stock is still important. However, the management approach is changed. The central property department now turns to set standards and to monitor the performance of property occupation and use rather than to control the management of property directly in order to protect the corporate asset. (Shaw 1991: 484)

## **(2) Competitive Tendering**

Since the 1980s the Government has introduced the market forces to the provision of a wide range of local authority services in order to, among other purposes, reduce costs and maximise operation efficiency in service provisions. The Local Government Planning and Land Act 1980 required local authorities to tender out new construction, building maintenance and highways work. The 1988 Local Government Act further extended the competitive tendering requirements to a wide range of local government services: refuse collection; building cleaning; street cleaning; schools and welfare catering; other catering; ground maintenance; repair and maintenance of vehicles; and, sport and leisure facilities management. Since late 1991, the Government has intended to extend CCT to various professional services, including property management services (DoE 1991a). Under this CCT regime, local authorities are turning into enabling as opposed to service providing bodies. Authorities become the "buyers" of services in order to deliver these services to their "customers", local people. This changes not only the nature of the relationships between local authorities and their publics, but also the nature of functions and processes of local authorities.

The obligation to open up activities to competition requires the formal separation of client from contractor, while local authorities retain their statutory obligations and thus remain ultimately responsible for service delivery. Where services are contracted out an authority acts as client and gives instructions according to the contract and service standards. In addition to the separation of client and contractor roles, different functions in property department are

further to be restructured into defined cost centres which are self-financing units and charge-out their time and skills at competitive rates with other likely bidders (Shaw 1991: 485). The management approach may be significantly changed, such as: establishing internal markets; emphasising performance of services and monitoring mechanisms; and, using a more commercial approach in providing property management services.

### **(3) Local Autonomy**

The trend of creating small autonomous management units, such as the establishment of grant maintained schools (GMS), reflects a combination of above two philosophies, namely of devolving responsibility and of applying a market approach. The latter underpins both the contracting out of services and the creation of "internal" markets within the services (Shaw 1991: 485). This trend may challenge the current property management system. With the case of property management in County Councils, education accounts for around three-quarters of the property portfolio of a county council, the opting out of schools and the loss of further education institutions have several effects: it will make the strategic planning of education provision less comprehensive; the rationalisation of schools buildings and playing fields is more difficult; the multiple use of council property is harder to achieve; and the overall cost of managing property is probably higher. Furthermore, influencing the use of property will have to be achieved through persuasion and incentives rather than control (Ibid: 485-86).

Based on these reviews, this research thus suggests that the practice of CPM is influenced or disturbed by these challenges. It is necessary to survey whether these challenges are the obstacles to the take-up and practice of CPM in English local authorities. Furthermore, what is the most significant challenge to local authority property management in the near future, and what the possible impacts on the practice of CPM are two important issues which should be further examined.

#### **4.7 Summary and Conclusion**

Based on the examination of the context of local authority property management, the main factors which may relate to the practice of CPM have been highlighted in this chapter and have been further developed as this study's working hypotheses. It is necessary to collect related data to examine these hypotheses:

- (1) The practice of CPM is different between types of authority; between authorities with different size of property holdings; and, between authorities located in different areas.
- (2) An appropriate property management organisation arrangement is an essential factor for good practice of CPM.
- (3) Those authorities which have given their property departments more active role in property management matters have a better CPM practice.
- (4) A comprehensive and precise property management information compiling certain key data items is an essential element for good practice CPM.
- (5) The implementation of the following property management instruments is related to good practice CPM: property performance indicators; asset rents system; and, property reviews.
- (6) The practice of CPM is influenced by challenges from the environment which local authorities operate, such as local government reorganisation, devolution management, competitive tendering, and, autonomy management.

## **CHAPTER 5 CURRENT PRACTICE OF CORPORATE PROPERTY MANAGEMENT**

### **5.1 INTRODUCTION**

Sample survey has been identified as the most appropriate approach for the study of the current practice of corporate property management (CPM), and the analysis of the factors which influence the practice of CPM (see chapter 3). The implementation of the sample survey is described in Appendix C. The survey was undertaken at the summer of 1992 (July to October). Responses to the survey were received from 132 local authorities in England, representing a 67% response rate. The results of the survey are displayed and analysed in the rest of the chapter and the following chapter. Having analysed the practice of CPM (1992) in local authorities, this chapter considers the organisational arrangements for property management (PM) and examines the extent to which this factor influences the practice of CPM. The current situation over PM information is examined, as a basis to analyse the correlation between the compilation of PM information and the extent of CPM. The chapter also discusses the role of property professionals in various PM matters in order to explore the extent to which an active professional role in PM is related to good practice CPM. The next section tests the hypotheses that the implementation of specific instruments results in good practice CPM. The differences of CPM practice between various authorities are examined in the next section, including the differences between four types of authorities, between authorities with different size of property holdings, and, between authorities located in different areas. The chapter ends with some conclusions resulting from the analysis.

### **5.2 CURRENT PRACTICE OF CPM**

This section reports on the practice of those eight CPM characteristics, which we developed in chapter 2 section 6. According to the survey, most (more than 70%) authorities have undertaken three CPM actions: (1) surplus property being centrally held or managed; (2)

property expenditure being centrally regularly inspected and/or any proposed property expenditure being approved by the property group; and, (3) the leasing of property to voluntary or charitable organisations being centrally dealt with or led by property group. However, many authorities lacked (1) a comprehensive PM strategy/policy for the authority's operational property holdings and/or (2) an overall property acquisition and disposal plan for operational property. Table 5.1 shows the percentage of the 132 authorities which have adopted these eight CPM actions<sup>1</sup>.

Table 5.1 The percentages (%) of authorities adopting CPM actions

Items of CPM activity	% of 132 authorities
1. Property management strategy	24%
2. Property transaction plan	30%
3. Property maintenance/repair plan	45%
4. Property expenditure supervision	73%
5. Regular inspection of property physical condition and use performance	47%
6. Setting up property use standards	40%
7. Surplus property being centrally held or managed	81%
8. Corporately managing leasing property	73%

The above eight CPM activities can be further synthesised into a simple corporate property management indicator (CPMI) to measure the extent of CPM in an authority. For this purpose, the activities are regarded as all being essential for CPM. An examination of those good CPM practice authorities, which were mentioned in the Audit Commission (1989a) report and the Association of District Council (ADC) guidance (1990), shows that almost all of their good practice authorities have a high score in the CPMI system. The extent of CPM by the 132 authorities can thus be measured and ranked by this system. For example, if an

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<sup>1</sup> In the discussion in this chapter and next chapter, percentages have been rounded to the nearest whole number.

authority has adopted all the eight CPM activities, then its score would be 8; another authority which has only adopted two of the 8 in its PM, would have CPM score of 2. The number and percentage of local authorities with each score are shown on Table 5.2. Only 5 authorities have adopted all of these CPM activities to manage their property as a corporate resource; 20% of them have adopted 5; only 2% reported not having adopted any CPM good practices.

Table 5.2. The numbers of authority with each CPMI score.

CPMI score	Numbers of local authorities	% of 132 authorities
0	3	2
1	7	5
2	14	11
3	23	18
4	20	15
5	26	20
6	19	14
7	15	11
8	5	4

Those 132 authorities can be further divided into higher scoring (CPMI score equal 5 or more) and lower scoring (CPMI score equal 4 or less) groups<sup>2</sup>. Based on this division and the comparison of higher and lower CPMI scoring authorities, the following sections analyse the influences of CPM by various factors which were listed in chapter 4.

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<sup>2</sup> Another grouping would be to divide the 132 authorities into high (6-8 CPMI score), middle (3-5), and, (0-2) groups. However, under this category system the numbers (authorities) in the three groups are significantly different, i.e. the majority (53%) of the 132 belong to middle group, while only 18% of them are low group and 29% of them are high group (see Table 5.2). The situation of very different numbers in each group and too few authorities in the low group was unhelpful to the purpose of this research in comparing the CPM practice between different groups in order to analyse various factors which relate to CPM practice. Therefore, the division of the 132 authorities into higher (5-8) CPMI scoring group (49% of the 132 authorities belonging to this group) and lower (0-4) CPMI scoring group (51% of the 132 authorities) seemed more suitable to the purpose of the research.

### **5.3 ORGANISATIONAL ARRANGEMENTS IN PROPERTY MANAGEMENT**

This section examines the variety of property management (PM) organisational arrangements found in terms of the local authority committees involved, officers, property-related functions, property managers in service departments, and the overall duty in property use and occupation. The main purpose of this examination is to show that adequate organisational arrangements are an essential element for CPM.

#### **5.3.1 Property management committee**

The majority of local authorities have mechanisms (in committee structure and through councillor representation) to manage their property as a corporate asset. Overall 22% of the 132 authorities have set up a separate committee (Type 1) responsible for PM matters, while the majority (55%) have established a sub-committee under their main Committee (Type 2). Only 14 authorities leave property matters to be dealt with by their individual service committees/departments alone. Four authorities' PM matters are dealt with by their main committee directly; another 13 authorities' PM matters are dealt with by a sub-committee under an non-main committee (e.g. Development Committee) or by more than one sub/committee which share the duties of PM matters.

In about 83% of the 132 authorities, the chairperson of their property (sub) committee is a member of the council's main committee. This suggests that PM is considered as an important policy issue involving an elected representative leadership role in the majority of authorities. Through the Chairperson of PM sub/committee attending the Council's main committee meetings, a high-level spokesperson for property matters is present in the key decision-making committee. Figure 5.1 shows that a significantly higher percentage of those authorities with a separate property committee or a subcommittee under the main committee, than other authorities adopting other types of committee for PM matters, have appointed the chairperson



main committee is an element which related to good practice CPM. Considering good practice CPM, there is no difference between those authorities which have Type 1 and those have Type 2 property committee. This implies that a separate PM Committee is likely to be a "sub" committee of the main committee, i.e. most PM matters are reported to the main committee rather than to the council directly. Property may even be managed better as a corporate resource if it is controlled by a property subcommittee of the main committee.

Table 5.3 The % of higher CPMI score (> =5) by types of property committee

Types of property committee adopted	Number of authorities which adopt this type committee	% of them are higher CPMI scoring authorities
Separate property committee	29	58%
Property subcommittee under the main committee	72	60%
Other types	31	16%

### 5.3.2 Property management department

Overall 36% of the 132 authorities have set up a separate property department. The majority (56% of 132) authorities have established their property functions as a division of a broadly based department, such as the Chief Executive's Department, the Technical Service Department, or the Finance/Resources Department. However, 8% of the 132 lack a central PM unit.

Overall, only 40% of 132 authorities have their chief property management officer as a member of the Chief Officers' Management Team/Board. This indicates that the corporate role of the chief property management officer in many authorities is not significantly

recognised in their formal management structure. As some respondents commented to the researcher, many PM issues cannot be fully discussed in the top management team because the chief property manager officer is not a member of the Chief Officers' Management Team. Under this situation, it is difficult to manage property as a corporate resource. However, further evidence shows that about 77% of those authorities with a separate PM department have appointed their chief PM officer as a member of the Management Team/Board, compared with only 21% of those authorities with a PM division/section who do so.

Table 5.4 shows the percentage of higher CPMI score between authorities with different types of PM unit. The evidence reveals that more of those authorities with a separate PM department are higher CPMI scoring authorities than are those authorities with a PM division or those lacking a central PM unit. For example, 65% of those authorities which have established a separate PM department are higher scoring authorities. However, only one in nine of those authorities which lack a central PM unit are higher scoring authorities. This evidence indicates that setting up a separate PM department is one of the factors which related to good practice CPM.

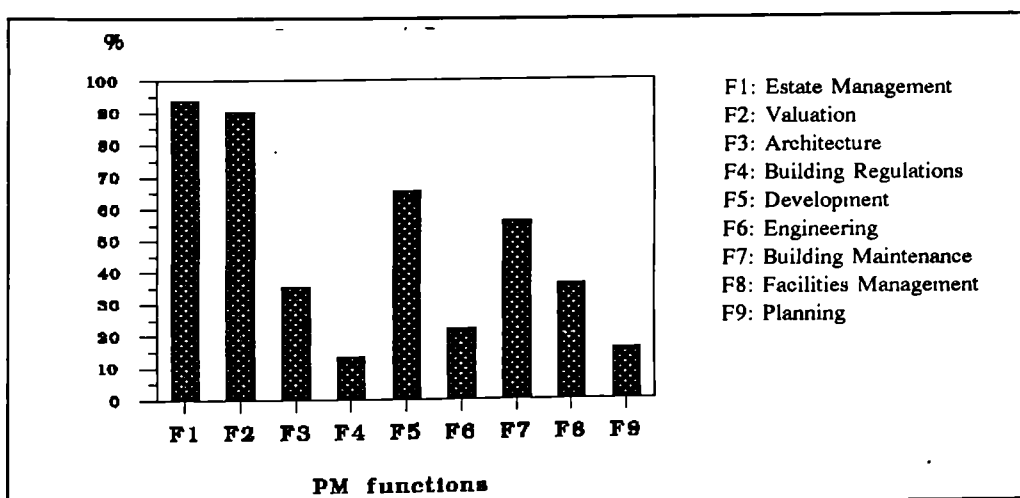
Table 5.4 The percentages of higher CPMI score by types of PM unit

Types of property management unit	Numbers of authority using this type of property management unit	% of them are higher CPMI scoring authorities
Separate property management department	47	65%
Property management unit/division of another central department	76	44%
Lack a central property management unit	9	11%

### 5.3.3. The structure of property-related functions

Overall, the survey showed that the function of *Estate Management* had been subsumed into the PM unit in 94% of authorities responding to the survey, *Valuation* in 90% of those authorities, *Architecture* 36% (some councils have a separate Architecture Department), *Building Regulations* 14%, *Economic Development* 65%, *Building Engineering* 22%, *Building Maintenance* 56%, *Facilities Management* 36%, and *Planning* 16% (see Figure 5.2). Other functions which were occasionally reported as being embraced into the PM unit are Ground Services, Energy Management, Quantity Survey/Land Survey, and Terrier Records in few authorities. Additionally, some (at least 10) larger authorities have set up a separate division to deal with the function of **Property Reviews**. The evidence reveals that most (90%) of those authorities with a comprehensive property department (which at least embraces the functions of estate management, valuation, development, building maintenance and facilities management) are the higher CPMI scoring authorities. This implies that those authorities with a multi-function property department working together are significantly better in their practice CPM.

Figure 5.2 The % of the 132 authorities which have embraced PM functions into the PM unit



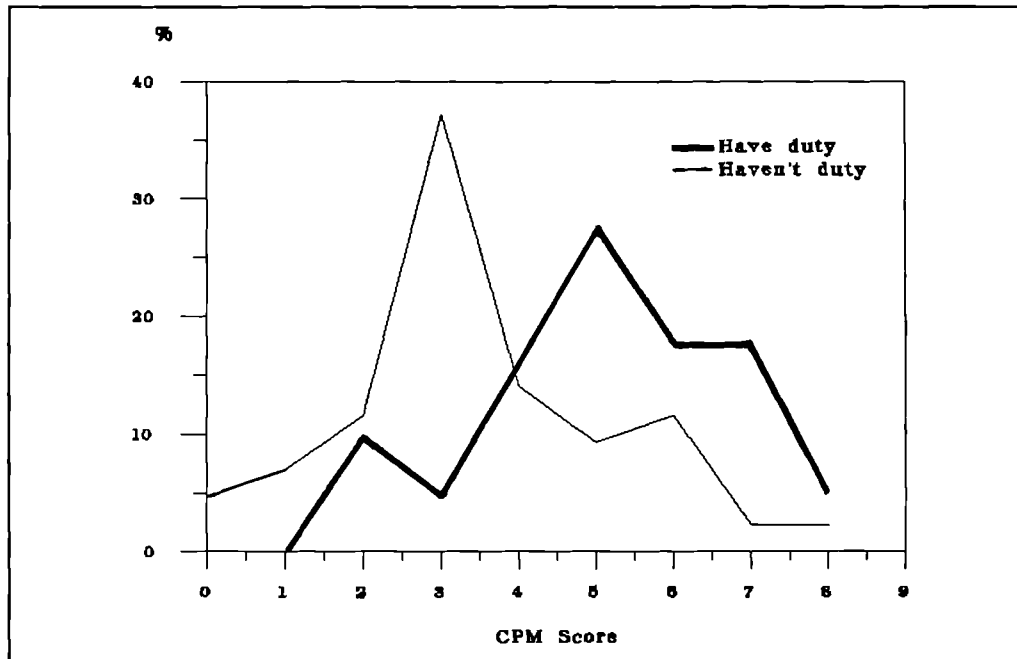
#### **5.3.4 Property manager in service departments**

In 52% of the 132 authorities some of their service departments have their own internal property managers to manage the property they occupy/use. These service departments are mainly education and social services departments in Counties, London Boroughs and Metropolitan Districts and leisure and recreation department in District Councils. However, less than 20% of these authorities have set standards to guide their service departments in managing the property they use/occupy. The survey further showed that most (more than 80%) of those authorities which have set standards to guide their service departments in property use/occupation are the higher CPPI scoring authorities. This implies that in order to manage property as the authority's corporate assets, it is important to set standards to guide those service departments which have their own property staff in their property use/occupation.

#### **5.3.5 Overall responsibility for property management**

About two thirds (67%) of the 132 (i.e. 89 authorities) whose property management (PM) group (Committee and Department/Section/Division) have the overall responsibility for the effectiveness/ efficiency of the authority's property use/occupation. More than 70% of these 89 authorities are higher scoring authorities. This compares with only few (10) of those 43 authorities (which have not yet assigned their PM group an overall responsibility for effectiveness/efficiency of property use/occupation) are higher scoring authorities (see Figure 5.3). Therefore, the evidence shows that giving the PM group the overall duty in effectiveness/efficiency of property use/occupation is an element related to good practice CPM.

Figure 5.3. The % of CPMI scores by PM group having the overall duty for effectiveness/efficiency of property use/occupation or not



### 5.3.6 Conclusions

The analysis and discussion in this section suggests that having an adequate organisational arrangement for PM is an essential factor for good practice CPM, including:

- (1) establishing a central property committee (or sub-committee under the main committee) and having a councillor who is a member of the main committee to chair this property sub/committee;
- (2) establishing a central PM unit (department or division) and appointing a senior officer (a member of the council's Management Team/Board) as the head of the PM unit;
- (3) bringing a diverse group of the council's property professionals into a comprehensive PM unit;
- (4) setting standards to guide service departments which have their own property

- staff in their use and occupation of property; and
- (5) assigning the central PM group an overall responsibility for the efficiency and effectiveness of property use/occupation.

#### **5.4 PROPERTY MANAGEMENT INFORMATION AND CPM**

About 82% (109) of the 132 authorities surveyed have established a central property inventory which records all the situations of their operational property holdings. In more than 90% of these 109 authorities the PM unit has the duty of updating this inventory. About 75% of these 109 authorities have computerised their property inventory to a certain extent.

All of those 18% of authorities lacking a central property inventory are lower CPMI scoring authorities. The survey also shows that a higher percentage (60%) of those authorities whose PM unit has the responsibility for updating the property inventory are higher CPMI scoring authorities. This compares with only 25% of those authorities whose PM unit is not responsible for updating the inventory being higher CPMI scoring authorities. The extent of computerising the inventory also relates to the take up and practice of CPM. About 70% of those authorities, which have computerised their inventory, are higher CPMI scoring authorities, compared with 54% of those authorities which have partially computerised their property inventory. These figures contrast with only 42% of those authorities whose inventory has not yet computerised being higher CPMI scoring authorities.

The discussion further examines the types of information compiled in inventories. Table 5.5 lists the percentages of the 132 authorities which have compiled various property information items. The evidence shows that a high percentage of authorities had not collected or compiled information on property attributes, historic spend on premise maintenance, property maintenance cost requirements and in progress, property disposal, and, value of property.

Table 5.5 The % of 132 authorities holding property management data by items

Property information items	% of 132 LAs which have compiled the data item
Ownership (legal deeds, location, size)	77%
Use situation (user, occupation ratio, running costs)	49%
Physical attributes (year, type of construction, maximum capacity)	34%
Acquisition cost and purpose	56%
Historic spend on premises maintenance/repair	20%
Maintenance/repair cost requirements and in progress	27%
Property awaiting disposal	33%
Value of property	19%

Only 4 authorities held information on all the items listed in Table 5.5 in their property inventory; although about one in ten had all items excluding property value. At the other end of the scale, 24% of the 132 authorities only had information on property ownership, acquisition date and purpose, and, property awaiting disposal. About 41% of the 132 authorities still did not know their property use situation, physical attributes, property historic spend, their property maintenance/repair cost requirements and in progress, nor, the value of their property holdings.

Table 5.6 displays the different percentages of higher CPMI scoring authorities between those authorities which have compiled various property information and those authorities which have not compiled those data items. The evidence reveals that most of those authorities in better CPM practice (CPMI score  $\geq 5$ ) are supported by a comprehensive property management information system which includes information on the property use situation, physical attributes, property maintenance or repair cost requirements and in progress, property awaiting disposal, and, information on property value.

Table 5.6 The % of higher CPMI scoring authorities which have and have not compiled property relevant data

Property information items	% of those authorities which have compiled property data and are higher scoring authorities	% of those authorities which have not compiled the data and are higher scoring authorities
Ownership (legal deeds, location, size)	57%	23%
Use situation (user, occupation ratio, running costs)	73%	29%
Physical attributes (year, type of construction, maximum capacity)	84%	32%
Acquisition cost and purpose	60%	36%
Historic spend on premise maintenance/repair	69%	44%
Maintenance/repair cost requirements and in progress	77%	39%
Property awaiting disposal	75%	36%
Value of property	77%	43%

Based on foregoing evidences and analyses, it can be concluded that an appropriate PM information system is essential for good practice CPM, including:

- (1) establishing a central property inventory to record the situation of all operational property holdings and utilisation;
- (2) assigning to the central PM unit the duty of updating the property inventory;
- (3) computerising the central property inventory;
- (4) collecting and compiling diversified data to form a PM information system, including property use situations, property physical attributes, property maintenance cost requirements and in progress, property awaiting disposal, and property value.



## 5.5 THE ROLE OF PROPERTY MANAGEMENT GROUP AND CPM

Previous sections have concluded that assigning an overall responsibility for the efficiency of property use/occupation and for updating the property inventory are important elements for good practice CPM. This section further examines the role of the property management (PM) group in a diversity of PM matters. Table 5.7 lists the percentages of the 132 authorities whose PM group (committee and/or department) plays an active role in various PM matters, i.e. those PM matters are dealt with totally or are lead by the PM group. The evidence also reveals that these authorities whose PM group plays active role in PM matters are significantly better than those whose PM group plays passive role in the practice of CPM (see Table 5.8). In other words, the majority of those authorities whose PM group plays active roles in a diversity of PM matters are higher CPPI scoring authorities, while the majority of those authorities whose PM group plays passive roles are lower CPPI scoring authorities. Therefore, it can be concluded that committing the PM group with an active leadership role in diversified PM matters is essential for good practice CPM.

Table 5.7 The % of local authorities whose property management group plays an active role

Items of property management matters	% of 132 authorities whose PM group playing active roles
Formulating property management strategy	64%
Undertaking property management strategy	68%
Property transactions	78%
Property maintenance/repair	89%
Property maintenance/repair budget control +	62%
Property expenditure inspection	19%
Property capital budget approval	62%
Property physical condition audit	39%
Managing surplus property	77%
Managing property leasing matters	73%
Inspecting and dealing with misfit or underused property	77%

+ At least control strategic maintenance or repair budget

Table 5.8 The % of authorities in higher CPMI score by role of the property management group played

Items of property management (PM) matters	% of those authorities whose PM group plays active roles are higher CPMI scoring authorities	% of those authorities whose PM group plays passive roles are lower CPMI scoring authorities
Formulating property management strategy	61%	67%
Undertaking property management strategy	65%	68%
Property transactions	59%	81%
Property maintenance/repair	56%	63%
Property maintenance/repair budget control *	63%	56%
Property expenditure inspection	71%	53%
Property capital budget approval	68%	65%
Property physical condition audit	76%	67%
Managing surplus property	59%	95%
Managing property leasing matters	57%	63%
Inspecting and dealing with misfit or underused property	64%	97%

\* At least control strategic maintenance or repair budget

## 5.6 PROPERTY MANAGEMENT MEASURES AND CPMI

### (1) Property performance indicators (PPIs)

Only 16 authorities have used property performance indicators (PPIs) to assist their property management; another 13 authorities indicated that they were moving towards to using PPIs to assist their PM. This indicates that in 1992 the development of PPIs was just in an embryonic stage in English local authorities. Some instances of PPIs to be used were: office accommodation cost per employee; income/cost for let estate; ratio of planned to responsive maintenance; current building maintenance backlog; maintenance cost per square metre of buildings; energy cost per square metre; cleaning cost per square metre; and rents, rates and insurance costs per square metre.

## (2) Asset Rents system

About 25% of the 132 authorities have adopted an **Asset Rents (AR)** system in their property management. However, about a quarter of them only use the AR system for a part of their holdings-- mainly for office accommodation and administrative buildings. Another 17 authorities stated that they were progressing towards setting up an AR system (probably in 1993 or later). Some of them indicated that they would put offices or those properties whose market comparable values exist into the AR system at the first phase of its operation.

The survey shows that 55% of those 132 respondents supported the view that AR system would be useful for CPM. However, the task of property valuation in undertaking an AR system has been commented on by many respondents as a difficult jobs for local authority property managers. Some authorities have used debt charge and historic actual costs<sup>3</sup> as the basis for the charge of asset rents. However, the majority of authorities have adopted the valuation basis of Open Market Value (OMV) or Open Market Rental Value (OMRV)<sup>4</sup> in charging for those properties for which market comparable values exist, and based charges on Depreciated Replacement Cost (DRC)<sup>5</sup> for those specialised properties which were not readily traded in the market. Moreover, some other comments were raised on this system. First, the AR system is a theoretical answer for improving CPM, but extremely difficult to implement to any purposeful end. Secondly, only when the Asset Register is in place, will the AR system be considered by the council. Thirdly, AR could be considered as the "icing on the cake" and is a luxury. Further, the AR system is too expensive to maintain and implement due to its requirement to compile the detailed information including property value

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<sup>3</sup> However, the basis for rent charges were under review in some authorities when the survey was undertaken.

<sup>4</sup> OMV/OMRV are defined by the RICS's red book (1981: 31) as "the best price or the best rent which might reasonably be expected to be obtained for the interest in the property at the date of valuation...".

<sup>5</sup> DRC is defined by the RICS (1981: 302) as requiring an estimate of the open market value of the land in its existing use and an estimate of the new replacement cost of the buildings and other site condition, functional obsolescence and other factors which result in the existing property being worth less than the new replacement.

and the state of the local property market. It was also commented that the AR system is not effective in relation to local management of schools (LMS). Moreover, individual committees still assert their "ownership" of service properties, so it is still difficult to implement an AR system. Finally, the establishment of an AR system can only be done slowly due to limited resources.

### (3) Property reviews

Most authorities responding to the survey have undertaken some kind of **property review**. Only 22 authorities have never taken any action in any kind of property review. 58 authorities have undertaken Single Property Reviews (SPR); 50 authorities have carried out a specific Service Property Review (DPR); while an encouraging 67 (51% of 132) authorities have implemented a Corporate (area base) Property Review (CPR). Those authorities which have undertaken CPR were found to be significantly better in their CPM practice than those which have not. About 61% of those authorities which have undertaken a CPR are higher CPMI scoring authorities, compared with only 38% of those which have never undertaken a CPR.

### (4) Synthesis and conclusion

The survey shows no generally significant evidence that those authorities which have undertaken PPIs, ARs, SPR, or DPR are better in CPM than those authorities which have not used those instruments. However, there is some evidence to suggest that in addition to applying those instruments, those authorities which have given their property management group a more active role in various property management matters are significantly better in their general practice of CPM than those authorities which have not. Compared with other main instruments (i.e., property performance indicators, asset rents, and service property review), the **corporate property review (CPR)** is the most widely used instrument in assisting local authorities property management (see Table 5.9). Furthermore, comparing with

other measures, CPR received the highest percentage of support as a useful instrument for good CPM practice.

Table 5.9. A comparison of four main property management instruments

Instruments	Numbers of authority which have adopted these instruments	% of the 132 respondents who support that these instruments are useful for CPM
Property performance indicators (PPIs)	16	41%
Asset rents (ARs)	32	55%
Service property review (SPR)	50	57%
Corporate property review (CPR)	67	67%

This section concludes that the CPR was the most widely used instrument for improving PM performance in English local authorities and is the one which was indicated by the majority of respondents as a useful measure for good practice CPM. Furthermore, among various property management instruments only the use of CPR is significantly related to good practice CPM. Thus, CPR may be the most immediately available and effective measure for managing local authorities' property as a corporate resource.

### 5.7 DIFFERENCES BETWEEN AUTHORITIES

The research further compared the different extent of CPM between different classifications of local authorities, i.e. between different types of authority; authorities located in different regions; and, authorities with different sizes of property holdings.

### 5.7.1 Between types of authority:

The survey shows that county councils have the highest CPPI score among four types of authorities. That is, 80% of county councils are higher CPPI scoring authorities, compared with 61% of London Boroughs, 44% of Metropolitan Districts, and, 34% of Shire Districts. The survey also shows that most County Councils (over 80%) have established a property subcommittee of their main committee and a separate department for property management matters, while about 72% of London Boroughs have set up a property subcommittee of their main committee and 83% of them have established a division within a department for property management matters. The number of the Metropolitan District Councils (MDCs) which have established a separate property committee is nearly equal to the number of MDCs which have set up a subcommittee of their main committee. The number of MDCs which have set up a separate property management department is also almost equal to the number of MDCs which have established a property management division within certain department (see Tables 5.10 and 5.11). About one third of Shire Districts have established a separate PM committee and one third of them have set up a PM Subcommittee of the main committee, while another one third have a subcommittee of a non main committee or have more than one (sub)committee responsible for PM matters. However, the majority of Shire Districts have established a PM division responsible for PM matters.

Table 5.10 The % of PM committee types adopted by four types of authority

Types of authority	Separate PM Committee	PM Subcommittee of the main Committee	Others
County	8%	81%	11%
Shire District	28%	40%	32%
London Borough	11%	72%	17%
Metropolitan District	30%	52%	18%

Table 5.11 The % of PM unit types adopted by four types of authority

Types of authority	Separate PM Department	PM Division of a Department	Lack a central PM group
County	85%	15%	-
Shire District	19%	72%	9%
London Borough	17%	83%	-
Metropolitan District	44%	43%	13%

The different organisation arrangement between four types of authorities might relate to the size of property holdings and scale of the authority's area. Among Shire Districts, all of the large property holders<sup>6</sup> have a separate PM committee and 70% of them have a separate PM department responsible for all PM matters; the majority of middle size holders (80%) have a PM division. Only small districts (37% of them) have left their operational properties being managed by a subcommittee of a non-main committee or by more than one (sub)committee. Some of these small districts (15% of them) lack a central PM unit to deal with PM matters. Among London Boroughs, the majority of large holders (60% of them) have a separate PM department, while all of the small holders have a PM division.

The survey also reveals that the general model in County Councils is a comprehensive property department embracing diversified property relevant functions. However, in many London Boroughs, MDCs and Shire District Councils, the functions of Architecture, Building Regulations, Engineering, Maintenances, and, Facilities Management are handled by other department(s). County Councils also assign their property management group a more active role in certain property management matters, and, do better in establishing a comprehensive

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<sup>6</sup> Those authorities which own more than 1000 properties are regarded as large size holders; those own 201-1000 properties as middle size holders; and, those less than 200 as small size holders (see 5.7.3).

property information system to assist their property management than other types of authority (see Table 5.12 and Table 5.13). There is a significantly higher percentage of County Councils than other types of authority adopting the instrument of property performance indicators (PPIs) to aid their property management. The survey shows no significant differences between four types of authority in undertaking an asset rents system. However, there is a higher usage of the instrument of property reviews among County Councils and Metropolitan Districts than London Boroughs and Shire Districts (see Table 5.14).

Table 5.12 The % of local authorities which have given their PM group a more active PM role by types of authority

Items of property management matters	% of Counties whose property management group played active role	% of Shire Districts whose property management group played active role	% of London Boroughs whose property management group played active role	% of Metropolitan districts whose property management group played active role
Overall property management duty	77%	51%	78%	57%
Updating property inventory	100%	68%	83%	65%
Formulating property management strategy	73%	48%	67%	70%
Undertaking property management strategy	81%	52%	67%	70%
Property transactions	81%	75%	94%	70%
Property maintenance/repair	92%	66%	50%	57%
Property maintenance/repair budget control *	85%	54%	44%	57%
Property expenditure inspection	31%	14%	17%	22%
Property capital budget approval	88%	58%	56%	52%
Property physical condition audit	54%	31%	44%	39%
Managing surplus property	92%	74%	83%	78%
Managing property leasing matters	88%	68%	78%	74%
Inspecting and dealing with misfit or underused property	96%	60%	78%	78%

\* At least controlling strategic maintenance or repair budget



Table 5.13 The % of local authorities recording various PM information in their property inventory by types of authority

Information Items	% of County Councils had compiled the data	% of Shire Districts had compiled the data	% of London Boroughs had compiled the data	% of Metropolitan Districts had compiled the data
* Property ownership	96%	71%	83%	65%
Use situations	73%	34%	67%	39%
Physical attributes	69%	15%	50%	30%
Acquisition cost, date and purpose	73%	46%	67%	57%
Historic spend on maintenance	50%	9%	17%	17%
maintenance cost requirements and in progress	62%	14%	33%	17%
Property awaiting disposal	58%	19%	56%	30%
* Value of property	15%	12%	39%	13%

\* There were no significant differences between four types of authority by Chi-Square test with 0.05 significant level.

Table 5.14 The % of local authorities which have adopted PM instruments by types of authority

Measures	% of County Councils adopted	% of Shire District Councils adopted	% of London Borough Councils adopted	% of Metropolitan District Councils adopted
Property Performance Indicators	27%	5%	11%	17%
Asset Rents System	35%	26%	17%	13%
Single Property Review	73%	29%	44%	52%
Service/department Property Review	58%	14%	56%	70%
Corporate Property Review	73%	37%	39%	61%

In summary, county councils have the highest CPMI scores (the best practice CPM) among the four types of authorities. They are also the best practice authorities in the following elements: establishing a central PM group (a department); compiling PM information; assigning more active role to the central PM group; and, using PM instruments (especially CPR) to assist their property management. Unitary authorities (London Boroughs and Metropolitan Districts) have the second highest CPMI scores. Generally, they have done well in: establishing a central PM group (a division); compiling PM information; assigning PM group more active roles in various PM matters; and implementing property reviews. The 1986 local government reorganisation might be the reason which led them to undertake more property review schemes (especially single property review and service-base property review). High property values in the London area is the likely reason for the London Boroughs having the best scores in establishing the information of property value among four types of authorities. Holding the widest range of property and generally very valuable portfolios, the unitary authorities should be more prudent in managing their property as a corporate resource. However, the 1986 reorganisation might be a reason keeping some of them away from the best practice CPM. After taken-over the county services they probably started off with big and powerful departments running their own estates' requirements. This can be supported by the evidence that unitary authorities have the highest percentages to allow their service departments to employ their own property managers (see Table 5.15). Finally, the performance of many shire districts (compared with other types of authorities) leaves much to be desired, however, they may feel that a simple management system is adequate for the management of a small amount of operational property, thus ignoring some basic CPM activities, such as formulating a PM strategy, property expenditure inspection, and, property physical condition audit.

Table 5.15 The % of local authorities whose service departments have their own property managers by types of authority

Types of authority	% of them whose service department have their own property managers
County Councils	53%
Shire District Councils	38%
London Borough Councils	61%
Metropolitan District Councils	78%

### 5.7.2 Between authorities located in different regions:

Table 5.16 indicates noticeable variations in CPMI scores between the different English regions, for example, the East and West Midlands. The variations of CPM practice revealed cannot be simply explained by the variable of a north/south division (which would crudely reflect the structure of regional economic development), nor be explained by the variable of rural/urban division. This suggests that other structural and conjunctural elements, such as those suggested by Montgomery (1984: 47) (e.g. historical background of a local authority development, politicians and professional's ideologies), may have contributed to these differences. However, the information obtained from the postal questionnaire surveys was not designed to explore these structural and conjunctural elements, and it was not possible to follow this point up with further analysis at this stage. Since the elements might also be related to variations between the same types of local authority within regions and on a national comparative basis, the finding was included generally in the analysis undertaken of the case study survey (see chapters 7 and 8).

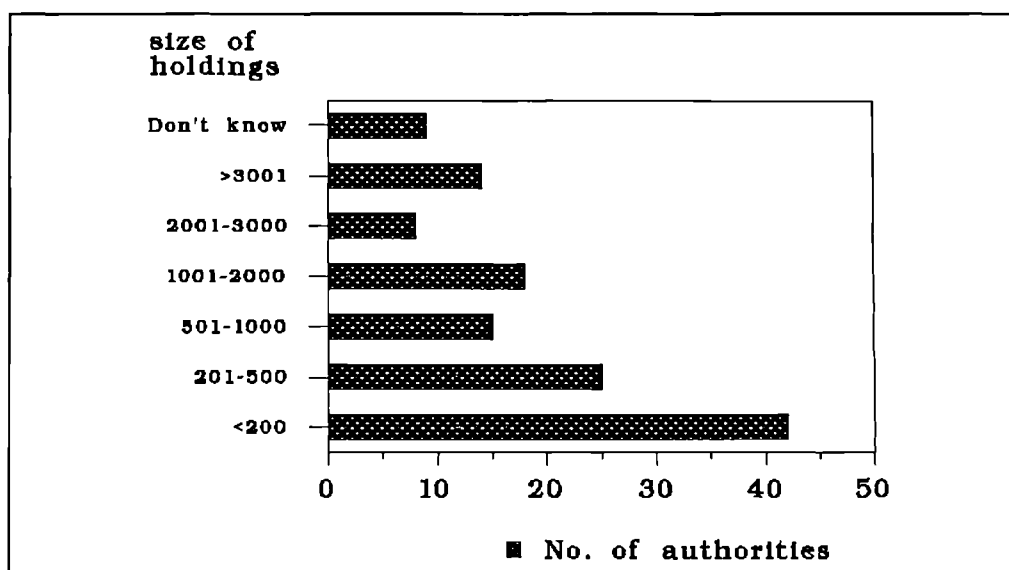
Table 5.16 The % of higher CPMI scoring authorities by regions

Areas	% of higher CPMI scoring authorities
North	60%
North West	59%
Yorks and Humber	54%
West Midlands	36%
East Midlands	76%
East Anglia	38%
South West	62%
South East	40%
OVERALL	51%

### 5.7.3 Between authorities with different sizes of property holdings

Figure 5.4 shows the number of authorities which own different sizes of operational property holdings. The distribution of the number of property holdings between four types of authorities is displayed in Figure 5.5. County councils are the largest property holders among four types of authorities. The majority of them (73%) and many Metropolitan District councils owned more than 1000 properties. The numbers of properties held by London Boroughs are mainly concentrated in the range 201-2000 (67% of them). However, the majority of Shire Districts (85%) hold less than 500 properties.

Figure 5.4 The numbers of authorities by size of property holdings



The analysis further defines those authorities which own more than 1000 properties authorities as the large size holders; those own 201-1000 properties as middle size holders; and, those less than 200 as small size holders. Under this category, 40 authorities are large size holders; 40 are middle size holders; and 42 are small size holders. The percentages of large, middle and small size holders in the four types of authorities are exhibited in Figure 5.6. Comparing the CPMI score between different size property holders, reveals that large size holders have higher CPMI scores than middle- and small-sized holders. That is, 70% of large size holders, 53% of middle holders and 29% of small holders have higher CPMI scores. In PM organisation arrangement, the majority of large holders have established a separate PM department. However the majority of small and middle size holding authorities have only set up a division to deal with PM matters (see Figure 5.7).

Figure 5.5 The numbers of authorities in size of holdings by types of authority

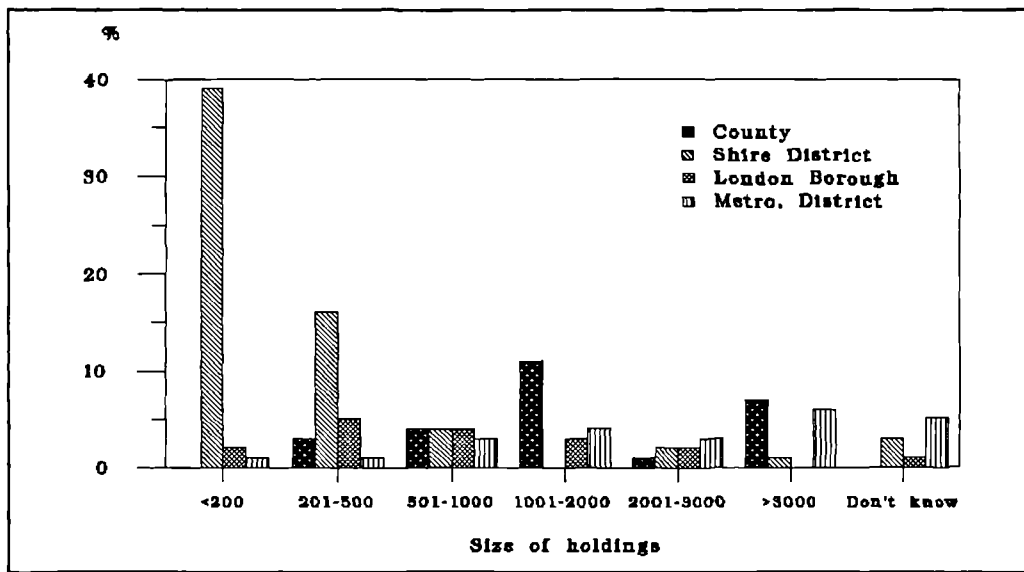


Figure 5.6 The % of different size of holdings by types of authority

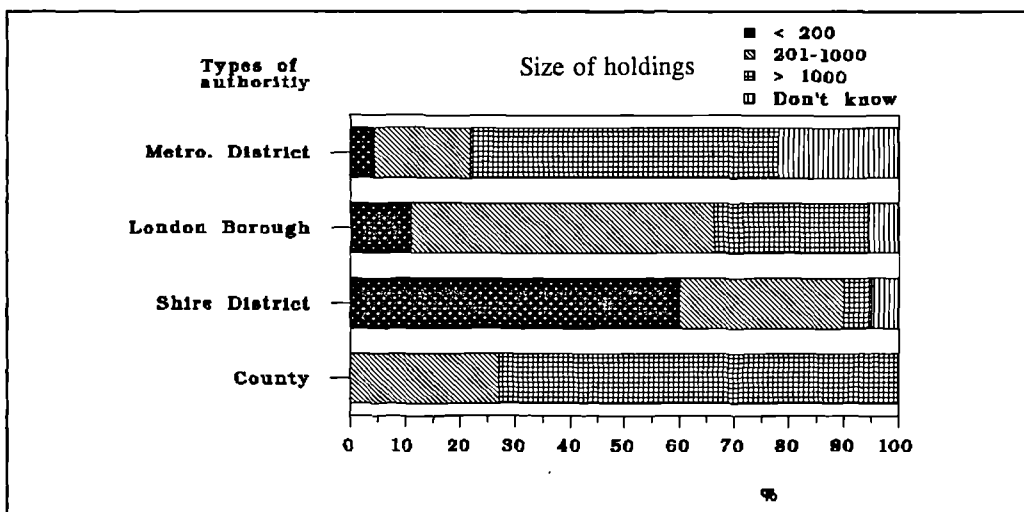
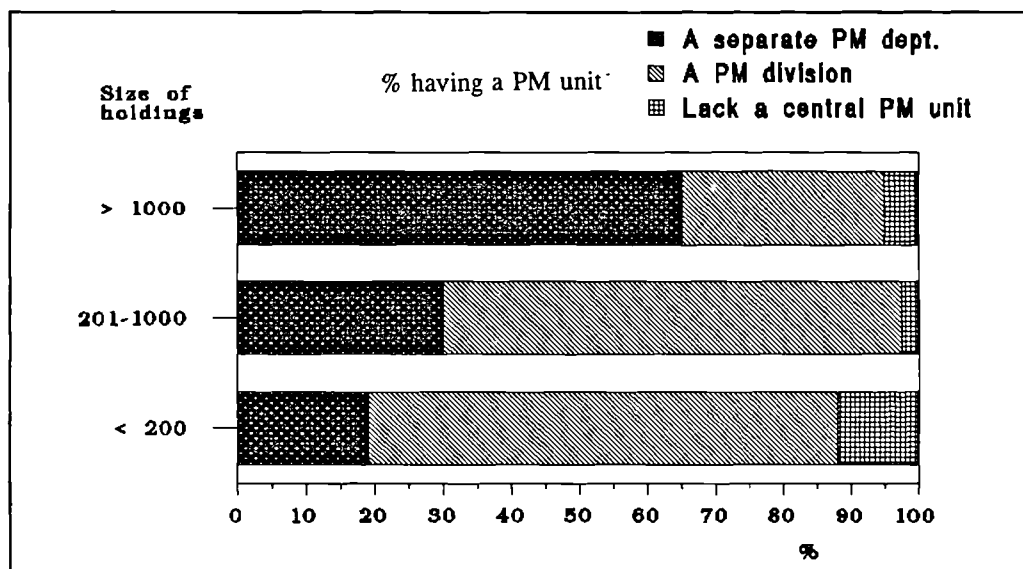


Figure 5.7 The % of PM unit by size of property holders



The survey also shows that while the majority (70%) of large size holders have compiled information on their *property use situation*, only 58% of middle and 44% of small holders have done so. With this exception, there are no significant differences between size of holders in the establishment of PM information systems. Furthermore, a higher percentage of the large size holders have assigned their central PM group an active role in formulating and undertaking PM policy, and, inspecting and dealing with misfit/underused property (see Table 5.17) than middle and small size holders do. There are no significant differences between large, middle and small size property holders in the arrangement of the PM group's role in other property management matters. There are no significant differences in using PPIs and ARs to help the management of operational property between large, middle and small size property holders. However, more large size authorities have undertaken PRs than others (see Table 5.18).

Table 5.17 The % of authorities whose property management group plays an active role in property management matters by size of property holdings

Property management matters	% of large size holders whose PM group plays active roles	% of middle size holders whose PM group plays active roles	% of small size holders whose PM group plays active roles
In formulating property management policy	82%	65%	45%
In implementing property management policy	87%	68%	51%
In inspecting and dealing with misfitted/underused property	92%	84%	59%

Table 5.18 The % of authorities using PRs by size of property holdings

Property management measures	% of large size holders having undertaken PRs	% of middle size holders having undertaken PRs	% of small size holders having undertaken PRs
Single property review	65%	28%	31%
Service property review	65%	33%	14%
Corporate property review	70%	40%	41%

In summary, county councils own more operational properties than other types of authorities.

The large size property holders have generally higher CPMI scores as the result of establishing a strong separate PM department, of compiling a comprehensive PM database to assist property management, of assigning an active role to central PM group in formulating and implementing PM policy and inspecting misfit/underused property, and, of undertaking property reviews.



## 5.8 CONCLUSIONS

The 1992 postal questionnaire survey of 132 local authorities in England reveals that the take up and practice of CPM is related to several elements: the organisational arrangements for PM; the establishment of a property relevant database; the role of the central PM group; and, the implementation of CPR. These elements are actually interwoven with each other in influencing CPM. For example, most of those authorities with an central PM committee and department have also assigned their PM group an active role in various property management matters.

Secondly, among the various property management instruments examined, only the implementation of CPR is significantly related to good practice CPM. CPR is also the most widely used and the most favoured measure suggested by the local authorities' property managers for achieving good practice CPM. Thus CPR can be regarded as the most immediately available and effective tool for managing local authorities' property as a corporate resource.

Thirdly, county councils, which own more operational properties than other authorities, are the leaders in developing CPM among four types of authority in England. They have done significantly better than other types of authority in establishing a central PM group, compiling comprehensive PM information, assigning more active role to PM group, and, using PM instruments, especially CPR, to assist their property management. London Boroughs and Metropolitan Districts (the unitary authorities) have a poorer CPM record than might be expected. The 1986 reorganisation might be a reason that kept some of them away from the best practice CPM. Those responsible for the current round of the reorganisation of local authorities should keep in mind that the best practice of CPM should not be destroyed or diluted due to the reorganisation of local government, and, that the lessons of the counties

should be learned and appreciated by any successor authorities.

Finally, the practice of CPM is different between authorities with different size of property holdings. The large size holders are generally in better practice of CPM by establishing a more systematic or comprehensive approach to the management of their operational property. The evidences reveals that they have done well in established a powerful central property management group, in compiling comprehensive property management information, in assigning more active role to property management group in formulating and implementing property management policy and inspecting misfit/underused property, and, in implementing property reviews. Most of those authorities owning a small amount (less than 200) of operational property are Shire District Councils, tend to adopt a simple system to manage their operational property. Some of the small size holders have ignored the importance of certain CPM activities, such as formulating a PM strategy, property expenditure inspection, and, property physical condition audit.

## **CHAPTER 6 OBSTACLES AND ACTIONS TOWARDS GOOD PRACTICE CPM**

### **6.1 INTRODUCTION**

Chapter two suggested the necessity of studying the obstacles to CPM, the actions which ought to be taken to overcome the obstacles, and, the role and skills of property managers engaged in CPM. However, these issues were felt by the researcher to be so sensitive that recipients might be deterred from replying to an open questionnaire. The research thus designed a follow-up (confidential) questionnaire to those authorities (132) which had replied to the initial survey and indicated they would be willing to answer further questions. This set no reference number for an anonymous report with the intention of obtaining a reasonable sample to support further analyses. The details of the survey design are shown in Appendix C; the follow-up questionnaire is shown in Appendix E. In total, 70 authorities (16 County Councils, 36 Shire Districts, 8 London Boroughs, and 10 metropolitan Districts) responded to the follow-up survey. This chapter reports and analyses the opinions received from the respondents (local authority property managers) on the following items: (1) the obstacles experienced by local authorities in the practice of CPM; (2) the action which ought to be taken to overcome these obstacles so as to achieve good practice CPM; (3) the tasks which ought to be undertaken centrally by the property management group as the minimum requirements for CPM; and, (4) the essential skills for property manager engaged in CPM. It ends with a summary and conclusions of the discussions.

### **6.2 OBSTACLES TO CPM**

The pressure of financial constraints (mostly from central government's intentions to cut local spending) has resulted in the decline of property expenditure in many local authorities during the period of 1990-1992, i.e., more than 90% of the 132 authorities reduced their property-related expenditures. In terms of the items to be reduced, 78% of the 132 authorities reduced

their annual property expenditure in new capital programmes, about 51% of authorities reduced their annual property maintenance/repair expenditure, while 42% cut their expenditure in running properties. No significant difference was observed between the four types of authority in the reduction of property related expenditure (Chi-Square test with the significance level equal 0.05). This evidence indicates that different types of local authorities have incurred the same sorts of pressure to reduce their property-related expenditure. The evidence suggests that using property stock efficiently, being more prudent on property occupation and utilisation, has become an important issue for most local authorities. In order to manage property more effectively, 98% of the 132 respondents indicated that local authorities should adopt a corporate approach to property management.

Despite the unanimity of this recommendation, many related comments were received from respondents about the CPM approach, such as: (1) the CPM concept has not yet been accepted by the elected members; (2) the property management unit has little say in respect of operational property; (3) the devolution of management (such as devolution of budget and accountability to schools) will dilute CPM as property users make their own decisions on property utilisation and maintenance. The central property management group cannot even access information about property use, occupation and maintenance; and, (4) under compulsory competitive tendering (CCT) legislation, some local authority premises may be occupied by new contractors, who may be changed periodically, under short-term licences and/or tenancies.

The discussion now analyses the results of the 70 respondents who answered a question with multiple answers possible (see Q3 in Appendix E) about obstacles to CPM in their authorities. Obstacles to CPM and the percentages given by the 70 respondents are listed in Table 6.1.

Table 6.1 Obstacles to CPM and % occurrence in 70 authorities

Obstacles to CPM	% of the 70 respondents stated that their councils have this obstacle
1. property manager had inadequate power to manage property as a corporate resource	66%
2. no incentives offered to users for joint occupation or transfer between Committees	56%
3. accounting system could not display performance of property occupation/use	51%
4. an inadequate/no overall property management strategy/policy	43%
5. the user Committees/Departments ignored the importance of property management (or that their councillors seemed unable to see property as a corporate resource).	41%
6. lacking a suitable property use performance measurement system (indicators)	34%
7. lacking a property database which records all the council's property holdings and use	33%
8. property management affairs in low priority of the Council Leader's and the Chief Executive's agenda	33%
9. the position of the chief property officer was not high enough in the authority's management hierarchy	27%
10. lacking a good communication or working relationships between the property manager and property users	19%
11. corporate property management staff/skills were insufficient	16%
12. some specialised properties precluded their easy use by other services	13%

An analysis of the multiple answers given by respondents discovers that two groups of obstacles have strong relationships. First, most (over 80%) of those authorities who saw their PM affairs being placed in lower priority of their council's top management agenda (#8 Obstacle in Table 6.1) also had the obstacle of their chief property officer having a lower status post (#9). These two obstacles (#8 and #9) further related to the obstacle of property manager having inadequate power to manage property as a corporate resource (#1), i.e. most (more than 90%) of those authorities had #8 Obstacle and/or #9 also faced #1 Obstacle. This implies that the inadequate power of property managers of CPM (#1) results partly from the

lower priority of property management affairs in the top managers' agenda (#8) and the low status position of the chief property officer (#9). As these three obstacles are interrelated, they can be combined into a single obstacle (named by the researcher as "inadequate organisational arrangements"). After the combination, 70% of the 70 authorities faced the obstacle of "inadequate organisational arrangements" to CPM. Secondly, most of those authorities (91 %) having the obstacle of lacking a good communication between property manager and property users (#10) also faced the obstacle of the user committees/departments ignoring the importance of PM (#5). The #10 obstacle can be merged into #5. After the merger, 46% of the 70 authorities faced the obstacle of user committees/departments ignoring the importance of property management (new #5).

The study further analyses whether a general pattern of obstacles existed in English local authority property management. However, evidence from 70 respondents' multiple answers shows that such a general pattern did not exist, i.e. different local authorities were facing diverse obstacles in managing their property as a corporate resource relating to their own organisational arrangement, situation of property management database, experiences in the use of property management instruments and other elements. Local authorities therefore should examine their obstacles to CPM and then make appropriate efforts to overcome them.

Moreover, 40% of the 70 respondents stated that inadequate property management organisational arrangement (the combination of Obstacles #1, #8, and, #9 in Table 6.1) was the most significant obstacle to CPM in their authority; 17% mentioned the lack of an overall property database (#7) as the most significant obstacle; 13% of the 70 indicated that inadequate or no overall PM strategy/policy (#4) was the most significant obstacle, and, 12% stated that no incentive offered to users for joint occupation or transfer between departments (#2) was the most significant obstacle. Almost all (94%) of the 70 authorities faced one or

more of these four obstacles, while other obstacles in Table 8.1 were stated by a minority of respondents (less than 6% of the 70) as the most significant obstacles to CPM. Therefore, above four obstacles can be regarded as the key obstacles to CPM in English local authorities.

Furthermore, comparing the obstacles between four types of authority, the evidence (Table 6.2) shows that shire districts faced more obstacles than the other three types of authority, particularly those of lacking a property database, inadequate organisational arrangement, and, inadequate/no overall property management strategy. This evidence matches the conclusion made in chapter 5's analysis, i.e. compared with other types of authorities, more shire districts ought to improve their CPM practice, particularly in the areas of organisational arrangement, establishing property management information, and formulating an overall property management strategy.

Table 6.2 The percentage of authorities having CPM key obstacles by types of authority

Key obstacles	% of the 16 Counties faced this obstacle	% of the 36 Shire districts faced this obstacle	% of the 8 London Boroughs faced this obstacle	% of the 10 Metropolitan Districts faced this obstacle	% of the 70 authorities faced this obstacle
Inadequate property management organisational arrangements	69%	75%	75%	70%	70%
Lacking a property database which records all the council's property holdings and use	31%	42%	13%	30%	33%
Inadequate/no overall property management strategy/policy	44%	53%	25%	30%	43%
No incentives offered to users for joint occupation or transfer between Committees	50%	53%	75%	60%	56%

### **6.3 ACTIONS TOWARDS GOOD PRACTICE CPM**

This section further examines more details about the wider range of actions which need to be undertaken by local authorities in order to manage their property as a corporate asset. An open-end question (see Q5 in Appendix E) was designed to ask local authority property managers' opinion on actions to help overcome obstacles to CPM. The recommendations are listed and analysed in the following order of general priority based on the frequency of the replies made:

#### **(1) Reviewing property holdings and utilisation**

The most frequent suggestion was that undertaking a regular property review will assist an authority in managing its property as a corporate resource, with some respondents further expressing the view that authorities should undertake a corporate (comprehensive) property review. Two further aspects were suggested. The first one was the use of incentives to encourage departments to give up properties; the other suggestion was that authorities should make resources available to undertake a corporate property review on which a future management strategy could be based. This evidence also supports the view that corporate property review is the most favoured as well as the most immediately available and effective measure for managing local authorities' property as a corporate resource.

By undertaking a property review, a local authority could be expected to avoid the following obstacles: no incentives to joint occupation or transfer between committees (Obstacle #2 in Table 6.1); inadequate property management strategy (#4); user committees /departments ignoring the importance of property management (#5); and, inadequate property information (#7).



**(2) Setting up a central property management group with adequate power and resources:**

The kind of suggestions made included: establishing a powerful committee, able to override departmental inertia and to make corporate decisions with an influential chairperson who can push forward strategies; appointing a highly qualified chief property officer with a significantly high status in the council's organisational structure at director level and a member of the Management Team/Board; and, giving the property management group adequate power and resources in property management activities. Once this powerful central property management group is in place, it could be expected that the following obstacles to the CPM could be overcome: inadequate property management organisational arrangement (Obstacles #1, #8 and #9); and, service committees/departments ignoring the importance of property management (#5).

Some respondents further suggested that all property should be put under the central control (i.e. held and managed) by one committee and one department with responsibility for all aspects of PM. However, this is an ideal approach for good practice CPM and many authorities have not reached such a decision. More importantly, there are many difficulties within such a fully centralised property management approach. First, it is difficult to obtain the agreement from the service committees/departments that the property they use should be taken over by a central PM group. Secondly, the central PM group needs a comprehensive understanding of the characteristics of various services and their property requirements. The central group controlling everything in property matters is unlikely to have a full understanding of the requirements of the delivery of services (unless there is an exceptionally good working relationship between the property management group and service departments). Thirdly, under the trend of devolved management (e.g. local management of schools), a central property unit cannot actually control everything in property matters any more. Thus, the researcher believes that such a fully centralised property holding and management is not

a necessarily desirable for current local authority property management. However, it can be argued that setting up a central property management group and giving it adequate authority and resources is a necessary condition for good practice CPM.

**(3) Developing a landlord/tenant relationship by charging asset rents:**

The third most frequent suggestion was to set up a landlord/tenant relationship between the authority and its departments which would pay asset rents for property use. It could be argued that this instrument would help tackle the obstacle of no incentives for joint occupation and transfer between committees (Obstacle #2 in Table 6.1), and, because of its information requirements a good accounting system in displaying property performance would be established (#3).

Although asset rents are ranked third in the list of suggestions (9 in all), there are criticisms of the implementation of such systems. The main concerns are the actual assessment of property valuations, its potential operating costs, and the standards for rent charges and the accounting arrangements. First, as more than 80% of the 132 authorities lacked information on their properties' value, the valuation of their properties would thus be a necessary pre-condition for the implementation of an asset rents system. The valuation process is very costly and time consuming. Thus many respondents doubted that their authority would have enough resources to undertake the task of assessment for all its property holdings. The valuation basis is also an argued issue. It is much easier to value those non-specialised properties, for which market values can be easily identified. However, a large amount of local authority's operational properties are specialised and have no open market value in their existing use. The valuation of this kind of property is more difficult and complicated. The approach of Depreciated Replacement Cost is used in the valuation of specialised property. However, this method must take into account many factors, such as: the cost of replacing buildings and

land; the age of buildings, their structure and condition; and, the cost of constructing modern equivalent buildings. Therefore, if an authority wants to implement an asset rents system, it needs to compile or survey (if it does not exist) a large amount of costly information.

Furthermore, the implementation of an asset rents system also needs to establish an adequate accounting system to record and balance the rent charged. The establishment of accounting systems needs to consider elements such as the basis of rents to be charged, the items of property expenditure (e.g. the costs of property maintenance) to be included, and, how to deal with the issues of minor alterations or improvement of a property, of the declaration of property surplus, and, of letting parts of buildings. To tackle these matters, it is necessary to have a close link with the authority's financial department before formulating the asset rents and accounting system. It is also important to divide clearly the responsibility for the cost of property works (e.g. repair/maintenance) between "landlord" and "tenant". A pioneer authority in the implementation of a "Property Holding Accounts" (the City of Westminster) defined no less than 67 items of property maintenance costs being divided between the responsibility of "landlord" and "tenants" (property users). There is no doubt that an asset rents system is a complicated and costly system to run.

#### **(4) Establishing a property information system and Asset Register:**

Many respondents also suggested that in order to overcome the obstacles to the take-up of CPM it was necessary to establish a precise property database and management system or an Asset Register as suggested by CIPFA (1992). By the establishment of a comprehensive property information system an authority can know what properties it owns and uses, why they are occupied, where these properties located, what the costs (both revenue/capital and opportunity costs) are in occupying these properties, and, what alternatives of these properties can be used etc. It can then begin to use this management information to meet specific

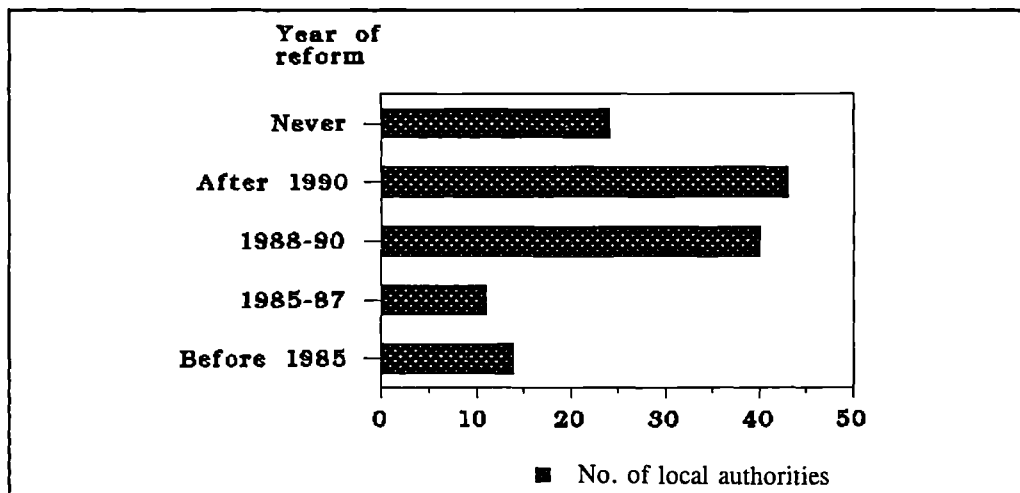
efficiency and other related property management objectives. The obstacle of lacking a property database to CPM (Obstacle #7 in Table 6.1), then, can be avoided.

**(5) Adopting the Audit Commission's Guidelines:**

Many respondents suggested that adopting the Audit Commission's 1988 guidelines/suggestions for property management would help lead to good practice CPM. The Commission's property management framework includes some other suggestions listed in this section, such as establishing an adequate property management database, formulating a property management strategy, adequate property management organisational arrangements, and, undertaking property reviews. It thus combines several suggested actions being discussed here under separate headings and re-enforces the strength of recommendation attached to them. By following the Commission's framework, it could be expected to avoid the following obstacles: inadequate organisational arrangement (Obstacles #1, #8 and #9 in Table 6.1); no incentives to joint occupation or transfer between committees (#2); inadequate property management strategy (#4); user committees /departments ignoring the importance of property management (#5); and, inadequate property information (#7).

In examining the influence of the Commission's 1988 *Property Management Handbook*, Figure 6.1 shows the number of authorities which reported having significantly reorganised their property management services by the year of their latest reorganisation. About 63% of the 132 authorities have significantly reorganised their property management services since 1988. The survey shows that most of those authorities which have significantly reorganised since 1988 are matching the Audit Commission's suggestion in property management organisation arrangements, i.e. creating a committee or a subcommittee of the main committee (80% of them), its chairperson having the equivalent status to the chairperson of the major service committees (87% of them are a member of the Council's main committee), and, setting up a central property management unit (department or division) (97% of them).

Figure 6.1 The number of authorities by the period of PM services re-organisation



Source: The researcher's 1992 postal questionnaire survey

A rather higher proportion of those authorities (52%) which have significantly reorganised their property services since 1988 have higher CPMI scores than those 40% of authorities which have not significantly reorganised their property management (PM) services since 1988. A higher proportion of the post 1988 reorganisers have also given their PM group more active power in PM matters, set up a comprehensive property information system, and implemented property reviews than those which have not reorganised their property services since 1988. This evidence implies that the Commission's 1988 *Property Management Handbook* has provided a useful guide for local authorities managing their property as a corporate resource, but that not all local authorities have responded to its recommendations.

#### (6) Formulating a property management strategy/policy

Many respondents suggested that local authorities should formulate a PM strategy/policy<sup>1</sup> to regulate and monitor the use and management of property by taking into account service

<sup>1</sup> This means that it is necessary to identify an agreed strategy/policy for the management of property in an authority and to record it in a formal document(s). Accordingly, each participant (e.g. property users and property managers) has clearly to understand the different aspects involved in property utilisation and management.

needs, costs in occupation, and, alternative use values. Some respondents further commented that the property management strategy/policy must link to the authority's overall management strategy. Some also suggested that policies/strategies for service provisions should be more clearly set out to enable a property management policy being formulated. However, as so many things are changing (e.g. compulsory competitive tendering (CCT) and the proposals for local government reorganisation), that client services are unwilling to adopt these policies. CCT was identified by respondents as more likely than other changes to be the most significant challenge to local authority property management, because it may have a comprehensive impacts on CPM: e.g. the approach of providing services; the organisational arrangement in property management; and, the attitudes to property use and management may all be changed.

Fifteen local authorities' documents recording their property management strategy/policy (see Appendix I) were collected during the questionnaire survey. The main elements they covered were in six areas. The first one is the current situation of an authority's property holding, use, and management. The second one is the problems/weaknesses in the authority's property management system. A further area is the recommendations contained in District Auditors' Reports or other consultants' reports after examining of the authority's property management system. Moreover, challenges resulting from the changing environment (e.g. restrictions on capital expenditure, CCT policy) are mentioned. Another element is listing the authority's strategies or policies for good practice property management. A corporate approach to property management has been mentioned as the key strategy in most of these 15 reports.

Finally, action plans/proposals are listed. Diverse actions or proposals have been listed and evaluated by these authorities. Some authorities focused on the undertaking of a specific property management measure, e.g. a comprehensive corporate property review, or, an asset

rents system. Other authorities gave a comprehensive proposals, including the centralisation of the management of strategic property maintenance budget, the reorganisation of the property management structure, maintaining up-to-date property records and terrier systems, the development of an asset register, measuring the performance of property use and occupation, and, controlling property running costs. The advantages of undertaking these actions were discussed, e.g. in terms of overcoming the authority's current property management problems, and, responding efficiently to the challenges faced by authorities. The procedure of and the necessary conditions and resource for conducting these actions were also listed.

The examination of the contents of these local authority property management strategies/policies demonstrates the recognition by authorities that formulating a property management strategy can help an authority to identify its current property management weaknesses, and, can help it to formulate appropriate actions to respond to the changing environment in order to manage its property as a corporate resource. Further evidence shows that almost all of the 32 authorities<sup>2</sup> (94%) which have formulated a property management strategy are the higher CPI scoring authorities. This compares with the majority (about 70%) of those authorities which lack a property management strategy which are among the lower scoring authorities. This implies that formulating a property management strategy is an essential factor associated with good practice CPM.

#### **(7) Educating/convincing others of the importance and benefits of CPM**

The respondents also suggested that advocating the importance and benefits of CPM is essential for gaining support from service committees and departments. This activity can help service managers or property users to realise the importance of property and its management.

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<sup>2</sup> Only 32 authorities (less than a quarter of the 132) have formulated a property management strategy (see Table 5.1).

By taking this action, an authority could be expected to avoid the obstacle of property user committees/departments ignoring the importance of property management (Obstacle #5 in Table 6.1).

#### **(8) Using incentives/penalties**

Using incentives/penalties to assist CPM was another kind of recommendation. The suggestions included: (i) setting incentives to front line service providers who make efficient use of property and penalties for those who do not; (ii) using incentives to give up misused or underused property- in the form of a share of the capital receipt or a share in the revenue benefits; and, (iii) using incentives to encourage property users/service departments to make the best use of a property from a corporate viewpoint. It is expected that through the use of incentives and penalties, the following two obstacles in the practice of CPM could be alleviated: property users ignoring the importance of property management (Obstacle #5 in Table 6.1); and, no incentive for joint occupation or transfer between committees (Obstacle #2).

#### **(9) Developing suitable Property Performance Indicators and property use standards**

Some respondents suggested that property performance indicators (PPIs) and property use standards should be established. There are two aspects to this suggestion. First, it is necessary to formulate common property performance indicators which are sensible and can be easily applied to all corporate property. On the other hand, it is also important to develop better performance indicators which should be realistic and tailored to the local circumstance. By establishing PPIs, the obstacle of lacking a suitable property use performance measurement (Obstacle #6 in Table 6.1) could be avoided. However, there is little experience in the



implementation of PPIs in English local authorities<sup>3</sup>. Some respondents explained that as the services provided by local authority are diverse, the requirements of those various services are different. Thus, it is very difficult to establish a suitable property performance measurement system to evaluate different services' requirements and use performance. It is also very difficult to establish "output measurers" to judge costs and benefits of property change. Furthermore, many authorities reported that they did not have enough resource to formulate and implement PPIs. Some respondents therefore suggested that the Audit Commission should issue detailed guidance to help authorities to establish PPIs.

Several conclusions can be drawn from the evidence discussed above. First, it further confirms the conclusion in chapter 5 that adequate property management organisational arrangements, proper property information system, and, assigning adequate power to the central property management group are essential elements for good practice CPM. Secondly, undertaking property reviews, especially a comprehensive (corporate) property review, is the most frequent recommendation suggested by the respondents as an effective measure in leading towards good practice CPM. This also matches the conclusion made in chapter 5 that CPR is the most immediately available and effective measure for CPM. Thirdly, although developing an asset rents system to establish a landlord/tenant relationship is among the higher priorities in the list of suggestions (the third most frequent suggestion), the implementation of this system has substantial pre-requisites. There are: the exercise of property valuation; the political will and support from service committees/departments and property users; operational costs; the standards to be set for rent charges; the division of duties between landlord and tenant; and, accounting arrangements.

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<sup>3</sup> According to the survey only a few authorities have adopted PPIs in assisting their property management, albeit about 40 percent of those 132 respondents agreed that PPIs might be a useful tool for CPM.

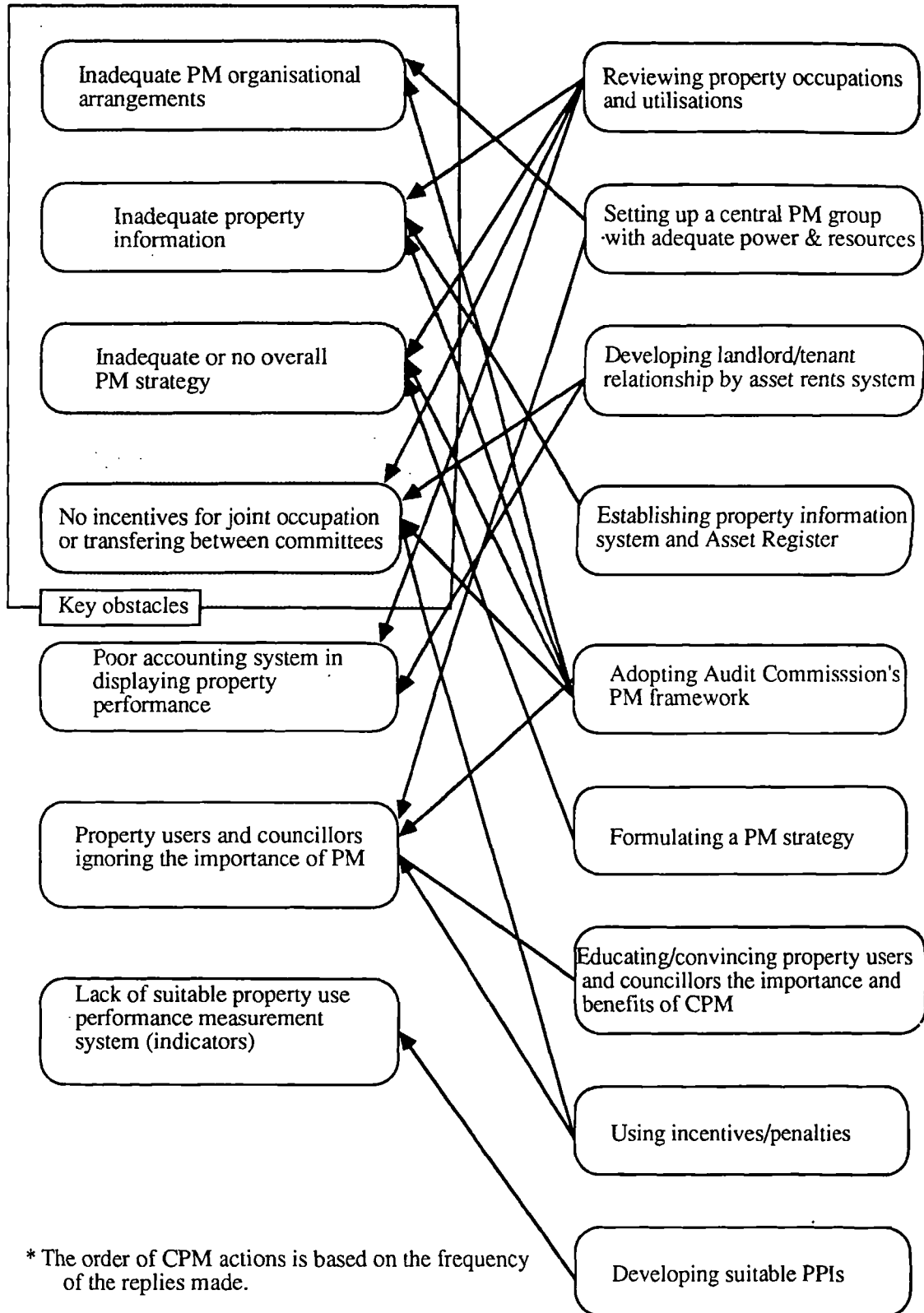
Fourthly, the property management framework suggested by the Audit Commission (1988a) has certainly helped some local authorities to establish a framework to use and manage their property as a corporate resource. However, it seems desirable that the Audit Commission should undertake further study on detailed guidance to help authorities to formulate property performance measurement system. Fifthly, formulating an adequate property management strategy, advocating the importance and benefits of CPM, and using incentives/penalties are also useful approaches to alleviate obstacles in the take-up and practice of CPM. Sixthly, different authorities face different obstacles in developing the practice of CPM. Section 6.2 provided a checklist for local authorities to examine their practice of CPM and the obstacles they are facing. Accordingly, they can highlight their weaknesses in the CPM and thus make efforts to remedy those deficiencies. This section has listed a set of comprehensive actions which can be adopted to alleviate those obstacles. The actions to be adopted also depend on the situation of individual local authorities. Figure 6.2 summarises these suggested actions and the obstacles they may overcome. Local authorities should analyse their CPM deficiencies and evaluate their own resources and capacity, then they may select the best combination of these actions to improve their practice of CPM.

Finally, centralised property holding and management lies at the core of approaches to achieve CPM. However, the extent of the "centralised control" is an arguable issue. A fully centralised property holding and management is not the necessarily desirable action for every authority. However, it is necessary to establish a central property management group and give it adequate powers and resources, so as to undertake good practice CPM. The important issue is how to distinguish clearly between responsibilities for the central property management group and those for service departments/property users. Thus, it is necessary to explore the kinds of tasks which should be undertaken by the central property management group as the minimum requirement for CPM.

Figure 6.2 Obstacles to CPM and actions towards good practice CPM

Obstacles to CPM

Actions towards good practice CPM



\* The order of CPM actions is based on the frequency of the replies made.

\*\* Arrows indicate that CPM obstacles can be overcome by CPM actions taken.

## 6.4 PROPERTY MANAGEMENT GROUP'S ROLE IN CPM

This section examines the range of tasks which should be undertaken centrally by a property management group as the minimum requirement for managing property as a corporate resource. A open-end question (see Q23 in Appendix D) was used to ask respondents provide their opinion. The opinion from respondents as to this were rather diverse. Their opinion can be classified into 11 items (see Table 6.3). As respondents were free to state their view about the tasks which should be undertaken centrally by a PM group as the minimum requirement for CPM, the frequency of these items indicated by 132 respondents might not be a secure basis on which a general model of the central PM group's role is established. However, the importance of these items could be shown and ranked by their frequency.

Table 6.3 Property management group's role in CPM

Property management tasks which should be undertaken by a central PM group as the minimum requirement for CPM	Frequency
1. taking a leadership role in property review, including identifying vacant/surplus properties and assessing alternative use or disposal matters for these properties	49
2. taking a leadership role in formulating and implementing PM policy/strategic	39
3. establishing and maintaining a comprehensive property information system in supporting the achievement of CPM	37
4. undertaking strategic maintenance	29
5. monitoring the performance of property occupation and utilisation	26
6. dealing with all the authority's property transactions	19
7.undertaking asset rental assessments to demonstrate the cost to service committee of their property holdings and acting as the landlord to charge asset rents for service departments use of property	18
8. controlling all the authority's property maintenance budget and/or inspecting property-related expenditure (e.g. running costs)	13
9. dealing with all the authority's property valuation matters	11
10. allocating space for property utilisation	7

A general trend of local authority property management could also be revealed by the frequency of these items. First, far more emphasis has been put on the role of reviewing property utilisation and occupation, formulating PM strategy, establishing/maintaining a comprehensive property information system, strategic maintenance, and, monitoring the performance of property utilisation. This evidence implies that property management in local authority is moving forwards to the modern proactive property management rather than just the conventional reactive property management tasks of recording the current attributes of property holdings, or undertaking the tasks of valuation and property maintenance (see chapter 2). Secondly, the traditional property professional's role (e.g. valuation, property acquisition/disposal, and allocating space for property utilisation) has been emphasised less. Furthermore, many respondents argued that the central PM group only needed to undertake the tasks of "strategic maintenance"<sup>4</sup> (e.g. major structural repairs of buildings), while day to day minor maintenance tasks (e.g. internal decorations, minor repairs, and, fixtures and fittings) could be controlled directly by the building users. This might result from the challenges of compulsory competitive tendering (CCT) and devolved management approaches which have led local authorities to place more stress on reviewing property utilisation to identify properties having specific problems (e.g. unfit/underused, surplus), property management strategic, monitoring the performance of property utilisation, and, establishing property management information, but leaving certain kind of property tasks to property users. Certain kinds of property tasks (e.g. valuation, maintenance, disposal) are not necessarily provided by the central PM group directly and could be provided by outside contractors. However, the central PM group should also play the role of setting standards, awarding and funding contracts, monitoring and controlling the tasks being undertaken.

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<sup>4</sup> Strategic maintenance is defined by the Audit Commission (1988: 47, 54) as those tasks which are essential to safeguard the fabric of the buildings, including major structural repairs of buildings, external painting, re-roofing, replacement of engineering services when they reach the end of their life. This kind of maintenance is also called "planned maintenance", since the need can usually be forecast and budget priorities allocated.

## **6.5 SKILLS FOR MANAGERS ENGAGED IN CPM**

As local authorities face new challenges and a more proactive approach to the management of local authority property has been developed, property managers need diverse skills in CPM. This section reports and analyses the essential skills for property manager engaged in CPM provided by the 70 respondents who replied to a multiple choice question in the follow-up questionnaire (see Appendix E). First, nine out of ten respondents stated that the following skills were essential for a property manager engaged in CPM: communicating with/persuading councillors/service managers; understanding the property needs of service departments; formulating property management strategy plan; identifying the objectives of property holdings and use; and, identifying the opportunity costs of property occupation. Secondly, four out of five respondents indicated that two skills were essential for a property management in undertaking CPM: imagining/creating alternative property uses; and, detecting the changing environment which will influence the interests of property use/occupations and accordingly formulating response actions. Thirdly, three-quarters of the 70 respondents stated that three skills were essential for CPM: monitoring the performance of various property use/occupations; integrating various parties' interests/determining priorities; and, property maintenance/repair financial analysis. Finally, other essential skills mentioned by some respondents include: understanding the property market; good working knowledge of landlord and tenant legislation and valuation techniques; keeping register of assets; arranging for regular inspection/valuation of assets; obtaining resources to carry out property strategy; and specification and supervision of implementation.

The evidence suggests that in undertaking good practice CPM, property managers (especially senior property managers) need additional skills or competencies in addition to the traditional property professional skills (such as valuation, property acquisition and disposal, and property maintenance). First, they require the skills of property-related financial analysis. Secondly,

they need to understand the nature of property requirements in the provision of local authorities' services. Thirdly, they need the competencies of integrating or coordinating various parties' interests and identifying the different objectives of property holdings in order to formulate a property management strategy. They also need competence in identifying the opportunity costs of property occupation, alternative property utilisation, and, the situation of the local property market. Finally, in responding to the changing environment, property managers also need to analyse and predict the impact of wider influences on the interests of property holdings. They need the skills of analysing the threats and opportunities of the changing environment and evaluating the strengths and weaknesses of their authority's property management system. Based on these analyses, they can develop their authority's property management strategy, and thus undertake good practice CPM. Local authorities should ensure that they have enough staff with adequate skills and competencies in undertaking various property-related tasks to achieve good practice CPM. The Royal Institution of Chartered Surveyors (RICS) and the local authority associations should make efforts to help local authorities develop these required skills for undertaking good practice CPM.

## **6.6 SUMMARY AND CONCLUSIONS**

Local authorities have incurred pressures which have led to the reduction of their property-related expenditure. This pressure has forced them to be more prudent on property occupation and utilisation. Using property more efficiently has become an essential issue in local authority management. It is widely accepted that authorities should adopt a corporate approach to managing their property, so as to achieve the aim of using their property efficiently and effectively. However, local authorities have also faced diverse obstacles in managing their property as a corporate resource. Four key obstacles to CPM have been identified: inadequate property management organisational arrangement; lacking an overall

property database; inadequate or no overall PM strategy; and, no incentive offered to users for joint occupation or transfer between committee. Several proposals have been made to overcome these obstacles: reviewing property holdings; setting up a powerful central property management group with enough authority and resources; developing landlord/tenant relationships by charging property users asset rents; improving property management information; formulating a property strategy; convincing councillors and staff colleagues the importance of CPM; and, developing suitable property performance indicators. Among these actions, undertaking a property review was the most frequent recommendation suggested by local authority property professionals, who responded to the questionnaire survey, as an effective measure leading towards good practice CPM.

Those property management tasks which were indicated by respondents to be undertaken centrally by a property management group as the minimum requirements for CPM are general property management functions rather than the traditional property professional's tasks (e.g. valuation and property transaction). That is, the following tasks are the essential items to be undertaken by a central property management group: reviewing property utilisation and occupation; formulating a property management policy/strategy; establishing/maintaining a comprehensive property information system; strategic maintenance; and, monitoring the performance of property utilisation. This shows that property management in local authority is moving towards to the modern proactive property management. This trend might be enhanced by developing CCT and devolved management approaches which could lead to the central PM group placing more emphasise on PM strategic and monitoring functions, while letting certain day to day or tactical tasks rest with property users or outside contractors.

Various skills have been identified by respondents as the requirements for property managers engaged in CPM. However, the following items are suggested by the researcher as the most



important skills for undertaking good practice CPM: formulating a property management strategy; identifying the objectives of property holdings and use; understanding the property needs of service departments; communicating with/persuading councillors/service managers; and, identifying the opportunity costs of property occupation. The evidence from the surveys matches the new management theory that the management of modern local authority emphasises the imperative actions of setting clear objectives and management strategies, strengthening and clarifying the "core role" to provide a greater sense of direction and identifying priorities of resource allocation for the organisation as a whole, and instituting proper review procedures as means of improving performance and evaluating achievements. Property managers in the "core centre" also require these skills to achieve their objectives in undertaking CPM.

The surveys also show that the Audit Commission's 1988 *Property Management Handbook* has provided a useful guide to local authorities in using and managing their property as a corporate asset. However, there is scope for the Commission to issue further detailed guidance to help local authorities to formulate property performance indicators. Finally, the surveys identify that corporate property review (CPR) is the most immediately available and effective measure for good practice CPM. It also concludes that the CCT policy is seen as the most significant challenge to local authority property management and may be expected to have comprehensive impacts on CPM. The details of the operation of CPR and CCT and their potential impacts on CPM are now examined further.

**CHAPTER 7**  
**CORPORATE PROPERTY REVIEW (CPR) –**  
**A DESIRABLE CONDITION FOR GOOD PRACTICE CPM**

**7.1 INTRODUCTION**

Corporate property review (CPR) has been identified as the most widely used property management (PM) instrument in English local authorities. It also was the most recommended PM instrument for corporate property management (CPM), i.e. nearly 70% of the 132 respondents surveyed in 1992 supported the view that CPR is a useful instrument for good practice CPM. Moreover, only CPR, among the range of property management instruments, has emerged as being significantly related to good practice CPM. However, 26 of the 67 authorities, which reported that they had undertaken CPR, were among the lower scoring group of authorities on the corporate property management index (CPMI). This implies that **CPR may be a desirable condition, but is not of itself a sufficient condition for good practice CPM.** If so, it is argued that there must exist some weaknesses within the implementation of CPR which were undertaken by those lower CPMI scoring authorities. In order to achieve good practice CPM through the implementation of CPR, it is necessary to discover and revise these weaknesses. The nature and operation of CPR thus merits some closer scrutiny. The second part of this research (chapters 7 and 8) tackles these issues. First, through the examination of the nature of CPR which relates to CPM, this chapter argues that CPR is a desirable condition for good practice CPM. Secondly, through exploring the implementation of CPR to identify the gaps between higher and lower scoring authorities (the weaknesses of lower scoring authorities thus being highlighted), chapter 8 analyses the view that CPR is not a sufficient condition for good practice CPM. Before the analysis is undertaken, however, a framework for the study of CPR is discussed and established.

## **7.2. RESEARCH FRAMEWORK**

### **(1) Purposes and hypotheses**

In order to examine the view that **CPR is a desirable condition for good practice CPM**, it is necessary to analyse the nature of CPR in terms of the relationship between CPR and CPM. Some kinds of CPR-CPM connections have already been indicated by professional property management agencies. First, the motivation or main reason for undertaking CPR may derive from a local authority's realisation that property is a corporate asset and thus should be reviewed as such (COPROP 1985: 13; Audit Commission 1987a: 102). Furthermore, pursuing the council's corporate benefits, such as reducing the council's overall property running costs, enhancing the service delivery by the improvement of property utilisation (COPROP 1985: 1 and 13; Audit Commission 1988a: 22; and, ADC 1990: 26) may be the main objective of undertaking CPR. Thirdly, the task of CPR is so complicated that it was suggested it should include representatives from the property department, another central department (e.g. the finance department), and the main service departments, and, an overview provided by the Chief Executive or representative (COPROP 1985: 2 and 12; ADC 1990: 27). These three viewpoints were also mentioned in several individual local authorities' documents relating to the operation of CPR, including PM policy/strategy, proposals, and/or, committee reports (see Appendix J). In addition, these documents also indicated that CPRs were engineered and initiated by central property managers or top managers who had an overall view of the use and management of the council's resources, and that CPR contributed to good practice CPM, for instance, the council's property management strategy could be formulated or updated using the results of CPR.

Accordingly, the relationship between CPR and CPM can be comprehensively examined from six dimensions: motivation; initiator; objectives; organisational arrangements; review

procedure and participants; and, the outcomes or contributions of CPR<sup>1</sup>. Six working hypotheses are further developed.

First, the main reasons for undertaking CPR may derive from a local authority's realisation that property is a corporate resource and thus should be reviewed as such. Secondly, CPR may be initiated by the authority's corporate management level rather than specific service managers or property users. Thirdly, the principal objective of undertaking CPR may be to maximise the corporate benefits to the authority, e.g. reducing overall property running costs, or, enhancing service delivery by improving property utilisation. Fourthly, from the organisational arrangement viewpoint the implementation of CPR may be an authority's corporate management activity since the property review team involves a diverse group of central service managers and service managers. Fifthly, the procedure and participants in various stages of the implementation of CPR may also show that CPR is a corporate management activity rather than a departmental management matter. Finally, CPR may contribute to good practice CPM as CPM activities may be initiated through the implementation of CPR.

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<sup>1</sup> These elements may not be mutually exclusive and may operate in combinations (e.g. the motivation may relate to the formulation of objectives). However, this situation does not influence the aim of the study in the discussion of CPR-CPM connections.

Table 7.1. Essential ingredients for a successful property review.

Authors/Reports	Components for a successful property review
COPROP (1985)	<ul style="list-style-type: none"> <li>- Set up clear review objectives;</li> <li>- Supported by elected members and Chief Officers' Team;</li> <li>- A small cross-committee of members to guide and determine the outcome of property review;</li> <li>- A multi-professional review team of senior officers;</li> <li>- A qualified and neutral positioned team leader;</li> <li>- Good relations with community, e.g. voluntary organisation and major interest groups within the review area;</li> <li>- Up-to-date and accurate information;</li> <li>- Frequent consultation with service departments;</li> <li>- Reference for consultation with service departments, occupiers and the public;</li> <li>- Early consultation with senior planning officers;</li> <li>- Incentives: returning part of the benefits to those affected or cash/revenue incentives;</li> <li>- Setting up adequate administrative and financial procedures to implement the decisions of review;</li> <li>- Support from chief executive;</li> <li>- Effective monitoring the progress of review.</li> </ul>
Audit Commission (1988a)	<ul style="list-style-type: none"> <li>- Commitment from members;</li> <li>- Adequate data;</li> <li>- An established procedure for the review, properly timetabled and with built-in implementation and follow up;</li> <li>- Involvement of services, encouraged by incentives;</li> <li>- Leadership of the review team by an officer of sufficient status;</li> <li>- Review team members with the power to bargain and negotiate;</li> <li>- A clear mechanism for resolving disputes- decisions ultimately taken by the policy committee;</li> <li>- An implementation manager of sufficient status to carry the recommendations through to a conclusion.</li> </ul>
Britton, Connellan and Crofts (1989)	<ul style="list-style-type: none"> <li>- Supported by political level;</li> <li>- Supported by property professional officers;</li> <li>- Supported by Chief Executives;</li> <li>- Selling the idea of property review;</li> <li>- A review team embracing professional and experienced staff;</li> <li>- Sufficient power giving to the review team;</li> <li>- Good communication with those will be affected;</li> <li>- Covered systematically all the authority's property;</li> <li>- With a defined time span which should be as short as possible;</li> <li>- Set up performance measurement of property use and occupation;</li> <li>- Adequate information;</li> <li>- Easy accessing the data required by the review;</li> <li>- Supported by multi-professionals (land surveyors, architects/building surveyors, town planners).</li> </ul>
Association of District Councils (ADC) (1990)	<ul style="list-style-type: none"> <li>- Timing, phasing and scope of review being clearly specified;</li> <li>- Resources provided to the review;</li> <li>- Clear objectives;</li> <li>- Setting up space standards;</li> <li>- In full knowledge of and articulation with the Council's overall priorities and objectives;</li> <li>- Establishing a review working group including representatives from property, finance, and service departments;</li> <li>- Precise information;</li> <li>- Identifying any competing aspirations for the future of each property.</li> </ul>
Hands (1991)	<ul style="list-style-type: none"> <li>- Clear objectives;</li> <li>- Organisational arrangement (core officers, support team and outposted officers to main service departments);</li> <li>- Selling the idea of property review;</li> <li>- Communication (e.g. using settlement conferences);</li> <li>- Relevant and accurate information;</li> <li>- Enthusiastic, multi-disciplinary team;</li> <li>- Tight time scales;</li> <li>- Political will and support;</li> <li>- Relevant mechanism for monitoring the progress of review.</li> </ul>

The present study also argues that **CPR is not of itself a sufficient condition for good practice CPM**. Based on organisational theory (details see chapter 3 section 2), undertaking a specific management instrument by an organisation relates to various issues, such as: objectives; strategies; action plans; procedure; organisational arrangement and participants; management information; monitoring; and, outcomes and implementations (see Thompson 1990: chapters 23 and 24). Furthermore, the essential components of a successful property review suggested by a number of expert agencies/authors were reviewed and summarised in Table 7.1. The factors mentioned in several local authorities' documents relevant to property review (see Appendix J) were also considered. All these factors were then classified into nine sets of elements as criteria for comparing the operation of CPR between higher and lower CPMI scoring authorities. This comparison is intended to highlight the differences between these two groups and to prove that the higher scoring authorities have handled these elements better than the lower scoring authorities. In other words, the working hypothesis is developed that higher scoring authorities have done their CPR better than lower scoring authorities in the following aspects: organisational arrangements; preparation (e.g. working plan, clear review procedure, linking with the council's strategic management objectives, adequate resources for CPR); precise and accessible property relevant information; gaining support from councillors, the Chief Executive, service departments, planning department, and local public; establishing property use standards; mechanism for solving disputes; monitoring the progress of review; CPR's outcomes being appropriately implemented; and, obstacles to CPM.

## **(2) Research method and techniques**

The circumstances underlying the operation of CPR are complex, e.g. the complexity of the CPR process, of the organisational arrangement, of the data being collected and analysed to identify properties with certain problems (e.g. underused), and, of the interactions between

property manager and property users or other service managers. It would be difficult to explore them through a general study of all local authorities. However, the case study approach by gives an in-depth and detailed analysis and explanation and permits direct investigation of these elements (Bryman 1988: 63, Diesing 1972: 264). It also provides an opportunity to understand the process of implementation rather than its outputs (Kennedy 1979: 668). It also has the advantage of collecting supplementary information to support further analysis or to cross-examine the results from the survey (Frankfort-Nachmias and Nachmias 1992: 228). Furthermore, it allows a comprehensive and detailed inspection of the interplay among strategy, organisational arrangements, history and economic or political circumstances, and property users' attitudes to CPR (Ibid, Schoenberger 1991: 181, Masser 1982: 8). The case study approach, therefore, provides an opportunity to make a detailed examination of the factors which are the obstacles to develop good practice CPM after CPR being undertaken.

Moreover, a standardised questionnaire survey approach would present difficulties in dealing with the many elements being considered by this study, such as: the process of CPR, the interactions between property manager and property users (service departments) or other central service departments (e.g. finance department), and, priorities and tradeoffs. The interview technique allows and encourages respondents to think things through (they are free to think and describe details without being too much constrained) about the issues with the researcher is concerned (Schoenberger 1991: 183). However, in order to avoid the risk that the respondent might impose his/her own agenda on the interview, taking it in directions that might not be directly relevant to the research (Ibid: 182), the semi-structure interview technique was used in this research. Interviewees were provided a copy of interview questionnaire (see Appendix H) with open-ended questions under some degree of guidance from the researcher- interviewer.

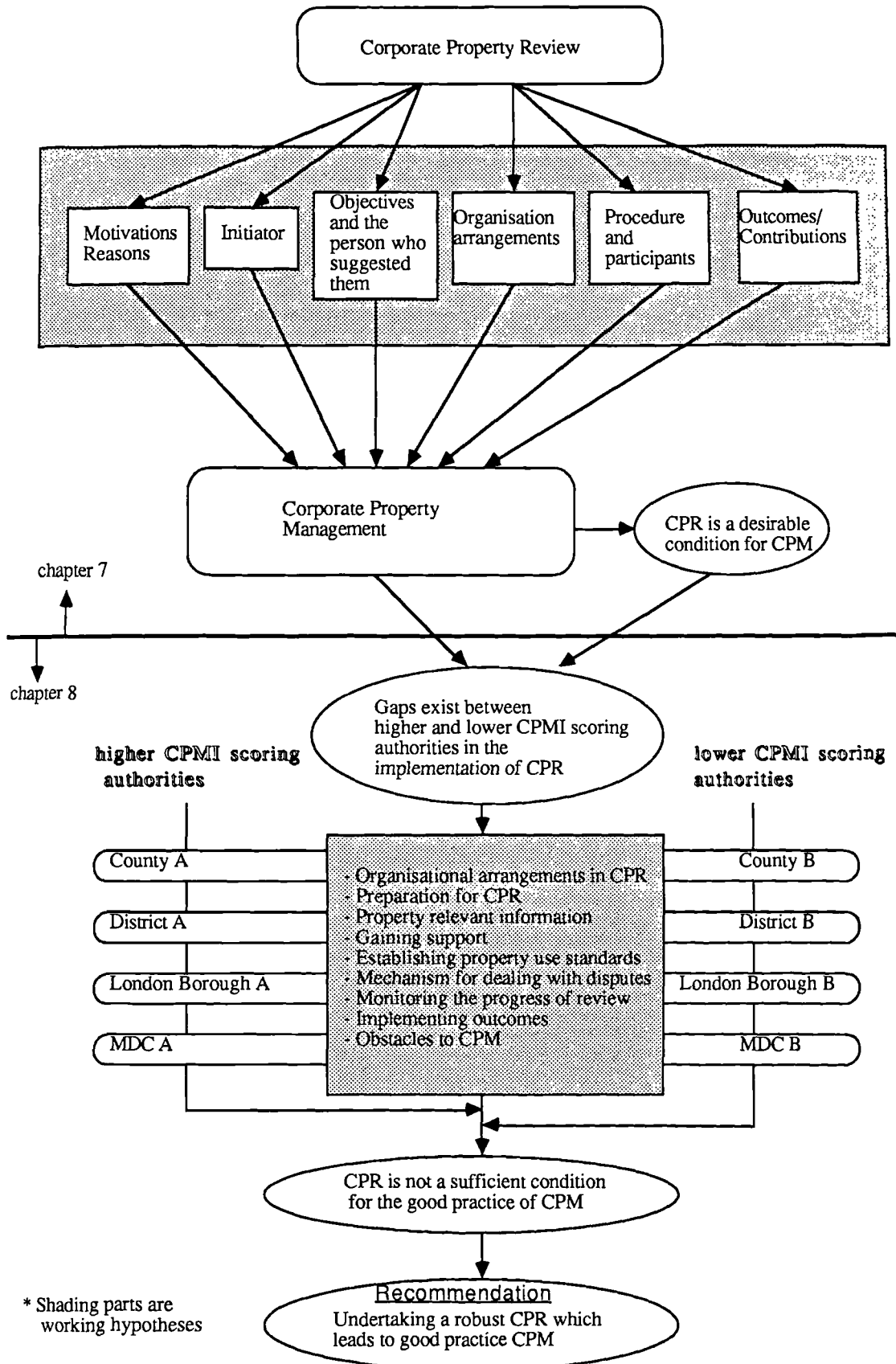
A further aspect of the research strategy applied here is that with the purpose of identifying differences between higher and lower scoring authorities in implementing CPR, the paired-comparison method is used. First, this method serves to mitigate the weaknesses of lacking generality and reliability which are characteristic of case studies (Yin 1981: ch.6; Bryman 1988: 88). Secondly, the comparison of the differences between higher and lower CPMI scoring authorities could provide the opportunity to highlight the factors which lead to good practice CPM. Finally, it was considered that it could offer a way of examining whether differences existed between different types of local authority in undertaking CPR.

### **(3) Conclusion and research framework**

It is suggested that the two elements discussed above-- case study by the paired-comparison method and semi-structure interview technique-- constitute an appropriate approach to test the hypotheses developed above. To avoid the deficiencies of case studies, such as lacking generality, being difficult to replicate, taking too long in case-studies, and, resulting in massive and unreadable documents, it was necessary for the researcher to establish a clear conceptual framework and a prudent research design, including selecting cases, data collection and analysis, and, report preparation (Yin 1989: chapters 2 and 6). The framework for studying the operation of CPR is shown in Figure 7.1. The details of the case study surveys are shown in Appendix G. Briefly, four pairs (by types) of authorities (two county councils, two shire district councils, two London borough councils, and, two metropolitan district councils) were chosen for a detailed study and comparison of their CPR practice. One council in each pair had an established higher CPMI score, and, one had a lower score (nominated as local authority 'A' and local authority 'B' in the following discussion).



Figure 7.1 The conceptual framework for the study of CPR



Executive's and the Councillors' realisation that property was a corporate resource which should be reviewed corporately and that more benefits for the Council could be obtained by reviewing property utilisation beyond the boundary of departments. Secondly, the Council accepted and followed the Audit Commission's recommendation that property should be reviewed corporately. Thirdly, financial restrictions resulted in property reviews being undertaken in order to obtain capital receipts. Finally, in responding to the Government's Land Register policy, the Council undertook review projects to identify vacant land. That the Council should undertake CPR was suggested by its Property Services Department.

The main reasons for Shire District 'A' undertaking CPR were the recognition of property as a corporate resource which should be reviewed corporately, and, the need to identifying and disposing of surplus property in order to obtain capital receipts. The property division (under the Finance Department) was the initiator of the CPR. However, the Chief Executive and Councillors accepted this CPR suggestion very quickly. The main reasons for Shire District 'B' undertaking CPR were: the Chief Executive's realisation that property as a corporate resource should be reviewed corporately; secondly, external consultants suggested the Council should review its property corporately; and, thirdly, the Council regarded CPR as a means to achieve capital receipts to fund its capital projects. The Chief Executive was the initiator of the CPR in this Council.

London Borough Council 'A' based its CPR was on two main reasons: property being treated as corporate resource which should be reviewed corporately; and, property review being used as an instrument to identify underused or vacant property in order to dispose of surplus property and obtain capital receipts. The review was initiated by the Estates Department of this Council. The main reasons for London Borough Council 'B' undertaking CPR were: top managers realisation that property was a corporate resource which should be reviewed

corporately; financial restrictions having resulted in encouraging property review to obtain capital receipts by identifying and disposal surplus property. The CPR was initiated by the Property Department of this Council.

Three main reasons emerged for Metropolitan District Council 'A' to undertake CPR. First, it was assigned as a function to the Council's overall Management Team as part of an internal reorganisation, property was thus regarded, by both Chief Executive and Councillors, as corporate resource and reviewed as such. Secondly, financial restrictions suggested undertaking CPR to obtaining capital receipts by identifying and disposing surplus property. Finally, CPR was regarded as an approach for good practice property management. The CPR project was initiated by the Council's Chief Officers' Management Team. Metropolitan District Council 'B' undertook its CPR for three main reasons. First, with the suggestion from the Property Services Department the Policy Committee which recognised property as a corporate resource which should be reviewed corporately. Secondly, external consultants suggested that the Council should review its property corporately. Thirdly, the take-up of CPR was derived from the desire to obtain capital receipts by identifying and disposing of surplus property. The CPR concept was suggested by the Property Services Department (formally the Estates Department) with the support of the Chief Executive and Councillors.

The evidence suggests that the initiation of CPR in these eight authorities was mainly based on the realisation of property as the council's corporate resource which should be reviewed corporately. Secondly, CPR has also been used as the mechanism to raise capital receipts to mitigate the Council's financial difficulties. The way of capital receipts being used and allocated implied that property was regarded as the Council's corporate resource rather than any individual departments' asset. The majority of capital receipts from the disposal of property were pooled as the council's central money rather than returned to user departments.

This central money was bid for by and allocated to various departments.<sup>2</sup> The initiators of CPR were mainly the central property management unit with the support of the top managers and councillors. Some authorities' CPRs even were directly engineered by the Chief Executive or the Chief Officers' Management Team. This suggests that CPR has been regarded as a corporate management issue.

#### **7.4 OBJECTIVES OF CPR**

This section analyses the objectives of CPR in order to test the hypothesis that the principal objective of undertaking CPR may be to maximise the corporate benefits to the authority. The main objectives of County Council 'A's CPR were: to create a structure within the authority to co-ordinate the work of its property professionals; to enhance service delivery by identifying and confirming service requirements for property and using the Council's property in the best possible way; to achieve capital receipts and maximise property utilisation; to reduce the Council's overall property running costs by increasing awareness of the costs of using property; to create a CPM framework as a co-ordinating reference for property professionals and service managers in defining priorities and objectives of property utilisation; and, to establish a corporate property database. These objectives were suggested by the authority's Planning and Estates Department.

County 'B's main objectives in undertaking CPR were: to improve the overall standard of accommodation thereby producing improved service delivery and working environment; to use the Council's property in the best possible way through making economies in future energy consumption and reducing liability for future maintenance; to generate capital receipts

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<sup>2</sup> Some authorities might give a certain proportion of capital receipts back to holding (user) committees as an incentive to implement CPR.

to supplement the Council's capital programme and/or reduce debt; to achieve full awareness of the cost of using property by identifying the full opportunity cost; to reduce the Council's overall property running costs; and, to create a CPM framework to co-ordinate the work of property professionals and service managers in defining priorities and objectives of property utilisation. These objectives were jointly suggested by the Property Services Department and by service departments.

District 'A's main objectives in undertaking CPR were: to improve the quality of service delivery by using the Council's property in the best possible way; to generate capital receipts to supplement the Council's capital programme and/or reduce debt; to achieve full awareness of the cost of using property by identifying the full opportunity cost (The interviewee further indicated that under the situation of working toward business unit operation, this objective will be more important in the future.); and, to reduce the Council's overall property running costs. These objectives were suggested by the Chief Valuer and the Director of Finance.

District 'B's main objectives in undertaking CPR were: to improve the quality of service delivery by using the Council's property in the best possible way; to generate capital receipts to supplement the Council's capital programme and/or reduce debt; to reduce the Council's overall property running costs; and, to create a multi-disciplinary framework to promote the efficiency, effectiveness of property utilisation and management (to establish a Land & Property Department as one of the outcomes of the first run of CPR). The first objective was suggested by the Council's Leader (a property professional). The second and third objectives were suggested by the Borough Treasurer and Estates Valuer. The last objective was suggested by the Leader and the Estates Valuer.

London Borough Council 'A's main objectives in undertaking CPR were: to establish a

framework to co-ordinate property professionals and service managers in identifying property use objectives and priorities; to generate capital receipts to supplement the Council's capital programme and/or reduce debt; to achieve full awareness of the cost of using property by identifying the full opportunity cost; and, to establish a corporate property database. These objectives were suggested by the Estates and Valuation Department.

The main objectives for London Borough Council 'B' undertaking its CPR were: to improve the quality of service delivery by using the Council's property in the best possible way; to generate capital receipts to supplement the Council's capital programme and/or reduce debt; to achieve full awareness of the cost of using property by identifying the full opportunity cost; to reduce the Council's overall property running costs; to optimise utilisation of property; to establish a *CPM framework as a co-ordinating reference* for property professionals and service managers in defining property use objectives and priorities; and, to establish a corporate property database and to formulate a property management strategy for the Council. The first objective was suggested by the Policy Analysis Unit and the others were suggested by the Borough Valuer.

Metropolitan District Council 'A's main objectives in undertaking CPR were: to improve the quality of service delivery by using the Council's property in the best possible way; to generate capital receipts to supplement the Council's capital programme and/or reduce debt; to achieve full awareness of the cost of using property by identifying the full opportunity cost; and, to reduce the Council's overall property running costs. These objectives were defined by the Chief Officers' Management Team according to the suggestions of the Director of Land and Property and the Director of Finance.

Metropolitan District Council 'B's principal objective in undertaking CPR was to improve the

quality of service delivery by using the Council's property in the best possible way. However, to generate capital receipts to supplement the Council's capital programme and/or reduce debt had become an increasingly important objective while the case study survey was actually being undertaken (Summer 1993). Other CPR objectives included: achieving full awareness of the cost of using property by identifying the full opportunity cost; reducing the Council's overall property running costs; creating a CPM framework which co-ordinated property professionals and service managers in defining priorities and objectives of property utilisation; and, establishing a corporate property database. These objectives were suggested by the Property Services Department.

The main objectives of undertaking CPR in the case-authorities are summarised in Table 7.2. The evidence shows that the motive in initiation of CPRs in these case authorities was consistently that of pursuing the Council's overall benefits and corporate objectives (e.g. promoting the overall service quality; reducing the overall property occupation and utilisation costs; and, achieving capital receipts), and in establishing a CPM framework to co-ordinate property professionals and service managers in defining property use priorities and objectives. Through the pursuit of these objectives, local authorities are likely to promote good practice CPM. That CPR is a desirable condition for good practice CPM can be supported by a further evidence, e.g. their recommendation by central units (e.g. property department, Treasurer, policy analysis unit) or top (corporate) managers (e.g. the Chief Executive, Management Team) rather than by any individual service department which used and occupied operational properties.

Table 7.2 The main objectives of undertaking CPR in the case study authorities

CPR objectives	The authorities which have listed this item as one of their main objectives for undertaking CPR			
	County 'A'	District 'A'	LBC 'A'*	MDC 'A'
To create a CPM structure as a co-ordinating reference for property professionals and service managers in defining property use objectives and priorities	County 'A'	District 'A'	LBC 'A'*	MDC 'A'
	County 'B'	District 'B'	LBC 'B'	MDC 'B'
To enhance service delivery and working environment by better use of property	County 'A'	District 'A'	-	MDC 'A'
	County 'B'	District 'B'	LBC 'B'	MDC 'B'
To maximise property utilisation and to achieve full awareness of the opportunity costs of using and occupying property	County 'A'	District 'A'	LBC 'A'	MDC 'A'
	County 'B'	District 'B'	LBC 'B'	MDC 'B'
To achieve capital receipts to supplement capital programme and/or reduce debt	County 'A'	District 'A'	LBC 'A'	MDC 'A'
	County 'B'	District 'B'	LBC 'B'	MDC 'B'
To reduce the overall property running cost and to reduce liability for future maintenance	County 'A'	District 'A'	LBC 'A'	MDC 'A'
	County 'B'	District 'B'	LBC 'B'	MDC 'B'
To establish a corporate property database	County 'A'	#	LBC 'A'	#
	#	-	LBC 'B'	MDC 'B'

LBC: London Borough Council;  
MDC: Metropolitan District Council

In County 'B', District 'A', and, MDC 'A' a corporate property database existed prior to the start of the CPR.

## 7.5 ORGANISATIONAL ARRANGEMENTS FOR CPR

The organisational arrangements of the eight case authorities' CPR projects are reported and analysed in this section in order to test the hypothesis that CPR is a corporate management activity as the property review teams involved diverse central managers, property professionals and service managers<sup>3</sup>. The County 'A' has established a Property Review

<sup>3</sup> This section intends to prove that CPR has been regarded as an authority's corporate management activity, while a team was established to undertake CPR in the case authorities. Their differences will be compared and analysed in chapter 8.



Working Group, which included a Core Team and a Support Team, responsible for the task of CPR. The Core Team comprises an "Area Review Co-ordinator" and several "Property Referencing Officers". They were full time officers working on the property review. The Area Review Co-ordinator managed the whole review process. He also arranged and called on resources from the Support Team when required. Property Referencing Officers were the information collectors, collators and analysers. The Support Team included: property professionals (valuers, development surveyors, planners, building surveyors and site surveyors) from the Architects and the Planning and Estates Departments; two "Outposted Officers" in Education and Social Services Departments to provide specialist information and needs and assist in the feasibility work; officers from other service departments to support the review process; and, officers from Law and Administration and Finance Departments to provide information and support services. The results of County 'A's CPR project were first reported to the individual service committees and then to the main (Policy & Resources) Committee which made the final decisions on the review's proposals.

Council 'A's CPR organisational arrangements have three characteristics indicating that CPR was undertaken as a corporate activity and that through undertaking CPR exercises property was regarded and managed as the Council's corporate resource. First, the main committee directly controlled the operation (e.g. determined the priorities of property utilisation) and monitored the progress of CPR. This arrangement demonstrates the importance of CPR to this Council. A corporate view of property use and occupation can be ensured. Secondly, the Council has established a CPR working group at corporate management level, which included a full time core team and a support team involving with a multi-disciplinary property professionals and service managers. Thirdly, outpost officers (from property services department) were assigned to the departments which used and occupied the largest amount of operational property in the Council. This communication channel provides a mechanism

not only for the Property Management Department to understand the property requirements in the service departments, but also, and more importantly, for the service departments to realise the importance of CPM.

County 'B's Property Review Team was part of the Property Review and Records Section in the Estates Surveying Group of the Department of Property Services. The multi-disciplinary team comprised property professionals including estates surveyors, a quantity surveyor, a building surveyor, a planner, an architectural technician, and, information technique staff. It was supported by the whole Property Services Department, i.e. the team could call upon the expertise and experience of other staff in the Department. The team also liaised with staff from those departments "whose" premises were under review, and, from the Treasurer's, Planning, and, Chief Executive/Clerk's departments. The CPRs recommendations were first reported to the Director of Property Services, then, to service committees through service directors. The main (Policy and Resource) Committee made the final decisions. Through this working relationship (i.e. through the liaison between the Property Department with service departments and other central service departments) and the control of the main Committee, property was regarded as a corporate resource.

Shire District 'A's Property Review Team was chaired by its Chief Valuer and included staff from the Legal, Finance, Planning, Building Surveyor's, Engineering Departments, and, service departments (property users). The interviewee commented that property review had a very high priority in the Council's overall management, and the Chief Valuer, therefore, attended the Chief Executive's meetings more than other equivalent level officers just because of the task of CPR. The results of CPRs and their progresses were reported to the Property Subcommittee of the Council's main Committee and the main Committee itself, which dealt with the disputes and decided the priorities of property utilisations. This organisational

arrangement has provided a mechanism to consider the overall benefits to the Council from having its property matters being discussed at corporate level.

Shire District 'B's Property Review Team was originally chaired by the Borough Secretary. As he was not a property professional, many disputes occurred and many options could not be evaluated properly. Since October 1991 the Team has been chaired by a newly employed chief officer-- the Land and Property Manager. The members of the review team include the Estates Valuer, Borough Planning Officer, Borough Engineer, the Principal Leisure Officer, and, other service managers "whose" properties are affected. The results of CPRs and their progresses were reported to the Property Sub-committee of the main Committee. The main Committee dealt with the disputes and decided the priorities of property utilisations. This organisational arrangement could provide a corporate function by which the Council's overall benefits in property use and occupation can be considered.

London Borough Council 'A's Property Review Team was chaired by its Director of Estates and Valuation, with the representatives from the Chief Executive's Department, the Legal and the Planning Departments, and, from service departments being affected. The results of CPRs and their progress were reported to the Property Subcommittee of the main Committee. The main Committee made the final decisions of the CPR proposals. This organisational arrangement has provided a mechanism to discuss the Council's overall benefits in property use and occupation.

London Borough Council 'B's Property Review Team was chaired by the Chief Property Services Officer. The team also included two valuers (from the Estates Department), two planners, one officer from the Policy Analysis Unit and one from the Chief Executive's Department, and, representatives from service departments/property users. The team reported

to the Management Team and the Land Strategy Committee -- the Council's land holding Committee, which decided the priorities of property utilisation and monitored the progresses of CPRs. Some specific recommendations were also reported to service committees. This organisational arrangement could provide a mechanism to discuss the Council's overall benefits in property use and occupation.

Metropolitan District Council 'A' had not yet established a formal property review team when the case study survey was undertaken (September 1993). The technical and administrative work for a CPR project (e.g. data collection, analysis, recommendations and writing reports) was undertaken by the Land and Property Department, which was led by a Director, a member of the Council's Management Team, with inputs from Finance Department and from service departments. However, the Council has set up a Chief Officers' Land Sub-group of the Chief Officers' Management Team to deal with Property Strategy and CPR matters. The Land Sub-group, chaired by the Chief Executive, was located in the corporate management level and so dealt with not only technical matters but also policy issues in property occupation and utilisation. The progress and recommendations of CPR were firstly reported to the Property Committee and property use (service) committees. The main (Policy & Resources) Committee made the final decisions. Considering this organisational arrangement, it is no doubt that despite the absence of a formal review team that CPR was undertaken as a corporate activity.

In Metropolitan District Council 'B', the Property Review Team was chaired by the Property Service Manager (a second tier officer in the Property Services Department), with the involvement of Estate Surveyors, other property professionals in the Property Services Department, service departments, and the Treasurer's Department. The progress and results of CPR were reported to the Finance and Property Subcommittee of the main (Policy)

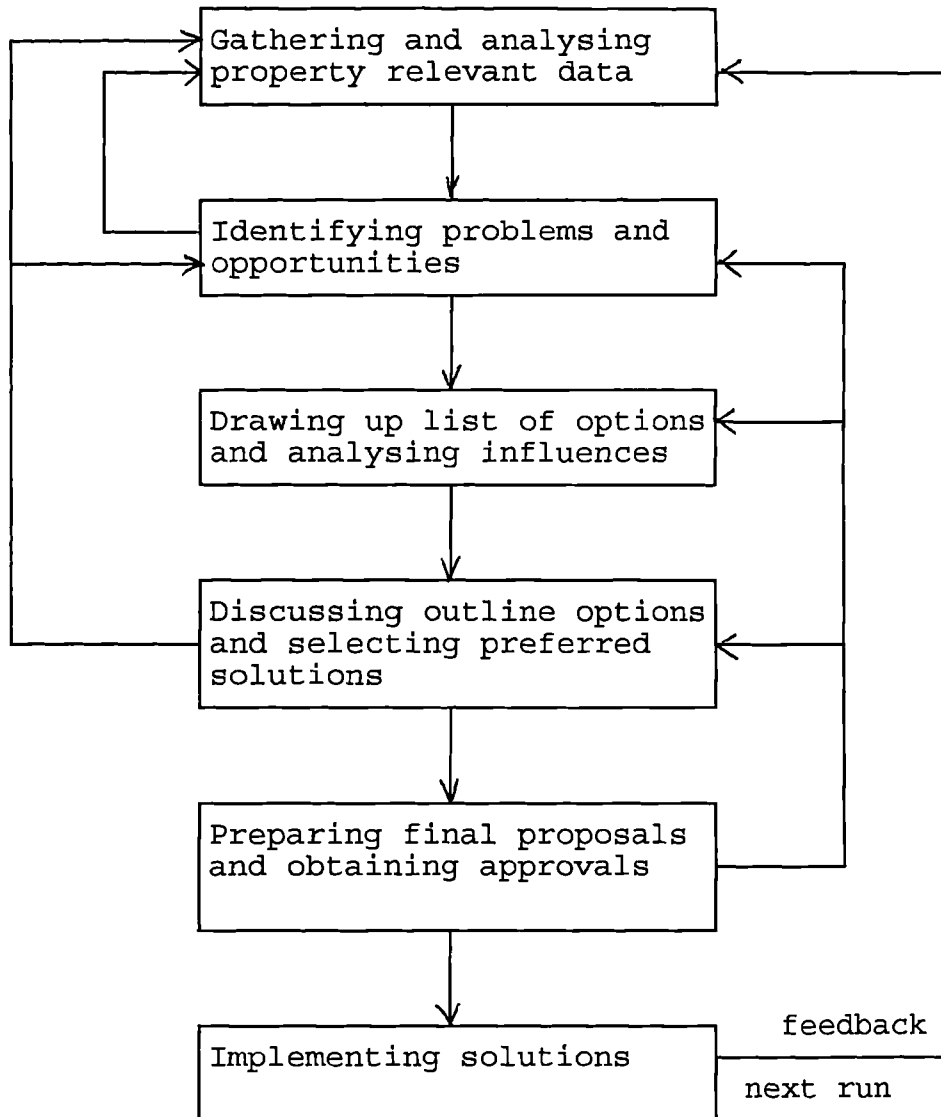
Committee. This organisational arrangement can provide a mechanism to discuss the Council's overall benefits in property use and occupation.

From the viewpoint of the organisational arrangements made for CPR in the eight cases, it can be concluded that CPR was undertaken as the council's corporate activity which involved a multi-disciplinary property professionals, other central service departments (such as financial, legal departments), and, the service departments/property users. Furthermore, that CPR's progresses were reported to and monitored by the main Committee or a central property committee also implies that CPR was undertaken as a corporate council activity through which property could be regarded and managed as a corporate resource.

#### **7.6 PROCEDURE AND PARTICIPANTS IN CPR**

This section further examines the procedure and participants of CPR. The intention of this examination is to prove that CPR is corporate council activity with the involvement of various departments at different stages. The case study surveys show that the eight case authorities have adopted a more or less similar procedure in undertaking their CPRs. The procedure of undertaking a CPR is generally summarised into six main stages shown in Figure 7.2 and described below. First, after the form of review was decided (including all the council's property or only focusing on a specific area), various property relevant data items were gathered and analysed. Some of them were provided by other departments, such as property requirements and priorities which were derived from service needs were provided by service departments, planning issues provided by planning department, and, the situation of property physical conditions and historical maintenance data provided by the architects and engineering departments. The activity of gathering and analysing the data has actually crossed the boundary of departments and been regarded as a corporate action.

Figure 7.2 The procedure of undertaking a CPR



The second stage of CPR was to identify property problems and opportunities. In order to achieve this, a range of factors were analysed, including: political sensitivity and priorities; property attributes; property expenditure; service requirements; and, impacts of planning issues. Based on the analysis, properties which were underused, overused or were unsuitable for the current purpose, and/or had significant high running and maintenance costs were identified. The options/opportunities were then listed, including property reallocation between

service departments, alternative use of underused or surplus properties, the likelihood of property conditions being improved by maintenance and the capital receipts from the disposal of surplus properties. These tasks needed a series of analytical and professional property judgements and thus were mainly undertaken by the property review teams. However, it also required inputs from other departments, such as political issues from central management units (e.g. representations from the chief executive's department in most case authorities; the Policy Analysis Unit in LBC 'B'), service requirements and priorities from service departments. In order to fully consider these factors, four of the eight case authorities (County 'A', Shire District 'B', LBC 'B' and, MDC 'A') further organised settlement conferences to encourage diverse professionals and service managers to give their view about property use and occupancy. Other councils which did not organise such conferences involved opinions on property use/occupancy from the planning, the engineering, the legal, the finance, and, service departments in this stage. The complex network and co-ordinating relationships between the participants in this stage again reveals that CPR is a corporate activity rather than any specific department affair.

The next stage was to draw up a list of options and analyse the impacts of the options. Based on the previous stage's analysis, a range of options were listed. The possible impacts of those options were then analysed and compared, including: the possible capital receipts; the likely savings in running costs; the estimated requirements in property investment (including new property development projects and property maintenance needs); and, the influences in service provisions. This kind of work was undertaken by the property review team in liaison with the service departments, particularly in identifying the possible influences on service provisions by various options. Among the eight case authorities only Shire District 'A' further consulted with local people about those options.

Then, the work moved towards the discussion of the outline options. A series of discussions with service departments were carried out in order to identify preferred solutions. The conflicts or competitions between service departments in property use/occupancy were also discussed at this stage. County 'A' further set up a conference to embrace diverse view from service departments about those outline options. In some specific cases, the top manager (e.g. the chief executive) was involved in dealing with disputes between service departments and the review team. Some of this study's interviewees (County 'A', Shire Districts 'A' and 'B', and, LBC 'B') commented that through discussions with service departments or using the conference approach, property users were more aware of the importance of property management. More importantly, property was recognised as a corporate resource which belonged to the council and ought to be used for the most benefit of the organisation rather than any specific department. Furthermore, new opportunities or problems might be raised by service departments. In this case, the work then returned to stage two or stage three to analyse options and impacts.

After the preferred options have been chosen, proposals were prepared and reported to committees for obtaining approvals. The CPR proposals were generally reported to the property (sub)committee first. Those issues which related to the provision of services were also reported to the service committees. The main committee made the final decisions. It might change some issues because of political reasons or to solve disputes between service departments or between the property review team and service departments. In this case adjustments were made and returned to analysis stages (stages two or three). Finally, after CPR proposals were approved, its recommendations/outcomes were implemented by property department in liaison with service departments/property users (e.g. handing over the surplus property for disposal).



The above analysis shows that undertaking CPR is a rather complex process with the necessity of feedback and adjustment in several stages. Top managers, service managers (property users), property managers, property professionals and other central service departments, and councillors are all involved in the review process. The complex network and co-ordinating working relationships between these participants indicate that the CPR is a significant corporate management matter. Through the CPR exercise, property requirements, supplies, and, priorities are considered from the council's overall view. CPR, therefore, enables local authorities to regard and manage their property holdings as a corporate resource.

## **7.7 OUTCOMES AND CONTRIBUTIONS OF CPR**

In this section, the outcomes and contributions of CPR are analysed to demonstrate that the implementation of CPR provides a basis for good practice CPM. First, the evidence shows that in seven of the eight case authorities the outcomes/recommendations of CPR have been used as inputs to formulate or update their property management strategy, or, the top management agenda if a property management strategy was absent. The other authority (London Borough Council 'B') was proposing (when the case study survey was undertaken in July 1993) to take this step when the outcomes of their 'area' property reviews are approved<sup>4</sup>. CPR, as indicated by interviewees, is thus an important issue in their Council's property management strategy and/or top management agenda. Two interviewees (District 'B' and MDC 'B') further mentioned that formulating or updating the property management strategy was one of the purposes of bringing property into corporate review. Another interviewee (County 'A') also commented that the management approach and role of local authorities have dramatically changed recently, under the impacts of the policy of local management of schools, grant maintained schools, and, compulsory competitive tendering.

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<sup>4</sup> In order to review its property, this authority has divided its administrative area into ten areas. A five-year cycle of property review has been established in its review plan, i.e. every year two areas' overall property will be reviewed. A pilot area-base property review had been undertaken and the first two areas' properties were being reviewed when the survey was undertaken (July 1993).

The property management strategy therefore needs to be changed to reflect to these changes. If CPR is undertaken regularly, the property management strategy can be fully considered and updated to take account of the changing context of local authority property management.

Secondly, all of the eight authorities have based (or will base) their formulation and updating of a property acquisition and disposal plan on the outcomes of the review. Interviewees (LBC 'A', MDC 'A', and, MDC 'B') commented that the release of the surplus property being identified through the CPR process had to be programmed so that there was not a sudden surfeit of surplus property. The release of surplus property should depend upon the progress of CPR and the amount of surplus property being identified, together with the ability to dispose in any one year.

Thirdly, four of the eight case-authorities (County 'A', Shire District 'A', LBC 'B', and, MDC 'A') listed/suggested (or will list) the requirements and priorities for property maintenance in their CPR reports/proposals. They further used (or will use) the CPR proposals to formulate or update their property maintenance plan. The other four authorities which have not done so suggested two main reasons. One is they have other department responsible for property maintenance matters. The other reason is that their CPR is mainly for generating capital receipts by identifying and selling of surplus properties. The issue of property maintenance is not an important matter in their CPRs.

Fourthly, all of the eight authorities have inspected their expenditure on property use and occupation as part of their CPRs. The property expenditure items which have been inspected are running costs, maintenance costs, opportunity costs, debt charges, and, rating. This action is a basis for good practice CPM (see chapter 5 section 2).

Fifthly, five of the eight authorities (Counties 'A' and 'B', Shire District 'A', LBC 'B', and MDC 'A') have evaluated the performance of property use and occupation while their CPRs were being undertaken. The indicators they used include square metres per person, occupation ratio, and, running costs. As the standard measurements do not exist, they have mainly used the approach of comparing average running costs with cost attributable to the individual property concerned, with reference to occupation ratio and the characteristics of property itself. However, the property performance indicators (PPIs) have proved very difficult to establish. Several of the interviewees (County 'A', County 'B', Shire District 'A', and, LBC 'B') commented on these problems. First, the establishment of PPIs has to consider the attributes of property, e.g property use, location, age of buildings, category of property. Furthermore, the characteristics of the service must to be considered, such as where the services' clients come from, what the requirements of these clients are, and, how they are served by a particular property. For instance, if a property is a little bit expensive to operate or maintain, but is the only property which is available in that particular area to deliver that particular service to clients, it raises no PPI problem. However, what needs to be done is to make sure that it is used in the most efficient way.

Sixthly, only three case authorities (County 'B', Shire District 'A' and MDC 'A') have set property use standards to assist CPR. Another two authorities (County 'A' and MDC 'B') were trying to do so (in pilot stage) in the Summer of 1993. Finally, all the eight authorities have significantly saved (or will save) on their property expenditure and have created (or will create) a large amount of capital receipts due to the implementation of CPR. Most of the interviewees agreed that CPR has contributed to improving the quality of their council's overall services<sup>5</sup>.

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<sup>5</sup> However, none of the eight case-authorities have formally evaluated the improvements of local authorities' services by comparing the quality of services before and after the review.

In conclusion, the outcomes of CPR are strongly connected with CPM activities. Most of the case authorities have used the outcomes of CPR to formulate or update their CPM activities of property management strategy (or top management agenda), property transaction plan (especially property disposal), and, property maintenance plan. Expenditure on property use/occupation and the performance of property use/occupation has been inspected while CPRs were undertaken. CPR has also provided an opportunity for an overall consideration of the council's property conditions (physical, utilisation, maintenance requirement, and running costs), suitability, and, potential in the light of the changed circumstances.

## **7.8 SUMMARY AND CONCLUSION**

The discussion in this chapter can be summarised into the six points. First, the initiation of CPR has been mainly due to authorities' realisation that their property is a corporate resource which should be reviewed corporately. Secondly, the initiators of CPR were the authorities' central property managers and/or their top managers (e.g. the Chief Executive). CPR has thus been regarded as an authority's corporate management topic. Thirdly, CPR was mainly undertaken in pursuit of an authority's corporate objectives and for its overall benefit. These objectives were suggested by the central property managers and/or top managers rather than by individual service managers or property users. Furthermore, from the examination of the organisational arrangements made to undertake CPR, the evidence shows that CPR is involved by property professionals, and other central service departments (e.g. financial, and legal departments) together with property users or service departments. This indicates that CPR has been undertaken as an authority's corporate activity by which property could be regarded and managed as an authority's corporate resource. Moreover, the examination of the procedure of CPR and the various participants in its different stages shows that CPR has been undertaken as an authority's corporate management activity. Finally, the outcomes of CPR are strongly linked with CPM activities (for instance the outcomes being used as the input to

formulate or update property management strategy or property disposal plan).

This evidence shows that CPR is a desirable condition for good practice CPM. However, the evidence is not strong enough to show CPR can automatically lead to good practice CPM.

The evidence shows that some authorities (the 'B' authorities) have undertaken CPR but are in the CPMI lower score group. The next chapter turns to explore the reasons for the lower CPMI scores.

## **CHAPTER 8. THE IMPLEMENTATION OF CORPORATE PROPERTY REVIEW**

### **8.1 INTRODUCTION**

Chapter 7 has revealed that corporate property review (CPR) is a desirable condition for good practice corporate property management (CPM). However, not all local authorities which have undertaken CPR have good practice CPM score. This implies that the lower CPMI scoring authorities which have nevertheless undertaken CPR may have some weaknesses which are the obstacles to their developing good practice CPM. This chapter thus examines the detailed operation of CPR by comparing the differences between selected higher and lower Corporate Property Management Index (CPMI) scoring authorities. This examination is expected to reveal weaknesses in CPR practice which result in the lower scoring authorities not exhibiting features of good practice CPM even after CPR has been undertaken. The essential elements for a robust CPR which can lead to good practice CPM are further analysed. The chapter begins with an investigation of the important elements for a successful CPR. Then, it examines the implementation of CPR in terms of these elements in four-pairs (higher and lower CPMI scoring) of local authorities. The gaps between them in their CPR operation are identified. An overall analysis of the differences between higher and lower CPMI scoring authorities is then made. The discussion draws out a number of deficiencies which are identified as obstacles to further developing good practice CPM. The chapter ends with some conclusions and recommendations for a robust CPR practice which is an effective instrument for good practice CPM.

### **8.2 ESSENTIAL ELEMENTS FOR A SUCCESSFUL CPR**

The essential components of a successful property review have been identified by a number of expert agencies and authors and their overall conclusions outlined in Table 7.1. Most of these components were identifying by the eight case study interviewees as being the ingredients for a successful CPR. Table 8.1 lists these elements according to the importance

indicated by interviewees.

Table 8.1 The elements for a successful CPR and their importance

Elements	Very important	Important	Not important
1. Clear objectives for corporate property review	7*	1	-
2. Clear framework in analysing and evaluating factors to be considered in CPR	7	1	-
3. CPR being strongly linked with the Council's strategic management objectives and priorities	6	2	-
4. Chief Executive and Chief Officer Team's support	6	2	-
5. A well-organised review team with adequate authority and resource; and a qualified team leader with sufficient status	5	3	-
6. A precise and accessible database to support CPR	5	3	-
7. Effective monitoring the progress of CPR	5	3	-
8. A corporate mechanism for resolving CPR disputes	5	2	1
9. A good working plan systematically covering all the council's operational property	4	4	-
10. Political will and support	4	3	1
11. Early consultation with planning departments and obtaining their backing	4	3	1
12. Good working relationships/communications with property users and service committees and gaining their support	4	3	1
13. The outcomes of the review being appropriately implemented	3	5	-
14. Incentives (e.g. returning part of capital receipts to property users)	2	3	3
15. Setting up performance measurement of property use and occupation (e.g. space standards)	2	3	3
16. Gaining local community support	-	2	6

\* i.e., seven of eight interviewees indicated that setting clear CPR objectives was very important for a successful CPR.

Source: Case Study Survey (1993)

In order to identify the necessary conditions for a robust CPR which will lead to good practice CPM, the research compared the implementation of CPR, using the elements listed in Table 8.1, between higher and lower CPMI scoring authorities. By the use of a paired-comparison approach, the following five sections examine the differences found in CPR practice between higher and lower scoring CPMI authorities. These examinations intend to prove the hypothesis that good CPM practice authorities deal with these elements well, while the poorer CPM practice authorities have some weaknesses in tackling these elements.

### **8.3 CPR IN COUNTY COUNCILS 'A' AND 'B'**

#### **(1) Organisational arrangements**

The organisational arrangements of these two authorities's CPR were considered in chapter 7 section 5. The comparison and contrasts between them are discussed below. County 'A's property review working group was the combination of the Core Team, Outpost Officers, and Support Team. This arrangement provided an opportunity for different professionals and service managers to work together as a team. Issues and resolutions were suggested by this review working group, i.e. no specific person was mentioned. Those involved gave their full knowledge of and information and opinion about the Council's property problems. They also discussed the most economic and effective way of property occupation and utilisation, without worrying about departmental considerations. The Council's overall interests could therefore be discussed and realised. County 'B's property review team, on the other hand, was a separate function within a section of the Estates Surveying Group of the Property Services Department. This Team was thus in a rather lower tier position in the departmental structure. Officers within the "team" almost work as individuals by consulting other team members and service departments or property users when necessary, rather than working as a team all the time. This weakness was commented by the interviewee as an obstacle to the implementation of CPR and to the achievement of good practice of CPM. Furthermore, County 'A's main



Committee directly controlled the operation of CPR (e.g. determining the priorities and monitoring the progress of CPR). This arrangement has the advantage of dealing with disputes quickly and effectively. In comparison, the implementation of CPR in County 'B' was mainly reported to the Property Subcommittee. Although it also reported to the main Committee, the main Committee hardly intervened to deal with the conflicts between property management and service provisions. This caused the difficulty of dealing with the disputes (detailed analysis see below). It therefore can be concluded that their different organisational arrangements caused the gap between these two authorities in the performance of their CPM.

## (2) Preparation for CPR

Both authorities' CPRs were strongly linked with their (top) strategic management objectives and priorities. The CPR objectives were also clearly set out and agreed by service departments at the early stage of the review. Their CPRs were also based on a good working plan which included a clear review procedure, review timetable and allocation of duties. However, only County 'A' systematically covered all its operational property in the CPR scheme and provided adequate resources to its review group (such as adequate staff and the authority to access sites and data when required). The resources for County 'B' review team were limited (e.g. difficult to access/visit sites or properties which might have serious problems in utilisation). Thus, the problem of inadequate resources for CPR was another of the weaknesses in County 'B's' CPR.

## (3) Property factors to be considered and evaluated

County 'A's' CPR mainly examined six factors: sensitivity issues (e.g. closing a school); suitability (i.e. service requirements and the suitability of properties used by that service); capital receipts; property expenditure (e.g. property maintenance and running costs); property attributes (e.g. property physical conditions, location and any access or legal problems); and,

property factors have been considered by them. They have also used a generally similar approach to evaluate these factors in order to identify those properties which had problems in utilisation and occupation, and, then to raise solutions/recommendations for those problems.

#### (4) Property Information

The data items used by both authorities' CPR included: current property utilisation; physical and legal conditions; property running costs; planning considerations and site conditions; service requirements; and, capital values. In the early stages of CPR in County 'A' the required data were inadequate as the Council only had one reasonable resource-- the terrier database. The authority thus appointed several Property Reference Officers and two outpost officers to the biggest property user departments (Social Services and Education) to collect and survey<sup>6</sup> property relevant data. As the data was so important, the Core Team spent most of its staff time (80%) in compiling/assembling and surveying these data. The inadequacy of property information was an obstacle at the beginning of undertaking CPR, however, due to the property review group's efforts, a precise property database was established to support the implementation of CPR. In County 'B', a comprehensive property database was in existence before the CPR was undertaken. Therefore, its property review team spent less time than County 'A's' review team in dealing with property data matters, i.e. only about 30% of the property review team's time was used to compile and assemble these data. The evidence shows that if an adequate property relevant database does not exist while CPR being undertaken, the property review team has to spend much more time to gather and compile it, such as County 'A' did. Furthermore, County 'A' based on the data compiled/surveyed in the process of implementation of CPR to establish its comprehensive property database which

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<sup>6</sup> The interviewee indicated that in some cases the Core Team had to make a detailed survey about the situation of property use/occupancy and its physical conditions.

has been identified as an important element for good practice CPM (see chapter 5). This further provides the evidence that undertaking CPR can lead an authority towards good practice CPM.

#### (5) Gaining support

In both authorities, the majority of councillors were supportive of CPR while it was being undertaken. Both Councils' review teams have given many briefings to councillors to indicate the benefits of CPR. The Chief Executive and the Finance Department also supported CPR from its early stages. Both authorities also consulted with their Planning Departments as well as District Councils' planners about the planning issues relating to the properties being reviewed. This action, as confirmed by the interviewees, helped obtain the planning departments' support for CPR and in the implementation of the CPR proposals.

However, at the early stages of CPR, some chief officers of service departments in both authorities were not supportive; some service committees were even against it. County 'A' took several actions to obtain or enhance support, such as: early consultations with service managers; service managers being involved in the review support team's membership; organising settlement conferences to discuss review issues; and, linking with service departments through outpost officers. As evaluated by the interviewee himself, these actions were very useful to obtain or enhance service departments/committees support. The authority also used incentives to enhance service departments's support, i.e. up to 50 to 100% capital receipts could be retained by service departments if they improved their service delivery by disposing of unfit property. In comparison, County 'B' only took the action of early consultations with service managers and the Planning Department to obtain and enhance their support. Furthermore, only 'in/out' regulation<sup>7</sup> was used by this Council to allow service

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<sup>7</sup> 'In/out regulation' is based on the Local Authority (Capital Finance) Regulation 1990.

departments to use 100% capital receipts when replacing like with like. This evidence demonstrates that County 'A' has made much more effort to enhance the support and understanding of CPR objectives and processes in the service departments than did County 'B'.

#### (6) Property use standards

Both authorities set up some standards for property use and occupation as fixed standards to help the implementation of CPR. These standards were set up based on types of property, such as offices, schools, social service facilities, and, recreation facilities. Using these fixed standards, with the consideration of other factors (such location, years of building), the situation and performance of property use and occupation could be compared. Those properties with specific problems in utilisation and occupation (e.g. unusually high running costs or underused) could thus be identified. The evidence shows that both authorities followed similar practices in this respect.

#### (7) Dispute solving

In the process of CPR conflicting interests and different opinions about property utilisation necessarily emerged between service departments and/or between service departments and the property review team. In County 'A', this kind of dispute was mainly resolved through negotiations between chief officers and the chairpersons of committees, while the main Committee made the final decisions and determined the priorities. This approach helped the review team to overcome many obstacles in the review process. However, in County 'B', the main route was through the Property Review Team consulting with service managers/property users. The Review Team ought to have made efforts to persuade the users of the benefits of the CPR recommendations. After the service managers reached agreement with the property matters, they then had to turn to persuade their chief officers and committees. According to

past experience, few disputes went to the chairperson of committees and the main Committee. The interviewee commented that the lack of a corporate mechanism to deal with disputes and to determine the priorities of resource utilisation led to many issues remaining unsolved or caused considerable delays which resulted in a lack of positive actions. The evidence demonstrates that their different arrangements in dealing with disputes caused the gap between these two authorities in the performance of their CPM.

#### (8) Monitoring the progress of CPR

Both authorities have taken action to monitor the progress of CPR, such as the evaluation of the time schedule and the amount of properties which have been identified with certain utilisation and/or maintenance problems. The progress of CPR were quarterly reported to the main Committee in County 'A' and to the Property Subcommittee and the main Committee in County 'B'. The evidence shows that both authorities were good practitioners in relation to this element.

#### (9) The implementation of CPR recommendations/outcomes

County 'A's CPR recommendations can be considered to have been appropriately implemented<sup>8</sup>. It had a mechanism to monitor the implementation of CPR outcomes, i.e. the progress of undertaking CPR recommendations were reported to the main Committee every half year. It allocated an appropriate budget to implementing CPR recommendations, e.g. a "Development Opportunity Fund" being set up to support the development of new buildings or facilities for promoting service standards. Once the service has moved into the new buildings, the old sites/buildings were disposed of. In comparison, County 'B's CPR outcomes have not been effectively implemented due to inadequate resources being allocated,

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<sup>8</sup> Although the interviewee indicated that the outcomes of the review had been appropriately implemented, he admitted that some suggestions were not implemented. He explained that property did not change over night. It took time, and during that period situations changed. Considering the new situations, policies were made to amend the CPR recommendations.

although the implementation of CPR's recommendations was monitored by annual reports to the Property Sub-committee, the Finance Committee, and the main Committee.

#### (10) Conclusions

The rankings given by County 'A' and 'B' interviewee to the elements of Table 8.1 did not significantly differ. This suggests that they have the same opinions on what a CPR should be undertaken. However, the above comparisons show that County 'A' has undertaken a better practice and more effective CPR than County 'B' (both of them have had more than five years experiences in CPR). Six main differences between the two authorities have been discovered. These gaps were the main weaknesses of County 'B's CPR. The first weakness was that the property review team was not well organised, i.e. it did not actually work as a team, and its leader was in a lower-tier staff position in the authority's management hierarchy. Nor did the team establish a strong and co-ordinated relationship with the Council's service departments. Secondly, the Council did not provided adequate resources to the review team, such as the power to access the sites/buildings which were suspected as having problems in terms of property use or occupation. Thirdly, resistance from service committees/departments was an obstacle to CPR. However, not enough efforts were made, as they were in County 'A', to obtain or enhance service departments' support. Furthermore, the authority lacked a corporate mechanism to deal with the disputes which occurred in the process of undertaking CPR. This corporate mechanism has been rated very highly in County 'A's experience in overcoming obstacles to and problems with the CPR process. Moreover, County 'B's CPR had not yet (at the time of interviewing) systematically covered all its operational property. Finally, County 'B' did not allocate appropriate resources to and mechanisms for the implementation of CPR recommendations.

An examination of the rankings given by the interviewee to the elements in Table 8.1 shows

that all of the six elements were indicated as very important components for a successful CPR. This means that the Council (at least its property managers) knew the importance of these elements but did not handle them well. Furthermore, as indicated by the interviewee, these weaknesses were the obstacles experienced by the authority in developing good practice CPM after CPR being undertaken. These weaknesses are indicative of the reasons which caused this authority to achieve a lower CPMI score.

The intertwined weaknesses Council 'B' experienced in its CPR suggest that the Council has not fully established a culture that property should be used and managed as a corporate resource from political leadership and chief officers downward. Service committees still took the view that they 'owned' the property they used. Chief officers also insisted that alternatives should be provided before specific properties were vacated or transferred to other users. The lower position of review team and lack of a corporate mechanism to deal with disputes resulted in CPR being only undertaken in response to specific problems. This is less a corporate than an ad hoc property review procedure with no systematic coverage of all the authority's operational property.

#### **8.4 CPR IN SHIRE DISTRICT COUNCILS 'A' AND 'B'**

##### **(1) Organisational arrangements**

The property review team in Shire District 'A' and 'B' was chaired by a chief officer (the Chief Valuer in 'A' and the Land and Property Manager in 'B'), with the involvement of estates valuer, town planner, engineer, leisure officer and other service managers, and, officers from the legal department and the finance department. With the multi-professionals and service managers working together, as indicated by interviewees themselves, the property review teams were both well organised and worked together as a team. The property review teams also obtained adequate authority to undertake CPR, e.g. accessing to sites and requiring

service departments to provide information of property use and service needs and priorities. In both authorities, the progress of CPR was reported to the Property Sub-committee of the main Committee which made the final decision about the priorities of property utilisations.

Although the leader of both councils' review team could be adjudged to be sufficiently high status, at the beginning of the review process, District 'B' did not have a property department. Its CPR team was chaired by the Borough Secretary. As he was not a property professional, many disputes were difficult to deal with and many options could not be properly evaluated. The Council then (1991) decided to set up a Land and Property Department and to appoint a chief officer (property professional)<sup>9</sup> to lead the CPR and other property management matters. This experience may show that appointing a property professional to lead the property review team is a crucial element for CPR. The Council had only two year experience in undertaking CPR under the leadership of a new chief officer (when the case study survey was undertaken, August 1993). The less experience might be one of the reasons that caused the Council had not yet promoted itself to good practice CPM.

## (2) Preparation for CPR

Both authorities' CPRs were strongly linked with their (top) strategic management objectives and priorities. The objectives of CPR were also clearly set out at the early stage of the review. Their CPRs also systematically covered all their operational property. District 'B' further divided its CPR into three areas and reviewed them one by one. However, while District 'A' provided adequate resources (e.g. finance and short-term contract staff) for its CPR, District 'B' limited the resources allocated to CPR, particularly, in the early stages of the review. Due to the resource constraints, the authority has not yet undertaken second run of CPR (up to August 1993), although its necessity has been recognised. Moreover, District

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<sup>9</sup> The Council's previous lead property professional was the Estates Valuer under the Borough Secretariat.



'A's CPR was based on a good working plan which included a clear review target, procedure, timetable, and, allocation of duties and resources. The authority also formulated an operational guideline to state the authority, accountability, and, procedure to be followed in undertaking property review. District 'B's CPR (first run) has not base on such a well-prepared working plan, nor did it formulate a operational guideline for the implementation of CPR. These weaknesses can be regarded as elements which caused the difference between District 'A' and 'B' in the performance of their CPM.

### (3) Property factors to be considered and evaluated

The factors to be considered in both authorities' CPR were similar, including political sensitivity and priorities, property attributes (e.g. location, type of buildings, capacity), legal obligations, current utilisation, running costs, property market, and users' requirements. These factors were assessed through comparisons with similar properties and benchmarks so as to identify: properties with maintenance, running cost and utilisation problems; opportunity costs in property term; possibility of losing the opportunity to attract grants from Government or other organisations; and, impacts on local services. Based on these analyses, proposals were recommended, including the priority of property maintenance, that the property should be disposed of, the alternative use of underused or surplus properties, and, possible capital receipts and savings in running costs. This evidences shows that both authorities have established a clear and similar framework to evaluate these property factors.

### (4) Property information

The property-relevant data items to be used by both authorities in their CPR were: the current situation of the property being used; physical and legal conditions; running costs; planning considerations and site conditions; service requirements; and, capital values. As a comprehensive property database was in existence in Shire District 'A' prior to the start of

the CPR, the data items required by CPR were in a reasonably precise and easy to access condition. Even so, as property data was so important for CPR, according to the interviewee's estimate, about half of the review team's time was used to compile and assemble property data. In District 'B', at the early stages of CPR, most of the required property data was imprecise or absent. Moreover, as the information on property physical conditions, utilisation and running costs were held by service departments or property users, the review team could not assess to them easily. Indeed, the interviewee mentioned that the inadequacy of their property data was one of the obstacles to CPR in his authority since they began the CPR process. It can be concluded that their different situations of property-relevant information caused the gap between these two authorities in the performance of their CPM.

#### (5) Gaining support

In both authorities most councillors had supported the CPR process from its early stages. They had received frequently reports which showed the benefits and importance of the implementation of CPR. This approach, as interviewees commented, was useful for gaining or enhancing councillors' supports to the operation of CPR. The Chief Executive and chief officers of service departments in Shire District 'A' were also very supportive of CPR since its early stages on account of several efforts made by the Review Team to obtain or enhance their supports, e.g.: early consultation with service managers and planning officer and informing them the benefits of CPR; and, service managers being involved in the review team. These actions were very useful, as indicated by the interviewee, for obtaining or enhancing their support.

In Shire District 'B' the Chief Executive and some chief officers (e.g. Finance Officer) were supportive of the implementation of CPR, but the early stages some chief officers of service departments disagreed. This was an obstacle to the implementation of CPR. However, after

the authority appointed a Land and Property Manager responsible for CPR, this situation improved. Some actions were taken, such as consultation with service managers, regular (monthly) meeting with the Planning Department to discuss review issues, and, holding settlement conferences to discuss property review issues. The interviewee commented that these actions had contributed to obtaining or enhancing the support given by service departments. Shire District B's experience shows that the role of property professional leading the review team in making efforts to obtain service departments' support is an essential element for a successful CPR.

#### (6) Property use standards

Shire District A's CPR team established some standards for inspecting the use and occupation of offices and recreation facilities. Using these standards, together with the consideration of other factors (such as service requirements and location), the situation and performance of property use were compared. Those properties with certain problems in use or occupation could thus be identified. However, Shire District 'B' did not establish property use standards to compare the performance between different property users. This weakness might cause District 'B' in poor practice CPM.

#### (7) Dispute solving

Both authorities established a corporate mechanism (through their Chief Officers' Management Team, the Chief Executive, and the control of the Property Subcommittee and the main Committee) to deal with the disputes occurring during CPR. These mechanisms helped, as reported by the interviewees, the review teams to overcome many CPR obstacles. This evidence shows that both authorities have handled the requirement well.

(8) Monitoring the progress of CPR

Only District 'A' monitored the progress of CPR, with regular (every two months) reports to the Property Sub-committee and the main Committee. The progress of CPR was evaluated by the criteria of time schedules, the amount of surplus property being identified, and, the numbers of property with specific use or physical problems being listed. Shire District 'B' had not yet made efforts in this field (up to August 1993). The difference in monitoring the progress of CPR between District 'A' and 'B' might cause the gap between them in the performance of CPM.

(9) The implementation of CPR outcomes

Both authorities' CPR outcomes have been appropriately implemented according to a yearly working plan, especially surplus property disposals recommended by the CPR. The progress of implementing CPR outcomes is monitored (quarterly) and reported to Committees. The criteria used in evaluating the performance of implementing CPR outcomes included: the amount of capital receipts obtained from property disposals; the amount of savings in property running costs; and, costs in property adjustments or reallocations. Both authorities have also given their property/estates department adequate power and resources to undertake the CPR recommendations, such as requiring departments to hand over property for disposal. However, Shire District 'B' has experienced delays in obtaining planning permission and regarded this as an obstacle to the implementation of their CPRs recommendations. District 'A' did not have this problem. This evidence further indicates that gaining planning department's support is an important element for a successful CPR which leads to good practice CPM.

Furthermore, the interviewee of Shire District 'B' indicated that some of the CPR recommendations were out of date due to the changing situation. A second run CPR to

consider these out of date recommendations was thus necessary. In comparison, Shire District 'A' has undertaken CPR as a rolling programme, while Shire District 'B' did not. The gap might cause the difference between them in the performance of their CPM.

#### (10) Conclusions

Comparing above elements shows that Shire District 'A' did better than 'B' with seven main differences being observed between them. These differences reveal the main weaknesses of Shire District 'B's CPR. First, it incurred many obstacles at the beginning of review due to the lack of a professional property review team leader. This experience suggests that a property professional leading the review team is a crucial element for a successful CPR. Secondly, the authority also lacked a good working plan and operational guidance for the implementation of CPR. Thirdly, it did not provide adequate resources (finance, and staff) to the review team undertaking CPR. Due to resource constraint, the authority did not undertake a full CPR (second run), although its necessity was recognised. Furthermore, at the early stages of its CPR, most of the property data items required were poor quality or unavailable, and, its review team found it difficult to assess the data held by service departments. Fifthly, Shire District 'B' did not establish property use standards to compare the performance between different property users. Moreover, the delay of obtaining planning permission was an obstacle to the implementation of CPR's suggestions. Some recommendations were out of date since the situations have changed, while the Council had not yet undertaken further run CPR. Finally, the authority did not effectively monitor the progress of the implementation of its CPR.

The rankings given by two Shire Districts' interview to the elements of Table 8.1 were almost

the same<sup>10</sup>. This suggests that they have similar opinions on the undertaking of CPR, but with different CPR practice. Their different CPR practices are the reasonable indicators to show the reasons which result in their different CPM practice. With the exception of establishing property use standards, all above seven weaknesses were indicated by the interviewee of Shire District 'B' as (very) important elements for undertaking CPR. He also mentioned that these weaknesses were the obstacles experienced by his authority in developing good practice CPM, after CPR being undertaken. These weaknesses might be symptomatic of the reasons which caused this authority to achieve a lower CPMI score.

## **8.5 CPR IN LONDON BOROUGH COUNCIL 'A' AND 'B'**

### **(1) Organisational arrangements**

The property review teams of both London Boroughs included estate valuers, building surveyors, town planner, and an officer from the chief executive's, the finance and the service departments. Both authorities' review teams obtained adequate authority, such as access to sites and requiring departments to provide information on property utilisation, service needs and priorities. The review teams, as evaluated by the interviewees themselves, were well organised (involved by a broad range of professionals) and worked as a team. Borough 'A's property review team leader was the Director of Estates and Valuation who was sufficiently high status and a member of its Management Team. Its main Committee also regarded CPR as an important issue and involved quite often in determining priorities and dealing disputes in property utilisation. Borough 'B's review team leader was the Chief Property Services Officer, who reported to the Director of Development and was not a member of the Management Team. The interviewee commented that the team leader did not have the necessary status to ensure that CPR and its recommendations were maintained in high profile

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<sup>10</sup> With the exceptions of using incentives (Element 14) and setting up performance measurements (Element 15) which were indicated by the interviewee of Shire District 'A' as important elements for undertaking CPR, while the interviewee of Shire District 'B' thought they are not important.

and carried through. Its main Committee was not too much concerned about the CPR. Decisions about priorities and disputes were mainly dealt with by the Land Strategy Committee. Their different organisational arrangements might cause the gap between these two authorities in the performance of their CPM.

## (2) Preparation for CPR

Both London Boroughs based their CPRs on good working plans which identified review targets, procedures and timetable, and, allocation of duties. Their CPRs systematically covered all their operational property. Borough 'B' further separated its administrative area into ten sub-areas, with two areas being reviewed each year on a five year rolling programme starting in 1992. However, the preparations for CPR between the Boroughs differed in two aspects. First, Borough 'A's CPR objectives were strongly linked with the Council's strategic management objectives and priorities, and were clearly set out and agreed by property users and service committees at the early stage of the review. However, Borough B's CPR objectives were weakly linked with the Council's strategic management objectives. Although its CPR objectives were clearly set out, these objectives were not appreciated by property users and service committees at the early stage of the review. Secondly, while adequate resources were provided by Borough 'A' in the operation of its CPR, it was an obstacle to the implementation of CPR (as commented by the interviewee) that Borough 'B' did not provide adequate resources (i.e. staff, finance and power) for its CPR.

## (3) Property factors to be considered and evaluated

The factors to be considered and evaluated in both London Boroughs' CPR were: political sensitivity and priorities; property attributes (e.g. location, type of buildings, capacity); interests in land; current utilisation (e.g. vacant or underused areas); users' requirements; alternative uses; current situations of the property market; and, planning implications. Both

authorities established a clear framework to evaluate these factors. Borough 'A's CPR was mainly used to identify surplus property for disposal in order to obtain capital receipts. In addition, as the Council had other groups to deal with property maintenance and energy saving matters, issues of property maintenance and running costs were not considered by CPR. Its CPR outcomes included: indications of which properties should be disposed of; the alternative use of surplus property; and, estimated capital receipts. In Borough 'B', the following proposals were suggested by CPR: the priority of property maintenance; properties to be disposed of; the alternative use of underused or surplus properties; and, possible capital receipts and savings in running costs. With the exception of property maintenance issues, both London Borough have used a generally similar approach to identify those properties which had specific problems in utilisation and occupation, and, then raise solutions.

#### (4) Property information

The data items to be used by both London Borough's CPR included: the current situation of property used; physical and legal conditions; running costs (only required by Borough 'B'); planning considerations and site conditions; service requirements; and, capital values. In Borough 'A', as a comprehensive property database already existed, the data items required for CPR were already available and easy to access by the review team. However, at Borough 'B', most of these property data were inadequate in the early stages of CPR. As indicated by the interviewee, the inadequate property data was an obstacle to CPR because it made the review take longer. As circumstances (e.g. local property market) had changed dramatically during the CPR process, it was not a good practice for CPR to be lengthy and drawn out. The inadequate property relevant data in Borough 'B' might cause its lagging in achieving good practice CPM.



#### (5) Gaining support

In both London Boroughs, most of councillors, the Chief Executive, and the Chief Officer's Team supported CPR from its early stages. Their Property Departments informed them frequently about the benefits and importance of CPR so as to gain or enhance their supports. Borough 'A's property users/service committees also supported CPR since its early stages. Their Review Team consulted with service managers and planning officer at CPR early stages, and encouraged service managers to be involved in the Review Team in order to obtain or enhance their support. In Borough 'B', property users/service committees did not support CPR in its early stages. The Council's review team was finally making efforts (when the research case study survey was undertaken in August 1993) to obtain their support, e.g. using settlement conferences to discuss property relevant issues. However, only Borough 'B' used the incentive of returning 50% of usable capital receipts to holding committees/user departments to assist the implementation of CPR.

#### (6) Property use standards and dispute resolving

Neither of the two London Boroughs established standards for the use and occupation of property through the operation of CPR. Both Boroughs' interviewee indicated that this element was not an important factor for a successful CPR. However, both of them have a corporate mechanism (through their Chief Executives and the main Committee or the Council's Land Strategy Committee) to deal with CPR disputes. Although Borough 'B's main Committee did not deal with those disputes, the interviewee commented that the Land Strategy Committee dealt with the disputes well as it had considerable experience in solving the conflicts when service-based property reviews (non CPR) were undertaken in the past decade.

#### (7) Monitoring the progress of CPR

Both London Boroughs monitored the progress of CPR and the evidence shows that both authorities have handled this requirement well. For instance, the progress of Borough 'A's CPR was periodically (quarterly) reported to the Management Team, to the Property Subcommittee, and, to the Council's main committee. The performance of the operation of CPR in both councils was evaluated by the criteria of the time schedule, the amount of identified surplus property, and, the identification of property which has specific use, running or physical problems.

#### (8) The implementation of CPR outcomes

In London Borough 'A', the outcomes of CPR have been appropriately implemented and monitored (quarterly) and reported to committees. The performance of CPR outcome implementation was evaluated by the criteria of the amount of capital receipts from property disposals and costs in property disposal. Its Planning Department had supported most of the outcomes of the Council's CPR. Adequate resources have also been given to the Estates and Valuation Department to undertake the CPR recommendations/outcomes. London Borough 'B's CPR outcomes have not yet been approved (while the researcher's survey was undertaken, August 1993), so its implementation could not be evaluated for the purposes of this research.

#### (9) Conclusions

From the comparison of CPR in two London Boroughs, it can be concluded that Borough 'A' performed better than Borough 'B' for five main reasons. These performance gaps reveal the main weaknesses of Borough 'B's CPR. First, its CPR team leader was not sufficiently high status to make sure that CPR and its recommendations were appropriately implemented. Secondly, its CPR objectives were not strongly linked to the Council's strategic management

objectives and priorities and were not agreed by property users and service committees at the beginning of CPR. Thirdly, the Council did not provide adequate resources for the CPR. Furthermore, the Council's CPR team suffered the obstacle of inadequate property-related data as a reliable database was not in place<sup>11</sup>. Finally, service departments/ committees did not give their support to CPR in its early stages.

All above elements (weaknesses) were mentioned by the interviewee as (very) important factors for undertaking CPR. These weaknesses were also the obstacles to further developing good practice CPM. This suggests that the five weaknesses might be among the reasons that have caused this authority to achieve a lower CPMI score, even though CPR was being undertaken. However, despite this conclusion, the researcher must caution that this authority has less experience (under two years) in CPR than London Borough 'A'. Its learning process may lead it to make some adjustments and achieve good CPM practice.

## **8.6 CPR IN METROPOLITAN DISTRICT COUNCIL (MDC) 'A' AND 'B'**

### **(1) Organisational arrangements**

MDC 'A's CPR was undertaken by the Property Department under the leadership of its Director who was a member of the authority's Management Team. The Council also set up a Land Sub-group of the Chief Officers' Management Team chaired by the Chief Executive. Furthermore, through the controls of the Property Committee and the main Committee, a strong corporate view of property utilisation was facilitated by this arrangement. MDC 'B's review team was chaired by a second tier officer from the Property Services Department. As indicated by the interviewee, the implementation of CPR relied heavily on good working relationships with service departments, and thus was highly dependent on the service

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<sup>11</sup> Other authorities spent 50% to 80% of their property review team's time on gathering (surveying) and assembling property data.

departments' co-operation. However, the review team's leader, was not sufficiently senior in status (in comparison with MDC 'A's arrangement), to ensure that CPR and its recommendations were appropriately undertaken. The decisions of CPR proposals were mainly made by the Property and Finance Subcommittee. The main Committee was not too much involved in CPR matters. Their different organisational arrangements might cause the gap between these two authorities in the performance of their CPM.

## (2) Preparation for CPR

In both authorities the objectives for the CPR were clearly set out and agreed by property users and service committees at the early stages of CPR. Their CPRs were also based on good working plans which identified review targets, procedure and timetable, and allocation of duties. They also provided adequate resources (such as staff and authority) for the CPR. However, MDC 'B' has not yet systematically covered all its operational property under the CPR. Based on an ad hoc area-based property review, this authority's CPR is unlikely to lead to a good practice CPM.

A further related point is that only MDC 'A's CPR objectives were strongly linked with the Council's strategic management objectives and priorities. At its early stages MDC 'B's CPR objectives were only weakly linked with the authority's top management objectives. The case study interviewee commented that this weakness has since been recognised by the authority, and a draft property management strategy which linked CPR with the Council's top management objectives had been formulated (August 1993). This property management strategy was expected to be approved by the main Committee at the end of 1993 and then reported to the Council at the beginning of 1994.

### (3) Property factors to be considered and evaluated

The factors to be considered and evaluated in both authorities' CPR included: service requirements and priorities; property attributes (e.g. location, type of buildings, capacity); legal obligations; current utilisation; running costs; capital value; the situations of property market; and, property users' requirements. Both authorities have established clear frameworks to analyse these factors in order to identify vacant or surplus properties and to list those properties which have unreasonably high maintenance or running costs, and/or, have utilisation problems in unsuitable locations or service requirements. Based on the analyses, some suggestions were raised: the priority of property maintenance; the priority of property use adjustment or disposal; and, the alternative of reusing surplus property. The evidence shows that both authorities used a similar approach from the process of analysis to making CPR recommendations.

### (4) Property information

The data items required for the two authorities' CPR included: current situation of the property being used; physical and legal conditions; running costs; planning considerations and site conditions; service requirements; and, capital values. In MDC 'A' a comprehensive property database already existed and the data items required by CPR were available access by CPR's staff. In MDC 'B', however, some data items were imprecise (e.g. property physical conditions, site conditions, and capital values) and the review team even found it difficult to access them. As indicated by the interviewee, most of the Review Team's time (more than three quarters) was used in gathering (some needed a detailed survey) and assembling property data. Inadequate property information indeed was one of the main obstacles to the implementation of CPR at its early stages as a comprehensive database covering the Council's overall operational property had not been established. The Council has recognised this weakness, thus it was making efforts (while the researcher's case study survey

was being undertaken) to establish such a property database.

#### (5) Gaining support

In both MDC 'A' and 'B', the Chief Executive, the Chief Officers' Management Team, and, the majority of their councillors were reported to have supported CPR from its beginning. Their property department/property review team informed them frequently of the benefits (such as creating capital receipts) and importance of CPR in order to gain or enhance their support. MDC 'A's service committees/departments have also supported CPR. The approaches of early consultations with service managers, service managers involving in the review, and, holding settlement conferences were used by the Property Department in order to obtain or enhance service departments' support. In MDC 'B' some service committees/departments (e.g. Education) were un-supportive to the CPR in its early stages. However, the authority was undertaking the following actions (while the researcher's survey was undertaken in August 1993) in order to obtain or enhance service departments' supports: early consultations; involving service managers in the review; and, linking with service departments by outpost officers. In addition, both authorities have returned a certain proportion of usable capital receipts to property "holding" committees/departments as an incentive to help the implementation of CPR. In conclusion, that some MDC 'B's service departments were un-supportive to the CPR in its early stages might be one of the reasons which caused this authority to achieve a lower CPPI score. Those actions which MDC 'B' were undertaking might remedy this weakness in later stages.

#### (6) Property use standards

MDC 'A' had established some standards of property use and occupation to assist its CPR. Using these standards, with the consideration of other factors (such as location), the situations and performance of property use are compared. However, after four years CPR experience

MDC 'B' was just (in August 1993) in the pilot stage of setting property use standards.

#### (7) Monitoring the progress of review and dispute solving

In both authorities the progress of CPR was monitored by regular (every two months) reports to the Management Team and to property and service committees. The progress of CPR was evaluated by the criteria of time schedules and targets of review (e.g. the amount of surplus property being identified, the numbers of property having problems being listed). Both authorities also had corporate mechanisms (through the Chief Officer Land Sub-group, the Chief Executive, Property Committee, and, the main Committee in MDC 'A'; and the Corporate Management Team, the Deputy Chief Executive, and, the Property and Finance Sub-committee in the MDC 'B') to deal with the disputes which occurred in the process of CPR. The evidence shows that both authorities have made efforts and done well in these two elements.

#### (8) The implementation of CPR outcomes

Both authorities' CPR outcomes were supported by their Planning Departments and being appropriately implemented. In MDC 'A' the progress of implementing CPR recommendations was monitored and reported to the Property Committee and the Council every half year; in MDC 'B' its CPR progress was reported to service committees and the Property and Finance Sub-committee in a two months cycle. The performance of implementing CPR outcomes was evaluated by three criteria: the amount of capital receipts obtained from property disposals; the amount of savings in property running costs; and, costs in property adjustments or reallocations. In conclusion, both authorities have handled this element well.

#### (9) Conclusions

From the comparison of above elements between CPR practice in the two case stud

Metropolitan District Councils, it can be concluded that MDC 'A' achieved a better performance than MDC 'B' due to six main differences between them. These reveal the main weaknesses in MDC 'B's CPR. First, its review team leader was not sufficiently high status (a second tier officer) to make sure that CPR and its recommendations were appropriately implemented. Secondly, its CPR objectives were not strongly linked with the Council's strategic management objectives and priorities at the early stages of CPR. Thirdly, its CPR has not yet systematically covered all its operational property, i.e. only undertaken by an ad hoc basis. Furthermore, it has experienced inadequate property information as a major obstacle to CPR as a reliable database was not in place while CPR was undertaken. Fifthly, some of the Council's service departments/ committees were not very supportive to CPR in its early stages. Finally, property use standards have not yet been established and used to assist CPR.

The rankings given by the two authorities' interviewed to the elements of Table 8.1 were almost the same. This indicates that they have similar opinions on the undertaking of CPR, but with different CPR practice. The weaknesses indicated above were further suggested by MDC 'B's interviewee as obstacles to his authority further developing good practice CPMI even though a CPR has been undertaken. These weaknesses thus are the significant reasons which caused this authority to achieve only a lower CPMI score.

## **8.7 GENERAL ANALYSIS**

The discussion in this section undertakes a general comparison of the implementation of CPR between higher and lower CPMI scoring case study authorities in the implementation of CPR. The evidence considered (see Table 8.2) shows that the higher CPMI scoring authorities undertook CPR better than the lower scoring authorities. For example, all of the higher scoring authorities organised their property review team well (Element 5 in Table 8.2), whil



all of the lower scoring authorities have had certain weaknesses in their property review team's arrangements. The lower CPMI scoring authorities all had some deficiencies in their CPR which have also been identified (chapter 6, see Table 6.1) as the obstacles to further developing good practice CPM after the implementation of CPR in those lower scoring authorities. This evidence supports the view that CPR is not a sufficient condition for good practice CPM, but a robust and competent CPR is a good indicator of a higher all-round quality and competence in CPM.

Table 8.2 The weaknesses of eight case authorities' CPR by CPR elements

CPR's elements	The authorities which have weaknesses in the implementation of this element
1. Clear objectives of review	All case authorities have clearly set out CPR objectives at an early stages. However, Shire District 'B' and LBC 'B' CPR objectives were not agreed by service departments/committees at an early stage.
2. Clear framework in analysing and evaluating factors to be considered in CPR	All case authorities have a clear framework to analyse and evaluate relevant factors in the implementation of CPR. The factors to be analysed and evaluated by the eight authorities are similar, with the exception of LBC 'A' which did not consider the factors of property maintenance and property running costs as there were already accounted for.
3. CPR being strongly linking with the council's strategic management (objectives and priorities)	LBC 'B' and MDC 'B' had not achieved this.
4. Chief Executive and Chief Officer Team's support	All case authorities' CPR have obtained their support.
5. A well-organised review team with adequate authority and resources, and, a qualified team leader with sufficient status	County 'B': #1 property review team has not worked as a team; #2 the team leader was not sufficiently high status; #3 inadequate resources provided to CPR. Shire District 'B': #1 the review team lacked a property professional leader at the early stages of CPR; #2 inadequate resources provided to CPR. LBC 'B': #1 the property review team leader was not sufficiently high status; #2 inadequate resources provided to CPR. MDC 'B': #1 the property review team leader was not sufficiently high status.
6. A precise and accessible property database to support CPR	Shire District 'B', LBC 'B', and, MDC 'B' have this weakness.

7. Effective monitoring of the progress of CPR	Shire District 'B' did not do this well.
8. A corporate mechanism for resolving CPR's disputes	County 'B' was weak in dealing with disputes.
9. A good working plan and all the authority's operational property being systematically covered by CPR	Shire District 'B' did not have a good working plan for implementing CPR; County 'B's and MDC 'B's CPR have not yet systematically covered all the council's operational property, i.e. their CPRs were undertaken by an ad hoc basis.
10. Political will and support	All case authorities' CPR have obtained the support from the majority of councillors.
11. Early consultation with planning departments and obtaining their backing	All the authorities' property review teams responsible for CPR have done so.
12. Good working relationships/communications with property users and service committees and gaining their support	County 'B', Shire District 'B' (in CPR early stages, i.e. before 1991), LBC 'B', and, MDC 'B' have suffered the obstacle of resistance from service committees/departments.
13. The outcomes of the review being appropriately implemented	County 'B's CPR outcomes have not been effectively implemented due to inadequate resources being allocated or some other reasons; Shire District 'B's CPR outcomes have not been effectively implemented due to the delay of obtaining planning permission and some of the CPR's recommendations were out of date.
14. Incentives (e.g. returning part of capital receipts to property users)	County 'A', LBC 'B', MDC 'A', and MDC 'B' have used this kind of incentive to help the implementation of their CPR.
15. Setting up performance measurements for property use and occupation (e.g. space standards)	Shire District 'B', LBC 'A', and, LBC 'B' have not yet done so.
16. Gaining local community support	None of the case authorities have made specific efforts to achieve this.

The evidence shown in Table 8.2 can further be used to analyse and identify the necessary conditions for a robust and competent CPR which leads to good practice CPM. First, the elements which have been undertaken well by all case authorities are: setting out CPR objectives clearly at its early stages (Element 1 in Table 8.2); establishing a clear framework to analyse and evaluate property factors (Element 2); the Chief Executive and the Management Team's support (Element 4); political will and support (Element 10); and, early consultation with planning department and obtaining their backing (Element 11). It can be argued that these elements were so important that both higher and lower scoring authorities did them well. These elements were also suggested by interviewees as very important elements; most of them were ranked at the highest order of importance for a successful CPR (see Table 8.1). These elements therefore can be regarded as the necessary but not sufficient conditions for a robust CPR.

Secondly, those elements which have been done well by all higher scoring authorities but not by all or some of lower scoring authorities can further be identified. There included: CPR being strongly linked with the Council's strategic management agenda (Element 3); a well-organised review team with adequate power/resources and a qualified team leader with sufficient status (Element 5); an adequate property database to support CPR<sup>12</sup> (Element 6); effective monitoring the progress of CPR (Element 7); a corporate mechanism for resolving CPR's disputes (Element 8); a good working plan and all the authority's operational property being systematically covered by CPR (Element 9); good communications with property users/service departments and gaining their support (Element 12)<sup>13</sup>; and, the outcomes of

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<sup>12</sup> The material point is that local authorities with an adequate existing database can get straight on with a CPR and those without have to direct resources (75–80% staff time in some cases) and suffer time delays in CPR. Thus, local authorities with an adequate database may be more property-expert and active than those without, and so better all round in CPM terms.

<sup>13</sup> Elements 8 and 12 imply that proposals to rationalise the use of property may cause an adverse response from other departments or property users. Therefore, in addition to purely technical solutions, the achievement of good practice CPM through undertaking CPR needs to anticipate the likelihood of such opposition and prepare appropriate and convincing explanations and measures should they be needed.

CPR being appropriately implemented (Element 13). The weaknesses of undertaking these elements in lower CPMI scoring authorities have also been identified as the obstacles to further develop good practice CPM (see 8.3--8.6). Therefore, these elements can be regarded as the necessary and sufficient conditions for a robust CPR which leads to good practice CPM.

Finally, the necessity of three elements (Elements 14, 15 and 16) is arguable. The use of "returning a certain part of capital receipts to service departments as an incentive to help CPR" (Element 14 in Table 8.2) might not be a significant element leading to good practice CPM. LBC 'B' and MDC 'B', for examples, have used this incentive to help their CPR, however they were lower CPMI scoring authorities. In other aspect, Shire District 'A' and LBC 'A' did not use this incentive, but they were higher scoring authorities. Furthermore, none of the eight authorities have made specific efforts to "obtain or enhance local public support" (Element 16), although sometimes local people's opinions were brought into the review process such as District 'B' did. As those good practice CPM authorities did not consider this element, it implies that this element was not a necessary condition for a robust CPR. Evidence also shows that the use of "performance measurement for property use and occupation (e.g. space standards)" (Element 15 in Table 8.2) was not a significantly necessary element for good practice CPM. LBC 'A', for instance, was a higher scoring CPMI authority, but it did not use space standard. A cross-examination of interviewees' own opinions also shows that these three elements were not significantly important for a successful CPR (see Table 8.1). Therefore, it can be concluded that these three elements are desirable but not necessary conditions for a robust CPR.

Furthermore, the prospects of CPR and CPM in the near future (later 1990s) under the changing context of local authority property management are also analysed. According to the

opinions of the officers interviewed, four main issues can be identified. First, the adjustment of management structure to respond to compulsory competitive tendering (CCT) policy is crucial for local authorities and may have a comprehensive impact on their property management. Some authorities (e.g. Shire District 'A' and MDC 'B') have responded to CCT policy by formulating business plans and have considered reorganising their property services in order to ensure a robust property management service. In these proposals, CPR is still regarded as an important instrument for CPM. However, some authorities (e.g. Shire District 'B') have not yet decided the form for their property management services under CCT. Proposals for local government reorganisation may be the reason causing some authorities (county or shire district councils) lagging behind in preparing proposals for responding to CCT. At the least, their proposals for CCT have to consider reorganisation issues.

It was also noticeable from the interviewees that when facing the pressure of CCT, the large authorities' property managers (e.g. County 'A', County 'B', and Metropolitan District Council 'B') seemed more optimistic for the future of CPR and expected that CCT would lead local authorities towards undertaking CPR and focusing on strategic property management issues which will contribute to good practice CPM. However, the smaller authorities' property managers (including those with higher CPMI scores) thought that under the cost-efficiency consideration, authorities could not keep a team to implement CPR and therefore CPM might be diluted. This is because that retaining an in-house review team is not cost-efficient as there is not enough work to keep the team going for years. It is thus cheaper for the Council to tender it out. As one interviewee commented (LBC 'B'), his Council has no plan to set up a "core" property review team, although it is widely agreed that retaining an in-house property review team is important for good practice CPM. If so, the property review function may become an ad hoc service on the basis of matching service departments' requirements. The corporate view of the authority's property use/occupation thus may be

ignored, and, looking for the best financial return from the review may be regarded as more important than the corporate benefits (e.g. the improvement of overall service provisions). Moreover, as MDC 'A's interviewee commented, local authorities are likely to face the pressure of reducing their property holdings and property management services as many services may be provided by private and voluntary sectors/agencies who will not use council's property.

Secondly, under the temporary relaxation of capital controls recently announced by the Chancellor of the Exchequer<sup>14</sup>, local authorities have concentrated on producing feasibility studies for sites or properties for sale. Identifying surplus property to realise capital receipts has become the principal purpose of undertaking CPR in some authorities (e.g. LBC 'A'). This has diverted some attention away from the long term and comprehensive CPR. As an interviewee (MDC 'A') commented the capital receipts "holiday" has influenced the implementation of CPR. Due to this relaxation, his Council was trying hardest to dispose of those properties which were most easily sold. The priority of property transactions (disposal and acquisition) which had been suggested by CPRs has been ignored. If this situation continues in the future, CPR might be stopped only half way complete in some authorities.

Thirdly, county council interviewees further commented that the devolved management approach (e.g. local management of schools, grant maintained schools) might undermine their CPM function. For example, County 'A's interviewee explained that some schools should be closed down to provide capital receipts for improving other services, but under the grant maintained schools' system the Council could not do so.

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<sup>14</sup> The Government agreed that local authority can freely use all the capital receipts (100%) achieving from the disposal of property before 31 December 1993.

Finally, in both London Boroughs, most of their property holdings have already been rationalised over the past decade. Finding a large area of underused-property is not now the general case. CPR is now (1993-94) mainly used to analyse and to match property requirements in the provision of services, or, to help dispose of a large number of small sites in a variety of locations across the borough, or, even just to help services cut property running costs or maintenance costs. However, it is unclear whether this is the general situation throughout Greater London area.

## **8.8 CONCLUSIONS**

Three main conclusions can be drawn from this chapter's discussion. First, eight main weaknesses have been discovered in lower CPMI scoring authorities' CPR. These weaknesses are: CPR being weakly linked with the Council's strategic management agenda; a poorly organised property review team (inadequate authority and resources; lacking a qualified team leader with sufficient status); inadequate and unaccessible property database; ineffective monitoring of the progress of CPR; lacking a corporate mechanism to resolve CPR disputes; lacking a good working plan and CPR having not systematically covered all the authority's operational property; good communications with property users/service departments lacking and CPR not being supported by them; and, the outcomes of CPR being inappropriately implemented. These deficiencies are also obstacles to developing good practice CPM after CPR being undertaken.

Secondly, examination of the case studies (by the comparison of higher and lower CPMI scoring authorities) leads to the conclusion that undertaking CPR is not itself a sufficient condition for the good practice of CPM, but a robust and competent CPR is. A robust CPR should avoid above weaknesses and needs strengthening (elements 1 to 13 listed in Table 8.2). Furthermore, English local authorities have been witnessed using similar approaches in

undertaking their CPRs (e.g. the review process, the factors to be considered and the approach to be used to evaluate these factors, and, the data required for CPR). This implies that it is possible and reasonable to recommend a robust CPR system for those lower CPMI scoring authorities to improve their CPR practice or for other authorities which plan to undertake CPR.

Finally, compared with other future challenges, CCT has attracted much attention and comment by interviewees. Many aspects are also included in the operation of CCT. It thus can be regarded as the most significant challenge for future good practice CPM and as likely to have a comprehensive impacts on local authority property management in the near future (1994 and after). The operation of CCT and its potential impacts on CPM are now examined further.



## **CHAPTER 9 COMPULSORY COMPETITIVE TENDERING (CCT) POLICY AND CPM**

### **9.1 INTRODUCTION**

Findings previously reported (chapter 6.8 and chapter 8.8) have suggested that compulsory competitive tendering (CCT) policy would be the most significant challenge to local authority property management in the later 1990s and might have a comprehensive impact on CPM. The extension of CCT to property management services may further galvanise local authorities into changing their property management structures and procedures. Remarkably, for a topic currently so often referred to by local authorities, the formal literature on CCT of property management services is somewhat sparse. Further studies to fill this gap are necessary, as an analysis of the operation of CCT and its influence on CPM is needed for local authorities to appreciate the likely direction and nature of the development of local authority property management in the near future. Based on a study of the Government's proposals and some pioneer authorities' experience in market testing or tendering out their property management services, this chapter aims to identify the possible prospects and potential impacts of CCT on CPM. It begins with a review of CCT policy. It also describes the procedure of tendering property management services and the essential issues involved in preparing and tendering property management services. Then, it turns to an analysis of the possible impacts of CCT on CPM and ends with some conclusions resulting from the analysis.

### **9.2 CCT POLICY: A REVIEW**

Throughout the 1980s the Government accused local authorities of inefficiency in their provision of services (Parker 1990: 653). First, it was argued that the poor performance of local services resulted from the monopoly position of local authorities. Secondly, it was asserted that rather than considering the real needs of local communities, local authorities

preferred to see themselves as centres of political power in competition with central government and subject to the domination of local interest groups rather than accountable to the wider public. These characteristics produced a management and decision-making process dominated by the needs of the organisation rather than by the demands of the consumer (Alexander 1991: 65).

In this context and with the aims of cutting public expenditure, reducing the size of the public section of the economy and cutting the power of the public sector trade unions<sup>1</sup>, the Government began to introduce procedures to bring market forces to the provision of a wide range of local authority services. Under the Local Government, Planning and Land Act 1980 local authorities were required to tender out<sup>2</sup> new construction, building maintenance and highways work. At the same time, the government tried to persuade local authorities to extend competitive tendering to a wide range of other services. However, this initiative did not gain much positive response from many local authorities<sup>3</sup>. The 1988 Local Government Act therefore required the extension of competitive tendering to a wide range of local government services: refuse collection; building cleaning; street cleaning; schools and welfare catering, and, other catering; ground maintenance; repair and maintenance of vehicles; and, sport and leisure facilities management. Three years later (1991), the Government planned further extension of CCT to local authority professional services, including property management services in the consultation paper *Competing for Quality* (DoE 1991a).

The choice of property management as a candidate for competition tendering was based on

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<sup>1</sup> Union recognition in the private sector, particularly in the private service sector, is very much more limited than in the public sector (Painter 1991b: 218).

<sup>2</sup> Competitive tendering is one of the many forms or dimensions of privatisation.

<sup>3</sup> Against competitive tendering is the combination of conservatism, socialism, and bureaucracy (Carnaghan and Bracewell-Milnes 1993:33).

three reasons. First, the skills involved in property services are well defined and understood. Secondly, client responsibilities can readily be identified, and a number of local authorities had already introduced a "client/consultant" split for internal management reasons. Thirdly, there is considerable capacity in the private sector to take on the work involved and a good deal of experience of local authorities' using private practices for property work (DoE 1991a: 21). According to the Government's proposal, the "Construction-related services"<sup>4</sup> in metropolitan district councils and London borough councils would be the first to be subject to CCT, starting in October 1995, followed in October 1997 by shire and district councils not affected by local government review. New local authorities established as a result of the review will be expected to expose their construction services to CCT just 18 months after the introduction of the new structure. In the Government's proposal, 65% of the "construction-related services" have to be put out to competitive tendering.

A de-minimis exemption will apply where the cost of work in a year is £450,000 or less (DoE 1994b: para. 32). The exemption allows small local authorities to keep a small group staff to undertake strategic function in property management. The issue that CCT might dilute CPM in small local authorities has been identified in the research's case studies (chapter 8 section 7). However, the decision taken by the DoE is not based on a secure consideration of property management functions<sup>5</sup>. Thus, it is doubtful that the de-minimis exemption can enable small local authorities to undertake a good practice CPM.

Local authorities are also asked to publish Statements of Support Service Costs (SSSC) which

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<sup>4</sup> Previously it had been proposed that engineering, architectural and property management services would be treated as separate activities under the Government plan to extend CCT. As many councils have combined these services into a single department and separating the services out for competition would be difficult, the Government later decided (DoE 1993c) to integrate these elements into the title of 'construction-related' services.

<sup>5</sup> DoE's decision on the £450,000 de-minimis exemption was based on its Consultants report (Coopers & Lybrand 1993: 22) in the consideration of the cost of keeping a minimum in-house unit (salary and overheads) which comprises a Head of Department, 4 professional staff and 4 support staff.

will illustrate the full cost of all work involved (DoE 1994b: para. 71). The SSSC is an accounting framework to enable local authorities and local tax-payers to understand the full costs of white-collar support services (including property services). It allows comparisons of the costs between similar authorities, and, the comparison of the costs between different departments in an authority. It therefore may provide a useful tool for local authority property management.

CCT is a process whereby local authorities are obliged to put out to tender their services. Authorities are unable to use their own in-house units unless they have been awarded the work following a rigorous tendering process, where their bid is accepted over bids put forward from private companies or other organisations. As the Audit Commission (1989b:2) has commented CCT forces comparisons between in-house and contractors' costs, information which local authorities ought to have as a matter of good management practice. Under CCT the authorities still fund services and retain control of strategic matters, such as the standard and quality of services; they still have the statutory obligations and remain ultimately responsible for service delivery. However, where services are contracted out, local authorities will act as clients and give instruction according to the contract and service standards required.

It is argued that the stimulus of competition may achieve some cost savings and improve service efficiency and quality (Domberger et al 1986; Carnaghan and Bracewell-Milnes 1993: 141). Competition may also have other benefits, such as: the clarification of policies in promoting or defining the level of services which authorities wish to provide; the establishment of quality standards to regulate the quality of service provisions (i.e. regular recontracting allows for a review of both the quality and level of services); creating an internal structure which facilitates improved monitoring and appraisal of services with more

concern for service outputs (both quantity and quality); the acquisition of new and improved management skills; better financial controls; and, increased responsiveness to customers (Audit Commission 1989b: 3; Evans 1990: 18; McGuirk 1992: 5; and, Uttley and Hooper 1993: 44-45).

However, the introduction of CCT may move local authorities away from service structures and procedures that offer the possibility of an integrated and comprehensive local service provision to one in which authorities have to manage the effects of fragmented internal relationships (Alexander 1991: 69). Where local authorities act through other organisations, they can only control by indirect means through contracts or agreements and monitoring outputs. Other problems identified with CCT include: more complex management procedures; increasing administrative difficulties and costs in terms of drawing up, negotiating and monitoring contract performance; and, worsening staff conditions (Parker and Hartley 1990: 10-11; Parker 1990: 656; Pypers 1990: 188; and, CIPFA 1992a: 21-22). The possible threat of CCT to local democracy is another issue (Bramah 1994: 19).

The functions, operations and organisation of local authorities thus are changed under CCT, e.g. the emphasis on service specifications and monitoring procedures (Painter 1991a: 208). Property management as part of local authorities' function will inevitably be influenced. It is important that this study analyses the relationship between CCT and CPM.

Although the implementing framework or statutory instrument for property management CCT has not yet been formulated (May/June 1994), some authorities have already taken actions in response to the challenge of CCT and some cases of voluntary tendering have also taken place. Based on these pioneer experiences, it is possible to gain some idea of the scope and potential of the effects of CCT on local authority property management. Information for this

chapter has been collected from local authorities' committee reports, tendering documents, working proposals and organisational structures. Some authorities' tendering experiences which have been published have also been used in the analysis. Further information was also obtained from the interviews, from letters and telephone conversations with local authority property officers who dealt with tendering matters. This information base is listed in Appendix K.

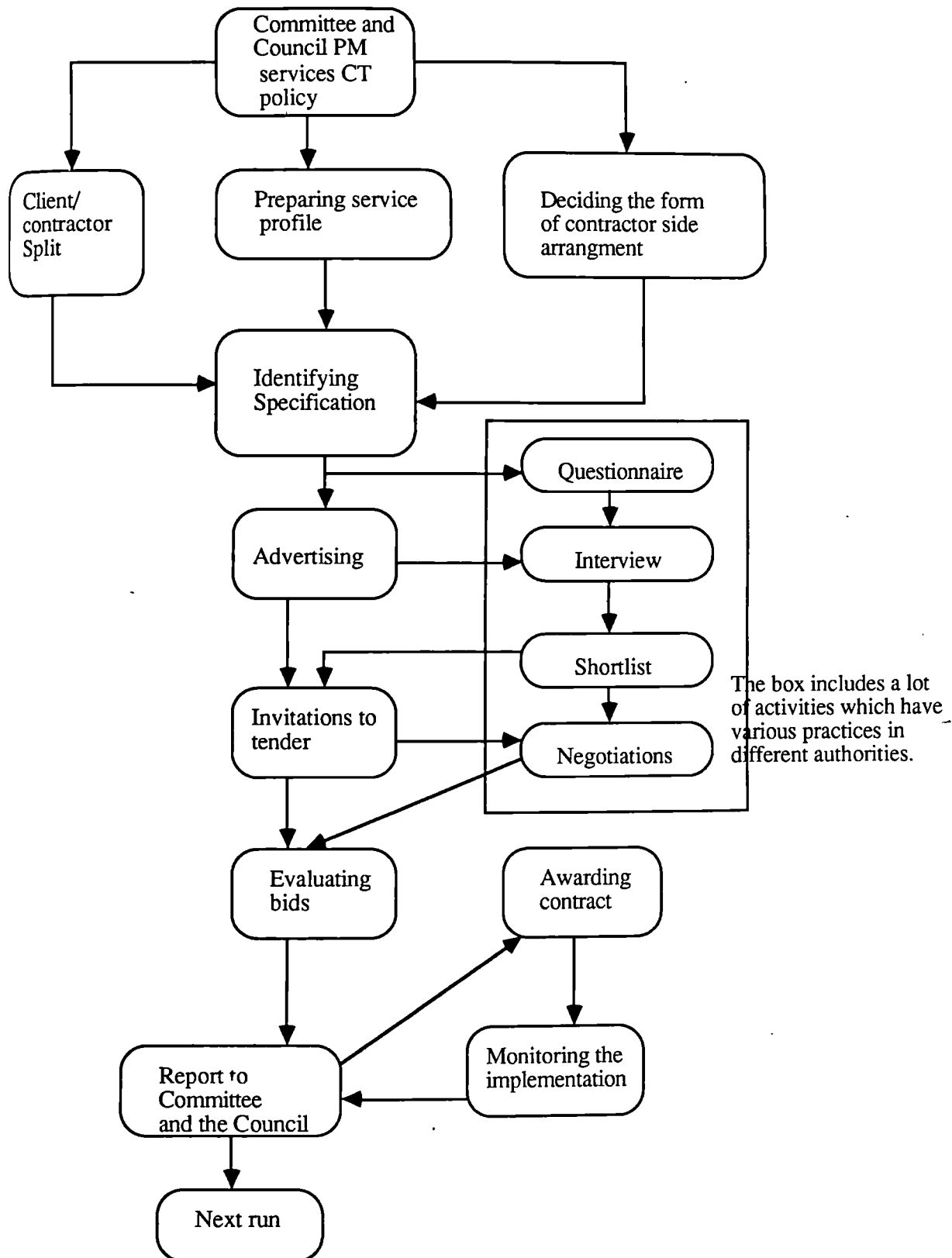
### **9.3 COMPETITIVE TENDERING PROCEDURES AND ESSENTIAL ELEMENTS**

According to several pioneer authority experiences (e.g. Berkshire CC, Ealing LBC, and Westminster City Council), a general model of the procedures for undertaking a property management service tendering can be developed (Figure 9.1). The tendering procedure used by Berkshire County Council's "marketing testing of estates and valuation services" (Berkshire CC 1993) provides a practical illustration of the activities and steps involved. After the competitive tendering policy has been formulated, the Council began with a preparation of a detailed profile of what its property service looked like at present: how the service was provided; how it was charged for; and, the number, skills and expertise of the workforce etc. The second task was to split the client and contractor role. A small core group was established and remained in-house to carry out the client role. The next step was to decide the form to be used in tendering. The Council decided that its internal property consultant group would not bid for contracts, but instead the external contractor was required to offer employment to this group of staff for a guaranteed period on the same conditions offered by the Council. After the form of tendering had been decided, the Council prepared a detailed specification and supporting documentation on which bids were to be based. The main items of information provided were: work volumes and property portfolio; period of the contract and the target commencement date; the terms and conditions of staff employment (the Council planned to transfer staff to the contractor); the criteria to be used in evaluating tenderers; and,

the time schedule and procedure of tendering. The next task was to invite interested parties to tender and for the Council to make its selection. The competition was widely advertised in the appropriate technical press. Companies interested in responding to the Council's advertisement had to answer a questionnaire with ten set questions concerning tenderer suitability and interest. On receipt of the responses, the Council undertook an analysis and carried out interviews with selected firms. A smaller number of potential tenderers were then selected to invite to submit a formal first bid and proposal. This was followed by tendering and negotiations stage. At the same time, formal documents were prepared and provided to those selected tenderers, including the detailed specification of services and an outline of the intended contract. The Council assessed the tenderers and selected a short list to whom second stage documentation was issued. The final selection of a contractor was by limited negotiation. The preferred contractor was then recommended to Committee and full Council. After Council approval, the contract was signed and the contractor began providing property services with the remaining core group of the Council staff supervising and monitoring the work of the contractor.

This case reveals that the implementation of competitive tendering is a complicated process. Local authorities need to set up a clear schedule and make their preparations beforehand. This is not just a task of tendering out property management services, but more importantly, an authority should work through the CCT process to promote its property management practice and efficiency. Examining the tendering procedure also indicates that there are seven main elements which are the key factors in preparing for tendering property management services. Through the examination of these elements, the possibility emerges to make a further analysis of the prospects of local authority property management in the near future and the potential impacts on CPM of the application of the tendering process.

Figure 9.1 A model of the procedure of undertaking competitive tendering (CT)





### **(1) Clear policy and objectives**

In preparing for CCT an authority has to decide the form of competitive tendering (i.e. scheme-by-scheme, or, whole service together) it wishes to select for its property management services. It also has to distinguish the tasks being provided by the core team (who will remain 'in-house') from those being undertaken by contractors. A clear policy to lead these decisions is essential. The decisions may imply a certain extent of change to the existing property management structure and responsibilities. Berkshire County Council, for instance, in preparing to tender out its property services, has devolved responsibility for operational property matters to service departments thereby establishing a clear split of property management duties between client, contractor, and, property users. As results of the national wide survey demonstrated (see chapter 5), the nature and scale of property management services as well as the way the property management services are themselves organised differ considerably from authority to authority although some general pattern can be observed. Local authorities should consider their own circumstances at an early stage when identifying their property management policy in response to CCT. After the appropriate policy has been identified, the authority can then formulate the objectives of the property services to be provided, including quality aspects and the service levels which will in turn be used to specify the service profile and specifications.

### **(2) Preparing the service profile**

When seeking tenders, the Government's (DoE 1994b: para.25) view is that local authorities can package their property management works according to their needs, subject only to the resulting package not being one that might restrict, distort or prevent competition. The preparation of the service profile provides an authority with an opportunity to make a comprehensive assessment of the services it currently provides, and, thereby to identify where improvements can be made by considering its current property portfolio, work approaches

and volumes, and, staff profile. The outcome of such an assessment can result in the identification of better ways to provide property management services in terms of specifying the detail of tasks to be done, the performance to be achieved, the size and number of contracts, and, the length of contracts. This approach has the merit of identifying the weaknesses in an authority's current property management system and providing the opportunity for improvement. However, one criticism is that if this task is left to existing in-house staff, it is far more likely to lead to a perpetuation of the existing way of doing things (Eggar 1992: 2). If the assessment of the current service system is carried out by independent professional advisers a more comprehensive review of current practice, which considers a full range of possibilities and capabilities, is likely to be undertaken. Some pioneer authorities (e.g. Oxfordshire CC) have already benefited in this way (Frampton 1993: 30).

An alternative approach being used by some authorities is that tenderers are required to indicate the scope of services in which they have the interest and intention to compete. The service profile is then finalised after the compilation of a select list of tenderers. In the proposed externalisation of its Technical Services Group (TSG)<sup>6</sup>, Ealing London Borough Council, for instance, asked bidders to indicate whether they were interested in all of the TSG services or just part. The Council then decided its contract strategy after evaluating bidders' proposals. Through this approach an authority can understand the market's interests in its diverse services. Innovative ways of providing those services may also be realised. However, if adopting this approach, an authority should make a particular effort to compare and evaluate the alternatives in combining packages of service elements and contractors to achieve the most cost-efficient outcome.

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<sup>6</sup> The information package indicated that this Group included 421 officers and 1,197 manual/craft providing Engineering, Architecture, Building Maintenance services together with the management of the central office etc.

In addition, the length of contracts is an important issue which should be decided at this stage. Local authorities should consider the nature of their service profile then decide the appropriate length of contract. In general, the longer the contract term, the greater the opportunity there is for a more competitive approach. Buckinghamshire County Council's £1bn property portfolio with four-year contract, for example, has attracted more than 50 tenderers (Estates Gazette 1994). However, if too long a term is offered the contractor may become complacent and feel that it is a fixture. The Government's view (DoE 1994a: para. 15) is that the contract should be no more than five years, in order to ensure that the work is again subject to competitive pressures after a reasonable time. On the other hand, a contract with a short duration might not allow contractors sufficient scope to amortise their setting-up costs. For local authorities, a higher cost would be incurred as a consequence of the tendering work being undertaken too often (i.e. too short duration of contract). The length of contracts set by the pioneer authorities is between two to five years.

### **(3) Client/contractor split**

It also is important for local authorities to distinguish clearly between the role and tasks of the core client and that of the contractor who undertakes the set of tasks won from competitive tendering. The client and the contractor have different objectives. The client is concerned with service standards and value for money, whereas the contractor is interested in winning contracts and performing to standard and price. In the DoEs view (DoE 1991a: 6) those with managerial, supervisory or operational responsibility for individual direct service organisations (DSOs, set up by local authorities to carry out their contracting functions) should have no involvement in client-side tasks, with the exception of the Chief Executive and the Chief Property Management Officer. This consideration is to avoid unfair competition to the external tenders. The general rule is that those preparing the DSO bid should not be involved in the selection of potential suppliers on the subsequent evaluation of

tenders. The same persons should also not receive from the client-side information relevant to the preparation of the tender which is not available to external tenderers. The Chief Executive and the Chief Officer have an overall responsibility for the management of the services, thus they are allowed to be involved in both sides. However, DoE did not list the areas in which they can involve. Generally, they should not be involved in the fine detail of tender submission and the operation of contractor management, and, thus focus on the service provisions in strategic issues, corporate management policy and the criteria of service evaluation. The elected members (councillors) are allowed to be involved in both client and DSO side, however, they should also be aware of their responsibility to ensure fair and unbiased consideration of tenders (DoE 1993a: par.13).

There are two main issues to be considered in undertaking the split. One is the task/role arrangement to be made between the client and contractor; the other is the type of organisational arrangements to be made between the two. First, in terms of the task/role arrangement, the Government's view is that local authorities should only be constrained by the proportion of services being contracted out; the regulation will not specify a client/contractor split (DoE 1994b: para.41 and para.48). Local authorities are therefore to be given considerable flexibility in arranging the split. Oxfordshire County Council, for instance, retains a client core (six staff) to deal strategic property management matters after most of its staff has been transferred to a "host company" (WS Atkins) which provides a full range of property services<sup>7</sup> for the Council. This core is responsible for formulating a property management strategy, identifying guidelines for property acquisitions and disposals, deciding the property maintenance/repair plan, establishing principles for property leasing, commissioning the work to be contracted out, monitoring the performance of services

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<sup>7</sup> Including the work of building design, arranging repairs and maintenance, assess maintenance needs, the administration of building contracts, negotiating terms for the purchase and sale of land, rent reviews, lease renewals, undertaking area and service based property reviews, monitoring fuel consumption, negotiating tariffs for purchase of fuel, and, devising energy conservation schemes (Correspondence 9/3/93).

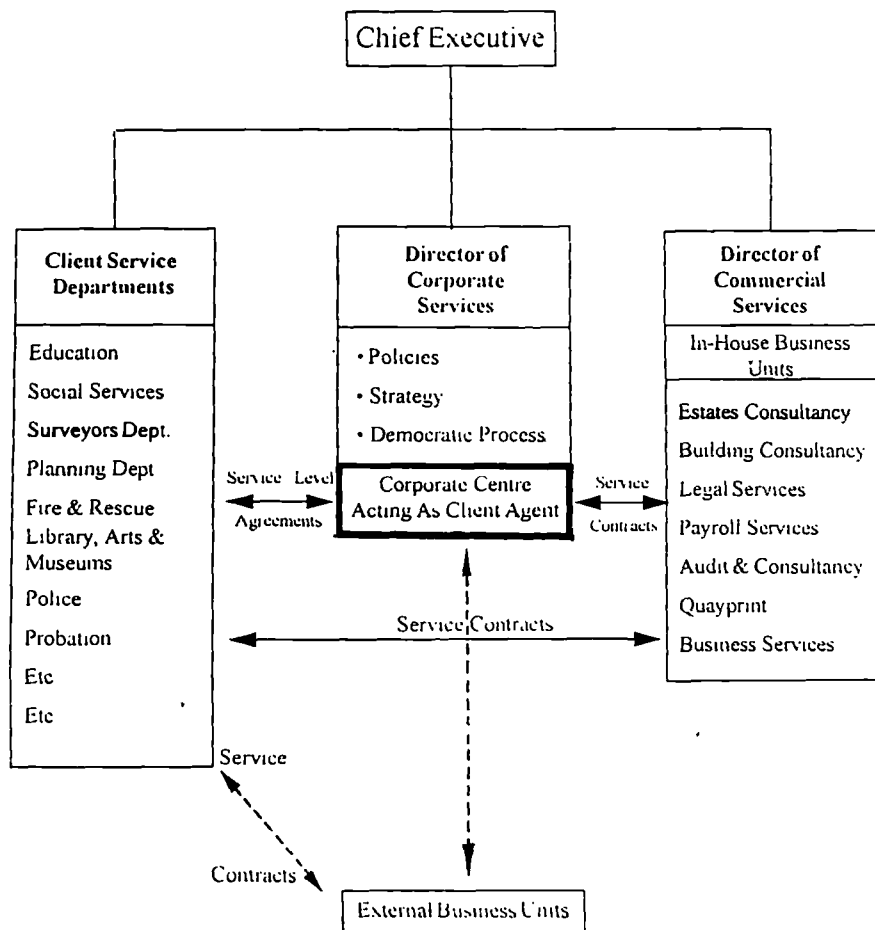
provided by the contractor, controlling the budgets for capital and revenue expenditure and fees, managing smallholdings and staff houses, providing gypsy sites, and, holding and maintaining the property records and terrier (Personal Correspondence 9/3/93).

Secondly, there are two approaches to the split between client and contractor in terms of organisational arrangements. The first one is still to deliver both the contractor and client roles from within an existing property department, but defining clearly the responsibilities of individual officers or sections in either client or contractor roles. The different functions of the contractor may be further restructured into defined cost centres which are self-financing units (so called business units or generally named DSOs) and charge-out their time and skills at competitive rates with any other likely bidder. This is the approach most chief officers favour with the comfort of familiarity (Pipe 1993b: 20). It also may cause less impact in an authority's overall management structure, and is thus currently used by most pioneering authorities. However, having the client and contractor under the same roof means that the chief officer must weigh his/her corporate responsibilities to the authority against the pressing commercial imperative facing a contracted service very carefully.

The alternative approach is to create a core department which is charged on a local authority wide basis with performing the client's functions. It will also advise on and implement corporate policy, deal with the corporate budget and prepare corporate accounts. This core department can be an amalgam of the policy units of the different departments plus the necessary staff to deal with corporate financial duties (Pipe 1993b: 20). Gloucestershire County Council (King 1992), for example, created a *Corporate Centre* acting as a client agent to represent the client's interest and to undertake strategic property functions. All the authority's business units (DSOs) are then put under the control of the *Director of Commercial Services* who treats each department as the clients of services. This approach can

provide a strong structure in dealing with corporate management issues through the Corporate Centre and provide a good basis for a strong CPM. The relationships between property users, corporate centre and commercial services (or contractors) are shown in Figure 9.2. Under this arrangement the responsibility for negotiating contracts will be brought together under one roof and a firm and consistent framework for the specification of tendering can also be developed.

Figure 9.2 Gloucestershire County Council's model of Client/Contractor split



Source: King 1992.

Deciding between the two approaches is a matter of choice for each authority. In reaching a decision it will be helpful for each authority at least to address the following issues: to divide both sides' duties and functions quite clearly; to make sure a robust client group is established to undertake strategic property management matters and to monitor the works implemented by contractors; to formulate precise instructions and provide for the proper monitoring of the quality of services; and, to ensure a good working relationship between the client group, the contractor and property users.

#### **(4) Arrangements for current staff**

Furthermore, an authority has to consider the arrangements to be made for its current staff when its property services are being contracted out. Four main options have been witnessed in local authorities. First, some authorities have divided their property management (PM) services, with the exception of core or strategic functions, into several contracts and tendered them out separately under the condition of their current staff being transferred to the tenderers who won the contracts. The City of Westminster, for example, at least packaged its PM services into (1) two parts *Investment Property Portfolio*<sup>8</sup> (Westminster City Council 1991) and (2) a *Direct Service Property Portfolio* (Westminster City Council 1993), which were tendered out separately. After its services are contracted out, the Council replaced direct control of most of its PM services with by control through contractual arrangements. This option may have the merit of being more flexible in providing PM services through selecting both contractors and the related contractual arrangements. The core group can focus on the functions of strategic property management, through reducing its involvement in day to day property works (e.g. valuation, negotiations over disposal). However, as services are

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<sup>8</sup> The portfolio includes car parks, community centres, depots, libraries, offices, open space, staff flats as well as light industrial and public houses etc. These properties were not held for the purposes of delivery of local services. It was the Council's policy to dispose of these properties if they did not make a sufficient return. Therefore, the Council defined these properties as "investment portfolio".

contracted out group by group and the staff transferred to different firms, the close working relationships between the authority's various property professionals and their relationships with the property users may weaken. As PM tasks are provided by different firms, the core group needs to have sufficient capability to take a corporate view over the provision of a full range of PM services (e.g. ensuring the Council achieves the optimum combination of property management contracts) and to review/ monitor works undertaken by the different contractors who may have their own working and management systems. It is not good practice to divide PM services into too many small contract packages which may be provided by many different contractors. This results in too much contracting and monitoring work for the client core. High costs are involved in undertaking these tasks, thus offsetting the benefits and savings from PM activities being contracted out.

Secondly, and in order to retain services and staff in-house as long as possible, some authorities have established direct service organisations (DSOs) to undertake property related services. Gloucestershire County Council, for instance, has set up two property service DSOs (Estates Consultancy, and, Building Consultancy). DSOs are separated from the client group which undertakes the tasks of purchasing services from DSOs or outsiders. DSOs are set up as part of an authority mainly for providing services to the Council. They are constrained by law in marketing their services in the private sector. However, they are able to compete for other local authorities' work as well as for other public sector organisations such as the Health Authorities. DSOs have two main objectives: to win contracts in competition with the private sector, and, to complete the work involved for the contract price while securing the rate of return prescribed by the Secretary of State. If they fail to achieve these two objectives, it will not be possible for them to continue in existence (Audit Commission 1989b: 21). DSOs are expected to be established as municipal enterprises run efficiently on commercial lines and subject to predetermined arrangements as to rate of return or generated profit. A good



management of DSOs is essential for the successful operation of this option.

Establishing DSOs to provide property management services can give the Council (councillors as well as officers) a direct say in how the service is managed and operated. Councillors may prefer this operation because they feel they can determine and influence services through direct inputs to the management of the quality and standards of the work being undertaken by the DSOs. This option also has the merit of, among others, the security of supply and price without the risk of failure in competitive markets or price rigging (Moore 1993: 16). Moreover, the council's property managers may be expected to know the situation of their authority's property holdings and needs of its manifold property users better than most of their private competitors. However, setting up small DSOs is inefficient for small property holders in terms of the lack of economies of scale and is thus ought not to be an automatic choice for many authorities.

The third option involves allowing existing managers and/or employees to form or to join a new company to provide property management services for the local authority-- the so called Management/Employee Buy-out (M/EBO). Some commentators (e.g. Wright et al 1990: 145; Paddon 1991: 28) have asserted that MBOs play an important role in the privatisation of local authority services, and, offer a solution under the pressures of CCT and the cumulative effect of other changes in local authority services (e.g. the Local Management of Schools). The Gloucestershire Building Consultancy identified earlier, for example, has been taken a stage further to become a MBO (Stafford 1993: 26). The managers involved acquired a substantial share in the new company. The authorities themselves may also hold a proportion of share in the new company, but cannot hold a large enough amount to influence the decisions and operation of the company (Audit Commission 1990: 2). In some cases, the form of a joint venture with a third party may also be appropriate (Stubbs 1992: 63). The motivation for

selecting the MBO option may be to protect existing staff interests and outsiders to avoid the risks and problems of CCT, and, the belief that DSOs have no future. The MBO option can also avoid the restrictions on cross-boundary trading. Operating efficiency and productivity are likely to be promoted after the buy-out. The main factors leading to improvements are: employees may work harder; management may become more prudent in the use of resources; buy-outs may offer a practical way to recruit and retain key staff; and, the management team may be free from the divesting organisation's constraints. An MBO, therefore, it is argued, can spread overheads and offer lower prices to the authority (Audit Commission 1990: 4-5). Keeping the unit together, preserving an identity and capitalising on experience are all the advantages claimed for an M/EBO (Stafford 1993: 26). However, the buy-out team must obtain the necessary capital and generally expand their client base beyond their parent council in order to spread their risks and gain from internal economies of scale. Staff in the buy-out team must adjust their working approach and attitudes. The option of MBOs is also constrained by the European Community public procurement legislation (see Maclure 1993: 1; Cirell and Bennett 1993: 10).

The fourth type of option being used is the "host solution". Under this option, a full range of property management functions is provided by a private (host) company. Staff and certain furniture and equipment items may be transferred/sold to the company under such an arrangement. The choice of this option reflects the following considerations. First, with the increasing pressure of contracting out and the prospect of losing local services to the private sector, an authority (PM group) may manage a somewhat run-down property management services. Redundancy for some staff in the near future will be the result. This may be disastrous for staff morale. DSOs have to struggle to prevent losing tenders to the private sector and are thus not a good option. Secondly, the option of M/EBO is likely to be more costly to the council. Third, the appointment of a company to manage the service can ensure

that staff are kept together and not fragmented (Scraggs 1993: 27).

Oxfordshire County Council is a representative of local authorities selecting this approach. Considering the possibility that its requirements for property and its services will shrink, the disadvantages of the other options, and the potential benefits to its staff, the Council appointed a company (WS Atkins) to provide a full range of property services. Even when the staff leave the authority their expertise, knowledge of the job, and working relationships with the Council's departments and building users can continue (Strohm 1993: 79). This aspect is probably the most significant benefit of this option.

The task of property review is further discussed as an example to evaluate this option's strength. A good working relationship with service departments and property users has been identified (see chapter 8) as an essential element in undertaking property review. In Oxfordshire's Chief Property Manager's own judgement (Personal Correspondence 22/3/1993), the staff at WS Atkins currently undertaking property reviews had developed good working relationships with other departments and building users when they were with the Council and their interactions have continued since their transfer to WS Atkins. Furthermore, the quality of property management services may be promoted by the wider and more professional expertise provided by the host company. The Principal Consultant in WS Atkins indicated that "in fact given the size of WS Atkins and the wide scope of the company's operations, the Council now have easy access to a greater source of expertise than immediately available in the past." (Correspondence 15/3/1993). Moreover, as indicated by a shire district's property manager to the author (interview 12/8/1993), the host solution may be more appropriate to small districts because setting up a very small DSO is a rather inefficient way, considering the economies of scale, of providing specialist property management services.

A summary of the above four options is shown in Table 9.1. In deciding on which option(s) to select, an authority should consider the nature of its property management services (size, scope), and the strengths/ weaknesses of its current property management operation and property management group, in order to promote a more effective way to provide its property management services. It may be appropriate at the beginning to set up internal business units or cost centres, followed by undertaking a market test or comparison before making the final decision on which option is to be adopted. However, adopting M/EBO, host company or DSOs option implies that in the long term all the contractors will have to face competitive tendering in retaining the contract(s) involved.

Table 9.1 A comparison of four options for responding to CCT

Options	Characteristics
<p>Dividing PM services into several contracts and tendering them out separately, with current staff being transferred to contractors</p>	<ul style="list-style-type: none"> <li>- The PM services are contracted out group by group;</li> <li>- The PM core group will focus on the client role in PM strategy, identifying the contract, strategic management (policies) and monitoring the implementation of contractors' work; i.e. this group will reduce its role in day-to-day professional works;</li> <li>- More management skills are required by the client group, especially in monitoring the diversified works done by different contractors;</li> <li>- The council will replace direct control of most PM services with control through contracts;</li> <li>- A more flexible way in providing PM services may be created by packaging PM services and contracts; however it is not a good practice to divide PM services into too many small contracts.</li> </ul>
<p>Establishing DSOs to try and win most contracts</p>	<ul style="list-style-type: none"> <li>- This approach tries to retain staff and tasks in-house as far as possible;</li> <li>- DSOs are constrained by law in marketing their services;</li> <li>- Local authorities can directly control PM services;</li> <li>- DSOs must win the contracts and secure the rate of return;</li> <li>- The management of DSOs is essential, but different to traditional local authority management;</li> <li>- Developing new management (business) skills is important for DSOs;</li> <li>- Setting up small DSOs is inefficient for small councils in terms of the economies of scale.</li> </ul>
<p>Management or employees buy-outs M/EBOs</p>	<ul style="list-style-type: none"> <li>- Previous managers (or employees) join a new company to provide property management services;</li> <li>- The managers and employees hold a substantial proportion of share;</li> <li>- The council may also hold a proportion of shares, but not enough influence the operation of the company;</li> <li>- MBOs can avoid the restrictions on cross-boundary trading;</li> <li>- The success of MBOs will be influenced by interest rates and financial support from financial institutions;</li> <li>- MBOs must expand their workbase to private sector or other public sector contracts;</li> <li>- The Council cannot guarantee to managers negotiating a buy-out that they can take work with them into the private sector;</li> <li>- Operating efficiency and productivity are likely to benefit from a MBO;</li> <li>- Few cases of MBO in the field of local authority property management were witnessed.</li> </ul>
<p>Selecting a 'host company' to provide a full range PM services, while staff join the company ('host' solution)</p>	<ul style="list-style-type: none"> <li>- A full range of PM functions is provided by a private (host) company;</li> <li>- This can ensure that the staff are kept together; and the working relationships with the council's departments and property users can continue;</li> <li>- Less cost for the council compared with MBOs or setting up DSOs;</li> <li>- The council may obtain easy access to a greater source of expertise in the host company to provide a higher quality of PM services;</li> <li>- This may be more appropriate for small councils considering the relative inefficiency of setting up small DSOs.</li> </ul>

## **(5) Specifications**

Property management services cannot suddenly be moved to operation under contract unless the respective roles of those involved are clearly understood and specified. Specification translates the policy and strategy decisions into job requirements. In the Government's proposal (DoE 1994a: para.19), authorities should give as clear an indication as possible of the range of work to be covered by the contract. For instance, the contents involved in the (draft) specification of Westminster City Council's "property valuation, advice and negotiations" contract are diverse (City of Westminster 1993). The five years contract, to commence on 1/4/94, comprises the provision of a comprehensive property valuation advice and negotiation service in respect of the Council's direct service property portfolio of over three hundred properties within the City of Westminster and nine properties outside the City's boundary. The specification lists the categories (public car parks, children homes, depots, schools, libraries, council offices, open spaces etc.) and the number of properties in the portfolio. The specification also identifies the property management services requirements: acquisition; disposal; rent reviews; lease renewals; rating negotiations; valuation advice; capital accounting; insurance valuation; service charge matters; and, dilapidation. Some other detailed requirements are: dateline for the completion of works; progress reports and recommendations for relevant strategic management of the portfolio; and, updating the Council's property terrier and property management information. Moreover, the specification also indicates the details of the tender evaluation procedure and the quality of service sought and how this will be monitored.

The preparation of specifications is such a complicated and important task that local authorities should first fully consider the nature of their property portfolio, and their policy for property management services and requirements, and then formulate precise specifications. Specifications need to state clearly the overall services requirements so that any contractor

knows what is expected, unless the local authority wishes to undertake the difficult and usually expensive process of negotiating a variation to the contract. Therefore, the specification should provide precise details of the work to be done or service to be provided. Through the preparation of specifications property managers may expect to come to know better the nature and requirements of their property users.

#### **(6) Tender Evaluation and Selection**

In the Government's proposal (DoE 1994a: para.45), local authorities are allowed to generate their own models to assess 'quality' and 'price' of tenders submitted on a "fair and evenhanded" basis. The City of Westminster, for instance, used the criteria of cost, capacity, experience and expertise to carry out the work to evaluate bids when tendering out its property valuation and negotiations services contract. The cost item (fee bids) included a detailed list of various types of work based on flat rates, percentages of the relevant capital sum or composite scales. A range of hourly rate bids were also invited for use in exceptional cases where none of the above applied (City of Westminster 1993).

Some other authorities (e.g. Ealing London Borough Council, Berkshire County Council) used questionnaires to ask for certain information on the company making a bid to assist in the selection of tenderers. The questions generally include such matters as: the tenderer's structure or organisational arrangement in relation to the services to be contracted; accounts and financial standing; capability and experience (previous work); quality of service and systems; innovative concepts of service delivery; price and pricing mechanisms; the absorption of the Council's staff; the attitude towards the transfer of assets and property necessary to carry out the function or whether intending to establish a working base within the council's administrative area; and, the company's employment policies (such as employee share option or ownership schemes presently offered or proposed). The main purposes of this

type of information gathering for a pre-tender evaluation are to ensure that the firms bidding have enough capacity (based on their financial health, experiences and reputation) to provide an adequate quality of property management services and to ensure that the tenders' approach is compatible with the authorities service provision procedures and approaches.

No matter which model is to be used, the evaluation should be in accordance with the specification and the council's tendering policy. The important elements to be considered in the evaluation are likely to be the cost of services, the management approach and structure used by firms to provide property management services, and, the service level or performance to be achieved by firms. Moreover, authorities have to inform firms, when inviting tenders, of the evaluation criteria and the details of the tender evaluation procedure (DoE 1994a: para.19). However, in the early 1990s few local authorities had experience of this task and its general use as proposed suggests that some councils may experience difficulties in judging the quality of professional property services. This is a predictable challenge to local authorities in establishing a reasonable and well-founded model for balancing quality and price in their selection of contractors.

#### **(7) Performance monitoring and review**

The implementation of contracts should be monitored to ensure that property management services are being properly provided. The standards for performance measurement and the monitoring procedure as well as the methods for monitoring and reporting should be established and agreed before the contract is awarded. For example, the "output performance measurements" which have been designed by the Westminster City Council in its direct service property portfolio contract include: the response times required; overall through put times, where practicable; the availability of staff to handle queries; prompt acknowledgement of instructions; regular information on the progress of work; and, the ability to maintain close



liaison with the instructing departments.

Most of above items are general criteria for judging the progress of the implementation of the contracts. Few criteria have yet been developed to evaluate the quality of professional services in property management. This may be the main problem with CCT of property management services because it involves many professional judgements which cannot fully be defined and measured by specific standards. However, some authorities have made (or are making) efforts to develop this field. Oxfordshire County Council, for example (Correspondence 22/3/93), is devising performance measures for all areas of their consultants' work. In the task of property reviews, for instance, the measures may include meeting time targets, identifying under-used, surplus or expensive to run property, and, improving service delivery. It is still too early to judge the achievements of this kind of efforts and performance measurements for professional property services need be further developed more generally. Before the adequate performance measurements are developed, local authorities should at least establish their own performance indicators during the preparation of property management service specifications. The necessity of performance monitoring and the evaluation of tenderers (considering service costs and quality) will lead local authority property management towards forms that place more emphases on the outputs/performance of the services rather than the traditional approach mainly on inputs (resources used).

#### **(8) Conclusion**

The implementation of tendering or market testing of property management services is a very complicated process and time consuming as there are so many details to be considered. Local authorities, possibly acting jointly through their associations, must take action as soon as possible in responding to the CCT challenge. A well-prepared proposal can lead an authority to create a more effective approach to managing its property portfolio. Through this

preparation an authority should ensure that it can gain the most benefits and suffer minimal pain. Nevertheless some provisional considerations can be given even at this stage to the potential impacts and prospects of local authority property management in England under CCT challenge.

#### **9.4 IMPACTS ON PROPERTY MANAGEMENT**

The impacts of CCT on property management functions come mainly from two sources. One is from the various services being tendered out or from DSOs moving out and using non-council property. The other is from the property management services themselves which are being put out to competitive tender.

##### **9.4.1. Various local authority services being tendered out**

The policy of extending CCT to various local authority services, including central services and supporting services (e.g. legal, finance, personnel, corporate and administrative, and, computing services), raises the issue of whether the council's property holdings will be used continuously. In response to CCT, an authority may establish a range of DSOs (e.g. finance DSOs, legal DSOs) to compete with other tenderers. In order to compete with outsiders, the range of DSOs must reduce their overall costs as much as possible. Reducing the costs of property occupation and utilisation is one of the most important areas for change. If the council's property is not the cheapest or the most appropriate option, DSOs will try to move out to cheaper or more appropriate accommodation. This may result in a large amount of operational property being vacant or underused.

In other aspects, private sector firms may win contracts to provide these services (legal, finance, computing, and, personnel services etc). In this instance, the local authority's properties should be made available to the contractors, but the authority should not make it

a requirement that they be used<sup>9</sup> (DoE 1994a: para. 69-70). Whether the private contractors are willing to use the council's property or depot will also depend on the costs competing with other alternatives in the market. If they decide to use outside property, the requirement for council operational property may shrink. The authority will then need to decide whether or not to dispose of those "redundant properties".

Under this challenge, an authority needs to know precisely not only the cost and service levels of its property which can be provided to those services but also the costs and levels of alternatives. A more "commercial" attitude to the management of property may result. An authority has also to establish a mechanism to identify poor performance properties within its portfolio and formulate a strategy to deal with those properties, so as to reduce its overall costs in property occupation and utilisation. This research has shown that the instrument of corporate property review (CPR) can provide the basic mechanism to identify: the requirements of property and their related services; the costs of property use and occupation; the alternative ways of property being used; and, the surplus or idle property and the poor performance property. The outcome of CPR can further provide a basis for formulating or updating the property management strategy. The importance of CPR may increase under the challenge of CCT. Those local authorities which have not yet already done so (or done so inadequately), therefore, have a powerful incentive to invest enough resources in undertaking a good quality CPR avoiding the obstacles considered in chapter 8.

Furthermore, in view of the uncertainty existing over the scope and nature of many local authority services, property managers may complain that property utilisation cannot be ensured and therefore, that they cannot formulate an overall property occupation and

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<sup>9</sup> In some cases, authorities can require that the successful tenderer use an asset where use of that asset is essential to ensure the efficient and effective delivery of the service to the standards sought.

utilisation policy. However, property managers should at least know what the authority's property can provide in relation to the requirements of a diverse set of services in terms of level of services and cost. They also need the skills to understand the possible impacts of those services themselves under CCT policy and the future possible range of those services' property requirements. In the dynamic local authority market place, nothing is steady or certain, and all competitors must make the effort to understand the market as well as their clients' requirements, and, therefore, market their services.

#### **9.4.2 Property management function itself being tendered out**

As discussed, the property management function itself is becoming the subject of competitive tendering. This will further influence the organisational arrangements, and procedures or approaches to local authority property management. First, CCT has a fundamental impact upon the arrangement of the property management services. Client and contractor should be clearly split, even if an authority decides to keep services in-house. After the split, the client and contractor (DSO) will undertake different functions and play different roles in property management services. The client group will mainly undertake the tasks of formulating property management strategy, identifying service needs and transferring them into specification, tendering commissioning and management, and monitoring the implementation of the contracts. The DSO will focus on detailed professional work (e.g. property valuation, maintenance and negotiation of property acquisition and disposal etc.) according to the instructions of the client group. The delivery of property management services is based on contracts and is controlled by specifications and monitoring mechanisms. The use and management of property becomes a triangular relation between property users, the property management client core, and, contractors (whether internal or external).

Furthermore, some authorities, e.g. Berkshire County Council (Berkshire CC 1993), have

devolved responsibility for operational property matters to service departments (property users) thereby establishing an "in-house" client/contractor split. This has resulted in the decline of the corporate property management group's power on controlling property use and allocating the property-related budget. Instead, the property management group (client) has become a mechanism for identifying/assembling property service requirements as well as for managing and monitoring the provision of property management services. The role of property management group therefore is shifting from controlling property use and providing property management services to facilitating service departments (users) to obtain adequate property management services. The approach of "getting closer to the customer" may be emphasised more, as property users' requirements are becoming the principal element in the provision of property management services. Thus, property managers will spend more time on information, consultation, and, advice for the property users.

The client/contractor split and the power/role adjustments of property matters may cause further rearrangements in local authorities' property management structure. Two main models for reorganising property management services have emerged. The relationships between service departments (property users), the property management client group, and, contractors (DSOs) in these two modes are shown in Figure 9.3. Following the split between client and contractor, the property management service business of property users should mainly go through the client group rather than direct to DSOs or contractors. Instructions will also come from the client group as well as requiring reporting back to this group. Accordingly, the client group will have an overall view on the requirements of the property users and the provision of various property management services. Therefore, the split of client/contractor, if well operated, may in fact lead to a more corporate approach to property use and management.

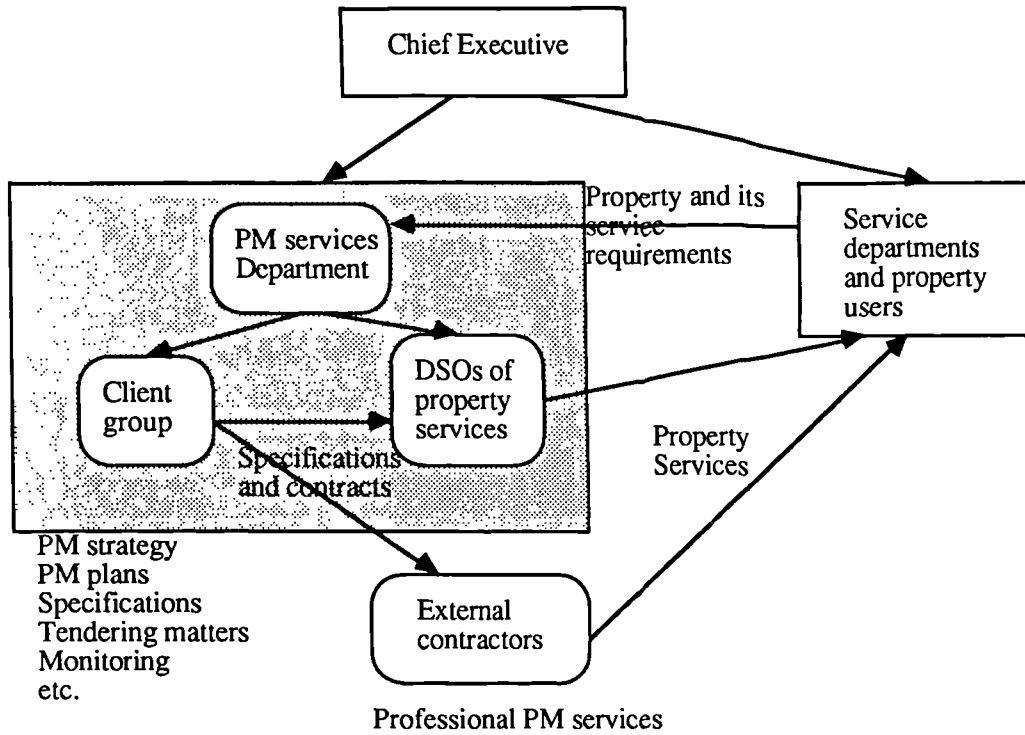
This viewpoint can further be supported by an examination of the detailed tasks undertaken by the client group. After the split, the client group is responsible for the following tasks (following the case of Oxfordshire County Council): formulating property management strategy; identifying guidelines for property acquisitions and disposals; deciding the property repair/ maintenance plan; setting up principles for property lease; commissioning the contract work; monitoring the performance of services provided by the contractor; controlling the budgets for capital and revenue expenditure and fees; and, holding and maintaining property records<sup>10</sup>. The postal questionnaire surveys have shown (chapter 5 section 5) that it is an essential element for good practice CPM for the property management group to be committed to an active role in diverse property management tasks. Under CCT, if local authorities keep their client group responsible for and focused on these tasks (leaving others to contractors), the improvement of their CPM practice will be promoted. Moreover, those obstacles to CPM (listed in Table 6.1) may be expected to overcome, if a client property management group is responsible for and achieves a good performance in the above-mentioned property management tasks.

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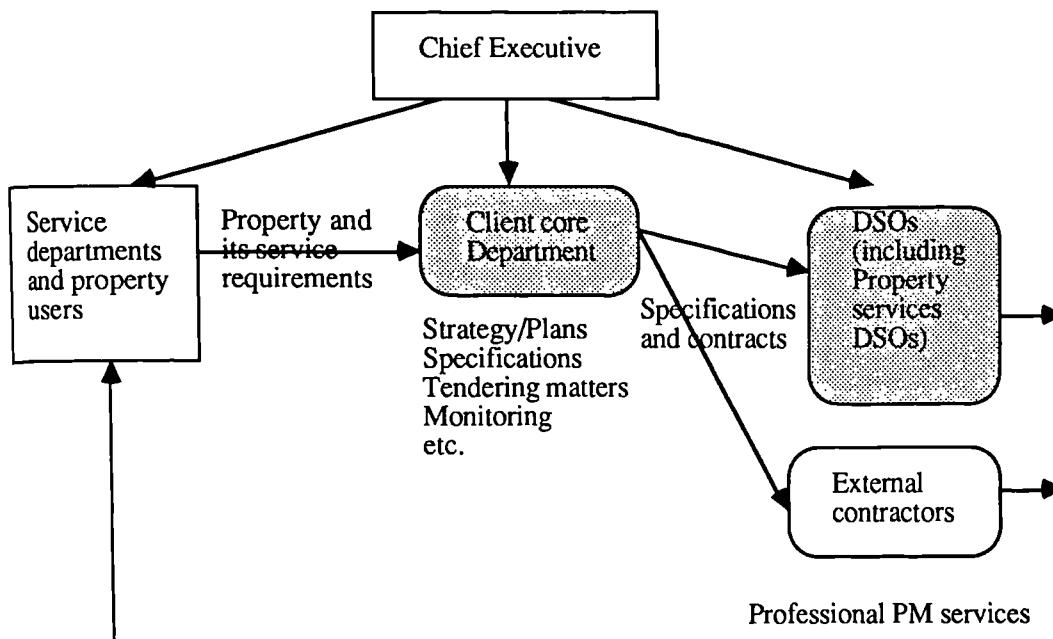
<sup>10</sup> In Coopers & Lybrand's (1993: 13) study for the DoE, most of the 24 sample authorities considered that control of the property database is a client function. Contracts would need to deal with the issues of confidentiality, payment for the use of the database and consultants responsibility for providing update information.

Figure 9.3 Two models for the client/contractor split of property management services

Mode 1. PM client and DSOs under one roof



Mode 2: Separate client core and DSOs under one roof



In the initial stage of preparing to tender or market test property management services, their potential effects on the future of the long-established and experienced in-house property professionals will be an essential issue which must be carefully considered. However, too much effort can and has been put into this issue and to the survival of DSOs as a part of the overall council in-house organisation. As property management includes many strategic and corporate management matters which are inappropriate for outsiders, a client core to deal with these matters is still required and is very important. Moreover, in order to provide a high quality and cost/effective property management function, a strong client group is necessary and is more important than ensuring DSOs may win the contractors' role and tasks. In current practice the issue of how to formulate a robust client role seems to be paid less attention than the arrangement of in-house staff or the survival of DSOs. If a robust client group is not well established to undertake these tasks listed above, a good practice CPM will be frustrated and the benefits lost.

Secondly, both the approach to and the procedures of property management are changing. When preparing the tendering specification, an authority must make clear what it owns, where its properties are, and what it needs in property services (such as services level, quality standards). In addition, the costs of individual property management services will have to be identified in more detail. This will force those authorities, which currently have only a poor property inventory and property management information, to take actions to compile precise property-related information. As an authority needs to know more precisely the costs and services level of its properties, a better financial control system (or accounting system) on property-related activities will be established. Competition will also prompt an authority to review its mechanisms for defining and assessing the quality and effectiveness of its property management services. Accordingly, operational weaknesses may be discovered and adjusted. Moreover, the practice of service level or quality control and tendering monitoring will lead



to a management culture in which the emphasis is not only on resource inputs (e.g. budget), as in a traditional local authority management did, but more on the output/performance of property management services. The approach used by the Westminster City Council in managing its direct service property portfolio contract is cited as an example. After services are tendered out, the local authority cannot control them directly but has to do so through contracts (or agreements) and monitoring mechanisms -- the agreed performance indicators relating to the requirements of property users. Taken together, through preparing for CCT an authority can know the nature of its property portfolio, the requirements of its property management services, and, the costs of holding and running its properties. Some tasks will become more important for local authority property management, such as formulating/updating property management strategy, preparing property acquisition/disposal plans, and, setting up plans for property maintenance. An overall view of the council's property-related expenditure will also be an important task for the client core group. These are the centrally-important CPM activities, which have been neglected by many authorities (see chapter 5 section 5). Thus, it is expected that the CCT policy will provide an opportunity for promoting a better practice CPM in local authorities, but whether it is fulfilled will depend on the response of the authorities to this challenge.

Finally, as much local authority property management work may flow to the private sector, the private sector's expertise and management system/methods may provide an opportunity to formulate an innovative approach to managing council property. The quality of property management services may be promoted due to a wider and more professional expertise being available from private firms and partnerships.

## **9.5 SUMMARY AND CONCLUSIONS**

Four main conclusions can be drawn from above analysis. First, in the practice of CCT for

property management, there are numerous many matters that have be taken into account, such as: formulating a property management policy in response to the CCT challenge; preparing a service profile; the client/contractor split; arrangement for the future of the current staff (the long-established in-house workforce); formulating specifications; determining criteria for tender evaluation and selection; undertaking tendering and awarding contracts; and, contract management and performance monitoring. The detailed guidelines for implementing property management services tendering has not yet been issued by the DoE (May 1994). However, the experiences of some pioneer authorities show that the whole process of preparing and undertaking competitive tendering is a very complicated task and takes a long time. Given this situation is seems desirable that local authorities should begin taking action in response to this policy without waiting for the Government's timetable; at the very least they should undertake a feasibility study of alternative ways for organising and improving their property management services.

Secondly, four main types of current staff arrangement have been witnessed in English local authorities responding to the CCT challenge. These are: dividing property management services into several contracts and contracting out separately while current staff are transferred to the contractors; setting up DSOs to cover most property management services; undertaking M/EBO for certain property management services; and, selecting a host company to provide a full range (with the exception of client functions) of the Council's property management services with staff being transferred to (or join to) the company.

These four types of arrangement are likely to remain the main alternative options which can be chosen by local authorities in arranging their long-established and experienced property managers under CCT policy. There is no general direction provided for local authorities in making their decisions. To determine which approach is the most appropriate (a combination

of two or more of these options is possible), local authorities need to consider their local circumstance, the nature of their services, and, the strengths/weaknesses of their internal property management group.

However, dividing property management services into too many small contracts provided by too many contractors who use different property management system and methods seems a sure recipe for an inadequate performance. Furthermore, setting up small DSOs is inefficient for small property holders in terms of the potential economies of scale, and, it may be more appropriate to adopt the "host solution" while keeping a robust client group. In conclusion, no matter what option is taken, it is essential for local authorities to establish a strong client group and formulate a corporate property management strategy. However, at the present time these issues are being given less attention than making arrangements for their current staff by many local authorities in their early stages of responding to CCT.

Thirdly, the extension of CCT to a wide range of professional services, including property management services is influencing the operation of local authority property management. The prospects of local authority property management in the near future (mid and late 1990s) can be described as follows. First, the requirements for local authority operational property may shrink as many services move out to more suitable (usually cheaper) property rather than use the council's existing property or depot. Secondly, many property management services will be provided on the basis of contracts which are awarded after a competitive process in which price and quality of services are the principal determinants. In-house property management units (DSOs) face the challenge from private sectors' competition. A higher proportion of local authority property management services may flow to private firms and partnerships. This may bring some private sectors' property management approaches or methods into local authority property management systems. Innovative approach to local authority property

management may be created as a result. Furthermore, the organisational arrangements, procedures and approaches of local authority property management will continue to change. A client/contractor split of property management functions is required. The use and management of property becomes a triangular relation between property users (service departments), property management client core and contractors. The function of the central property management unit will change, from controlling property use and providing property services to facilitating property users to obtain adequate property management services. Authorities controlling property management services provided by contractors will work mainly through specifications/contracts and monitoring mechanisms rather than direct control. CCT, thus, may also lead authorities to establishing a management culture with more emphasises on the outputs of property management services rather than the inputs (budget) only. However, at this stage local authorities do not have enough experience in evaluating the quality of professional judgements in property management and further development in this area is necessary.

Finally, CCT provides a good opportunity to promote CPM practice. However, the success of leading to a better CPM practice is unlikely to come from simply appointing a contractor and then forgetting the property management matters until it is time to invite tenders again. A strong triangular relationship between property users, core group and contractors should be established. Property users specify their detailed requirements in property services. A robust property management core group makes every effort to identify the council's property management strategy, to update a precise property inventory and property management information system, to prepare carefully service specifications and monitoring mechanisms, and, to set up unambiguous guidelines to enable the provision property services. Then, contractors will provide good quality and economic property services.

## **CHAPTER 10. CONCLUSIONS AND RECOMMENDATIONS**

### **10.1 INTRODUCTION**

This research has focused on a corporate approach to the management of English local authority property, with particular reference to the management of operational property. It was set in the general context of English local authority administration in terms of local authorities' internal management arrangements and their operational environments (chapter 4). The combination of different research methods in different stages has proved to be an effective approach to achieve the objectives of this research i.e. to understand the general circumstances of local authority property management, to identify the elements which relate to and influence the practice of CPM, to display the nature and operation of specific property management instruments (corporate property review), and, to highlight the prospects for local authority property management in the near future. The research provides a framework to help local authorities understand their practice and weaknesses of CPM and lists suggestions for improvement. In addition to considering the characteristics of corporate property management (CPM) (chapter 2), it investigated the recent practice of CPM and factors which relate to the good practice of CPM (chapters 5 and 6) in local authorities. The most immediately available and effective measure for managing local authority property as a corporate resource (i.e. CPR -- corporate property review) has been identified and analysed (chapters 7 and 8). Furthermore, the most significant current challenge to local authority property management (i.e. CCT -- compulsory competitive tendering) has also been identified and its possible impacts analysed (chapter 9). This chapter brings together and discusses all the main components and findings of the study. It also lists some ideas for further research in the field of local authority property management.

### **10.2 CONCLUSIONS AND RECOMMENDATIONS**

An 'organisational management' approach has been developed in this thesis to examine the

function of CPM in English local authorities. It has been used as a tool to describe the degree of CPM undertaken by local authorities and the factors which relate to the take-up and quality of the practice of CPM. It also provided a framework to analyse the functions and operations of specific property management instruments and their connections to CPM.

Furthermore, by using the strategy of combining different research methods (survey and case studies), the research has provided an enriched understanding of the nature and extent of the management of operational property as a corporate resource by English local government in the early 1990s. It has also suggested approaches for improving the practice of CPM to meet the likely changing environment of the late 1990s. By establishing a Corporate Property Management Index (CPMI)<sup>11</sup> and undertaking a sample postal questionnaire survey, the research found that more than half of English local authorities achieved a low CPMI score, i.e. one where improvement in CPM practice was desirable. The study also showed that the take-up of good practice CPM was clearly related to: an adequate property management organisational arrangement; an appropriate property management database; a committed central property management group with an active leadership role in diversified property management affairs; and, undertaking the instrument of corporate property review. Another finding was that the implementation of CPM was also significantly influenced by the operational external environment of local authorities (e.g. as set by central government's policies).

Four key obstacles to the take-up and operation of good practice CPM were also identified. These were: inadequate organisational arrangements for property management; the absence of a property database with records of all the council's property holdings and their utilisation;

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<sup>11</sup> This CPM index was developed in the early stage of this research and proved to be a useful and reasonable indicator for evaluating the achievement of CPM in local authorities.

an inadequate or no overall property management strategy; and, the absence of incentives to property users for joint occupation or transfer between departments. Other problems also considered to be important factors in causing poor practice CPM were: accounting systems which could not display the performance of property use/occupation; property users/service committees who ignored the importance of property management; the absence of a suitable property use performance measurement system; and, insufficient CPM staff/skills.

In order to overcome these obstacles and thus achieve good practice CPM, several actions have been suggested in this study. Among them the implementation of corporate property review (CPR) was suggested as the most immediately available and effective measure. The study in its second stage then examined the nature and operation of CPR in eight (four pairs) selected case study authorities. It concluded that CPR is a desirable foundation for good practice CPM. However, undertaking CPR does not automatically lead to good practice CPM. Comparison with the practice of CPR in four-pairs (higher and lower CPPI scoring authorities) revealed several deficiencies as obstacles to developing good practice CPM. This suggests that correcting these deficiencies (i.e. undertaking a robust CPR) is a sufficient condition for achieving good practice CPM.

The following elements are suggested as essential ingredients for implementing a robust CPR. First, CPR's objectives should be clearly defined and strongly linked with the Council's strategic management agenda. Secondly, a well-organised and adequately-resourced property review team is required. Further, a good working plan is required in which all the authority's operational property is systematically covered by the CPR. Fourth, a clear framework for analysing and evaluating factors to be considered in CPR should be established. Fifth, support from top councillors and managers (the Chief Executive and Chief Officers' Management Team) is important. Moreover, early consultations should be undertaken with the planning

department to obtaining their backing for the review. Seventh, co-ordination of working relationships with service departments and property users is required. An adequate property database is also essential. Ninth, monitoring the progress of CPR should be undertaken. Further, a corporate mechanism to deal with disputes should be set up. Lastly, the outcomes of CPR should be appropriately implemented. This research suggests that lower CPMI scoring authorities or those authorities which intend to promote their CPM practice should undertake a robust CPR immediately.

Given its dynamic operational environment, CPM in local authorities faces many challenges, such as local government reorganisation, devolved management, and, the requirements of compulsory competitive tendering (CCT). Among these, CCT will cause (and is causing) the greatest impacts on the organisational arrangements, procedures and approaches of local authority property management. In the near future the development or reorganisation of local authority property management systems (organisational arrangements and procedures) is likely to be dominated by the requirements of CCT. Through examining the experiences of several pioneering authorities in tendering their property management services, the third stage of the research explored the possible implications for local authority property management and potential impacts of CPM. The examination concluded that the competitive tendering task involves a diverse range of works and is very complicated and time consuming process. Given this situation local authorities should take action immediately to keep and/or promote good practice CPM.

The author suggests that local authorities should begin with an examination of their current property management systems and a consideration of alternative methods and organisational arrangements for providing property management services, then undertake a "quasi-contracting exercise". In this exercise, quasi-trading units are set up to provide internal



property management services. Other actions also have to be undertaken: identifying the requirements of services; setting up service standards and quality levels; preparing service level agreements and an internal trading accounting systems; and, determining the lines for reporting. Through this exercise authorities can get used to the more formalised method of working that contracting out imposes, and the quasi-trading units can develop a "business" ethic, which needs time to develop. Authorities can also accumulate experience of both the client and the contractor roles in the competitive tendering process.

In order to ensure that the internal trading units are robust enough to compete, these quasi-trading units should be given an opportunity to examine their operational system to discover and remedy their weaknesses. Thus, this exercise should be done at least one year before the services are put to competitive tendering. Only when these quasi-trading units are considered strong enough to compete with outsiders, are the direct service organisations (DSOs) established and property management services put into competitive tendering. Otherwise, local authorities must determine the appropriateness of other alternatives (e.g. the management buy-out or host solutions) to undertaking their property management functions. If the decision is to set up DSOs, then the preparations for competition should consider: (1) whether to concentrate upon particular areas of work 'in-house' and thus to contract out others; (2) whether to expand to compete for other public sector contracts as permitted under the Act; (3) how much autonomy to give the management of DSOs; and, (4) financial guidelines and internal accounts for the management of DSOs. Experiences from the "quasi-contracting exercise" can help authorities make these decisions.

Under CCT requirements, the organisational arrangements, procedures and approaches of local authority property management will be changed. The client/contractor split is leading the use and management of property towards a triangular relation between property users

(service departments), the property management client core, and, the contractors. Controlling the provision of property management services will mainly be achieved through contracts (specifications) and monitoring mechanisms rather than direct administrative controls. Through CCT local authorities are expected to establish a management culture with more emphasises on the outputs of property management services than the inputs (budget). The role of the central property management unit will change, from one of providing property services directly and controlling property use to one of enabling efficient property management services to be provided and facilitating property users obtaining adequate property management services.

It is argued that CCT provides a good opportunity to promote CPM practice, because the property management group is likely to play an active role in diverse property management tasks<sup>12</sup> after the client/contractor split, and, because the main obstacles to CPM (see Table 6.1) can be overcome under the operation of CCT. However, the key point is that local authorities should make efforts to establish a robust property management client group.

Furthermore, in response to CCT and other challenges (e.g. devolved management), some authorities may consider devolving certain responsibilities for operational property matters to user departments (e.g. Berkshire County Council has done). However, if this is the case then a strong property management client (core) group should be established to ensure that good practice CPM is undertaken. Each property user may consider its requirements in accordance with its own strategy. The client group should have a corporate approach in assembling the property management requirements of all service departments and property users and in considering the authority's corporate development needs in current and future dimensions. In other words, the client group should have the capacity to retain a corporate

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<sup>12</sup> This point has been identified as an essential element for good practice CPM in chapter 5 section 5.

function rather than merely resembling a bundle of services. Based on the assembly of requirements, the service profile and specifications can then be formulated, considering and depicting the council's corporate objectives and required outputs.

It is suggested that the following tasks should be undertaken by the client group: establishing and updating a property database; formulating and renewing the local authority's property management strategy; preparing a property acquisition and disposal plan; providing guidelines for property acquisition and disposal; formulating a property maintenance/repair plan; setting up instructions for property leasing management; and, controlling the budgets for property expenditure. In order to remain or promote good practice CPM, authorities should increasingly concentrate on these core activities of property management and establish a strong client group to undertake them.

Some other elements are also essential for an authority responding to CCT. First, it should know exactly what is happening in its property management services (i.e. who is doing what, when and for whom, and, how much it is costing) and ensure that the right information is available. Secondly, it also has to establish a clear strategy for the contracting out of property management services. Thirdly, it should develop criteria for the evaluation and selection of tenderers, especially in relation to their property management approaches or methods. Furthermore, it must establish an adequate monitoring system and performance measurements to evaluate the quality of services provided by the contractors.

However, at this stage, local authorities do not have much experience in evaluating the quality of professional services in property management. Further development in this area is necessary. Some ideas are suggested which can be considered by local authorities or follow-up research in the development of a framework for evaluating the quality of property

management services. First, based on the nature of property management services a set of property service standards and "output performance measurements" can be developed, such as meeting time targets and identifying properties with specific problems in use or running costs where a property review service is being provided. Secondly, the development of these service standards and performance measurements should involve those property users who best know their requirements of property services. Thirdly, service standards should be indicated in the contract documents and be used in tender evaluation and selection. Finally, the performance of contractors needs to be monitored based on the service standards they achieve and against output performance measurements.

Further, the local authority associations, property professional organisations (e.g. Royal Institution of Chartered Surveyors and Local Authority Valuers Association) and bodies such as the Audit Commission should be encouraged in their work in this area and in making efforts to help local authorities develop a general framework to evaluate and select tenderers, and, to monitor the performance and quality provided by contractors. Staff training to obtain enough skill and competency in undertaking these evaluation and monitoring tasks should also be done by local authorities through their associations.

A wider aspect is that the study framework (research approach and methods) established here and the identification of the elements to be analysed can provide a useful guide for the study of local authority property management in other countries. It can be argued that the problems or obstacles of CPM found in English local authorities as identified in this research are likely to be found in other countries' local authority property management albeit they may be set in different contexts and operational environments. These experiences can be drawn upon by other countries' local governments for improving their property management practice. This research framework and experience in English local authorities has been particularly valuable

for studying the researcher's own country, Taiwan, which has been rapidly transformed into a more democratic and liberal society in the past decade. This follows a series of changes in terms of local government functions, structure and operation. In this background there is no doubt that the management of operational property<sup>13</sup> to support diverse local authority functions is an important issue and will be more important for Taiwan's local governments in the future. Improving the local government property management system by learning from other countries' experiences is an urgent task.

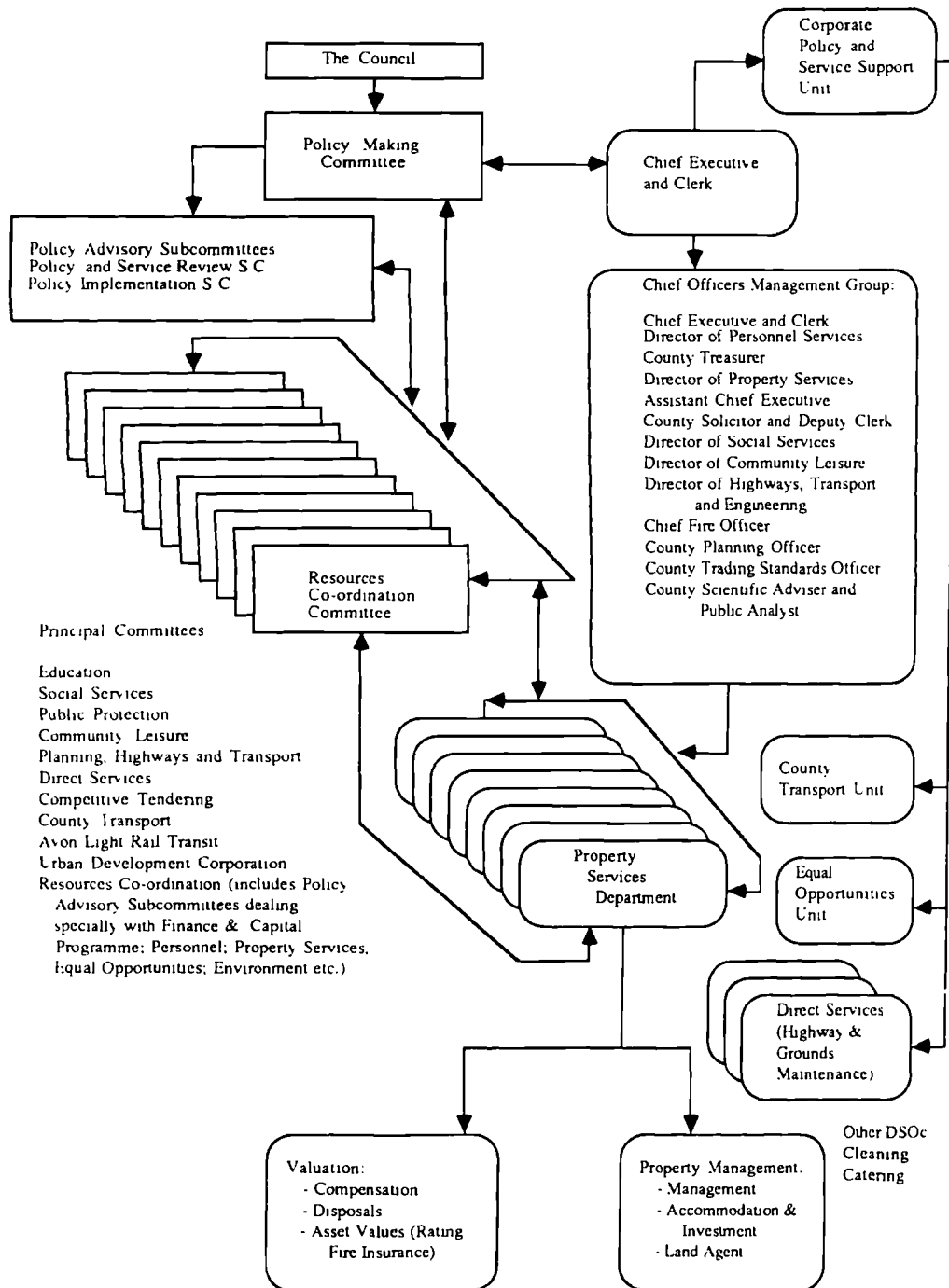
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<sup>13</sup> Taiwan's local governments do not hold investment property.

**Appendix A. Local authorities' internal management structure (11 cases)**

This appendix lists 11 authorities' organisational structure as examples of the variety of arrangements found in local authorities' internal management. These examples were selected and abstracted from local authorities' property management job descriptions packages which were collected in the early stages (October 1990- September 1992) of this research. The presentation format has been derived and the diagrams prepared by the researcher.

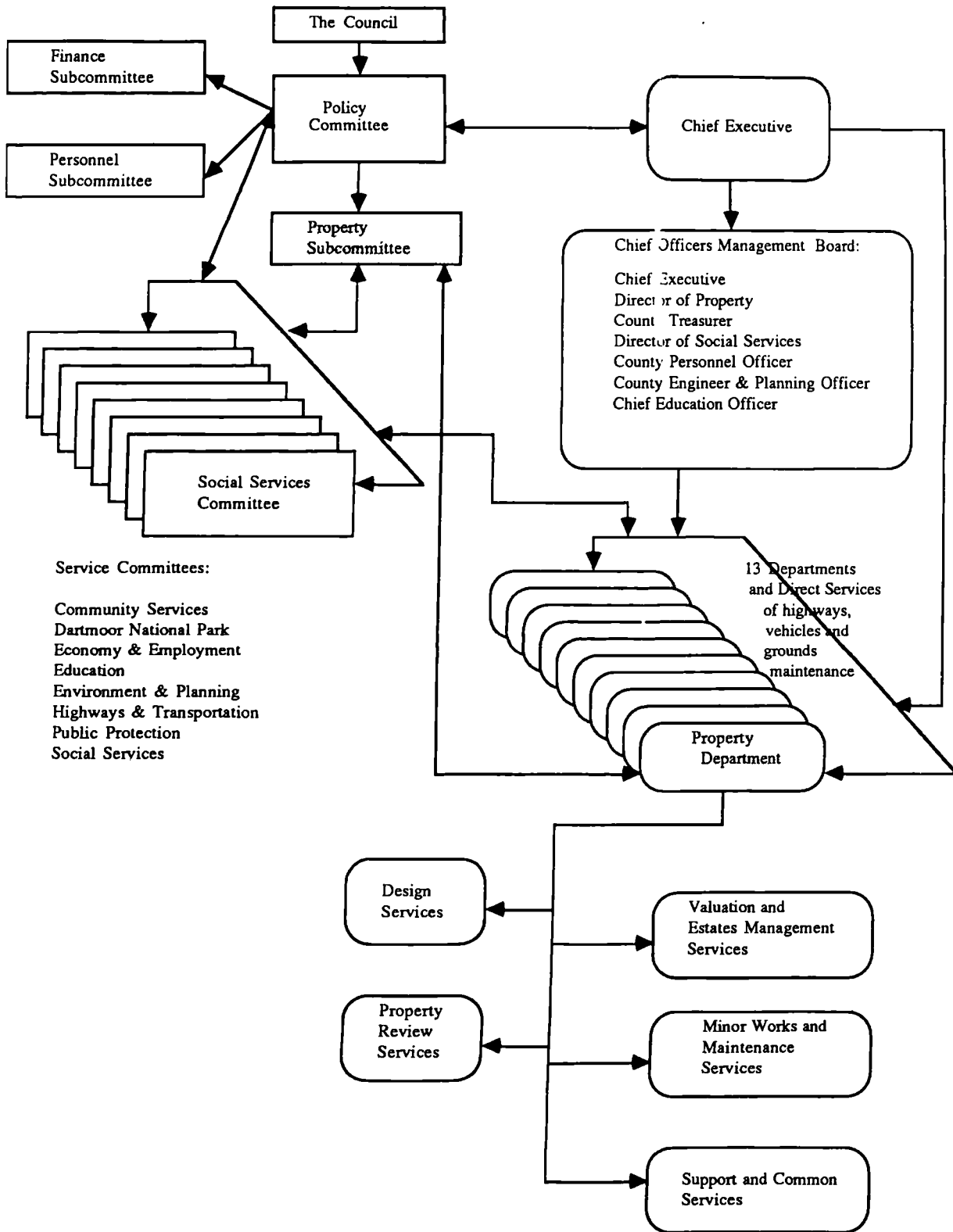
Figure A.A.1 Avon County Council's internal management structure



Source: Job description package :

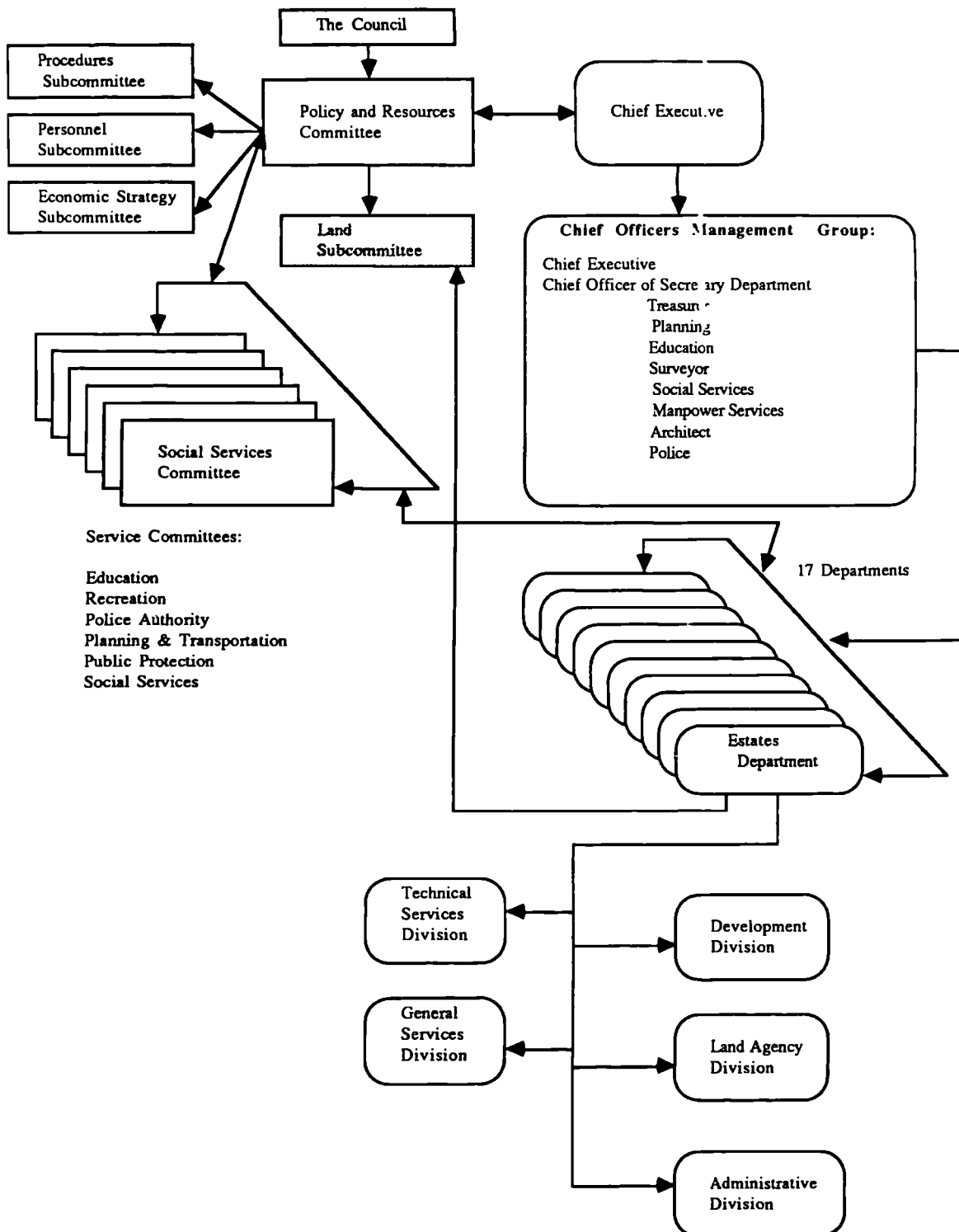
Principal Valuer (July 1991).

Figure A.A.2 Devon County Council's internal management structure



Job description package : Director of Property Services (June 1992).

Figure A.A.3 Hampshire County Council's internal management structure

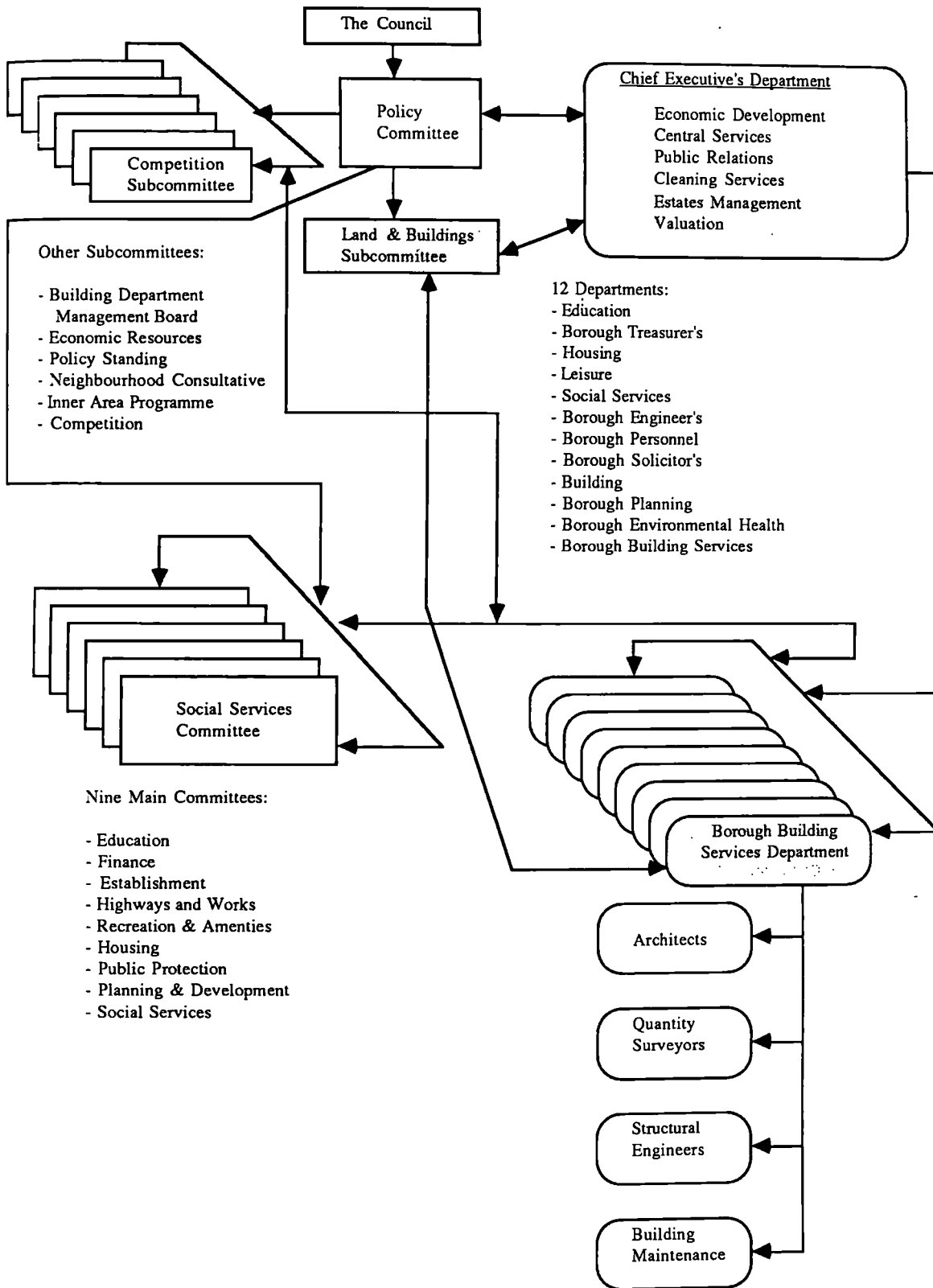


: Job description package : Senior Estates Surveyor (April 1991).

\* Head of Estates Department is not a member of COMG

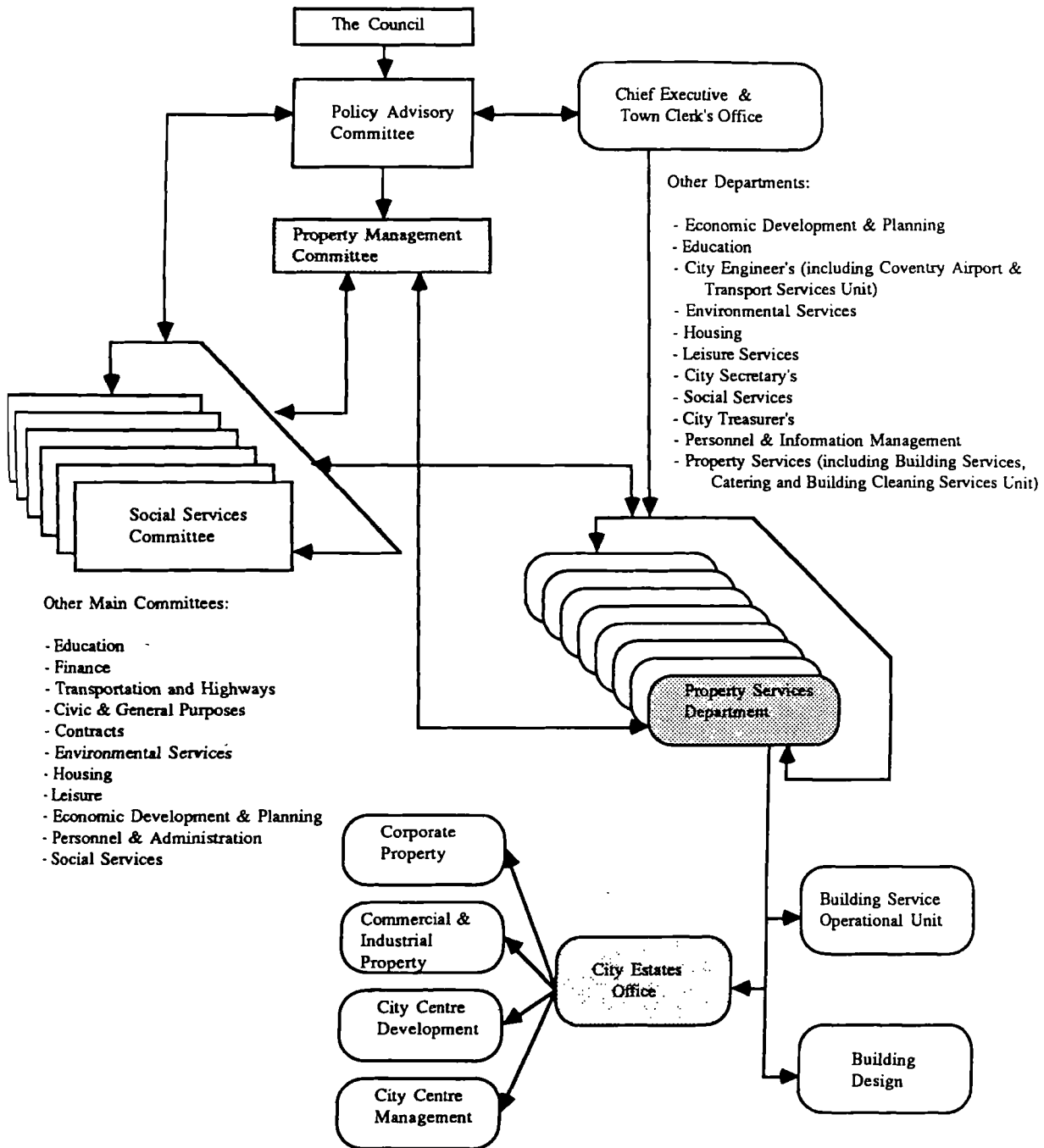


Figure A.A.4 Wigan Metropolitan District Council's internal management structure



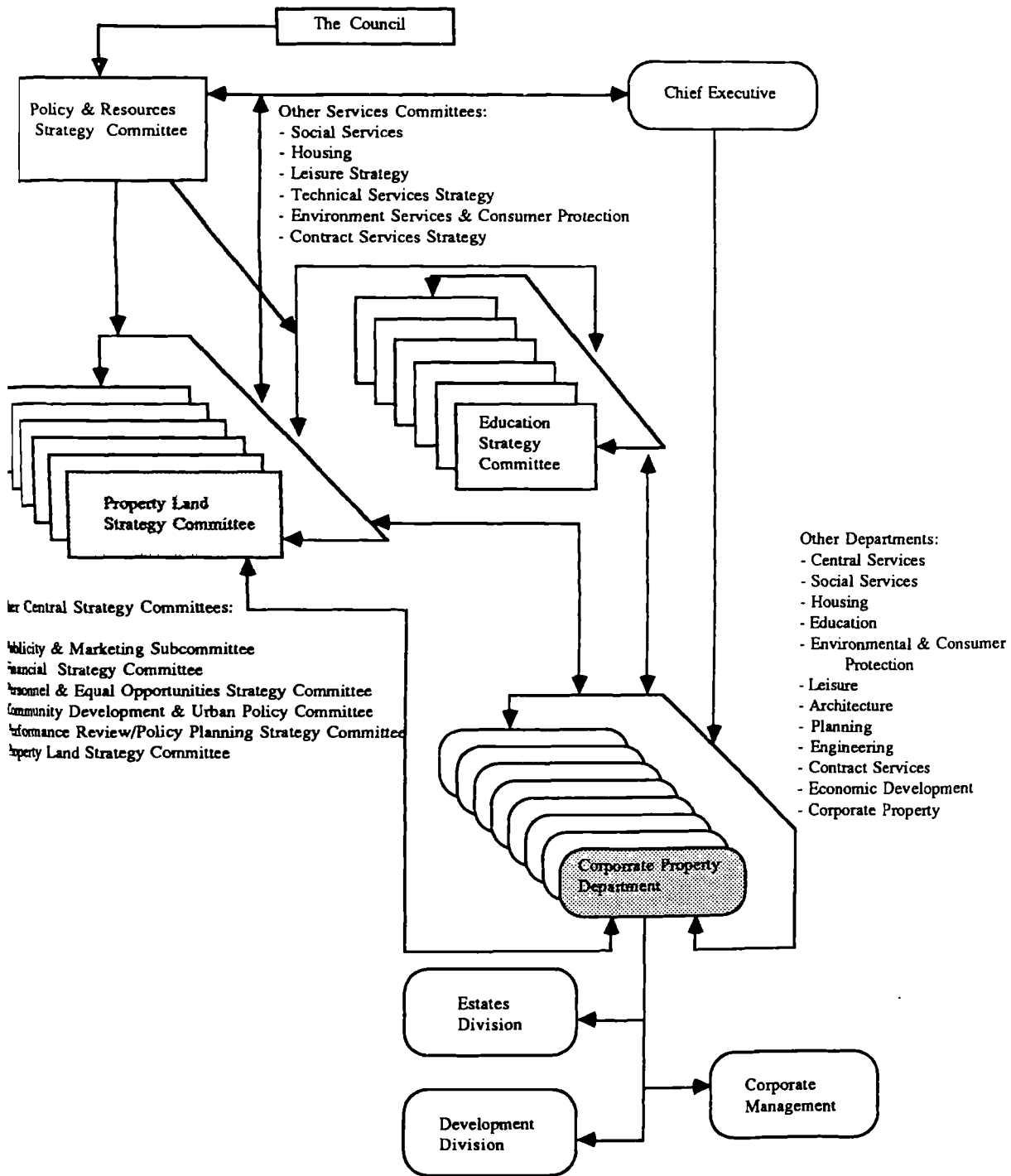
Source: Job description package : General Manager, Building Services (April 1991).

Figure A.A.5 Coventry Metropolitan District Council's internal management structure



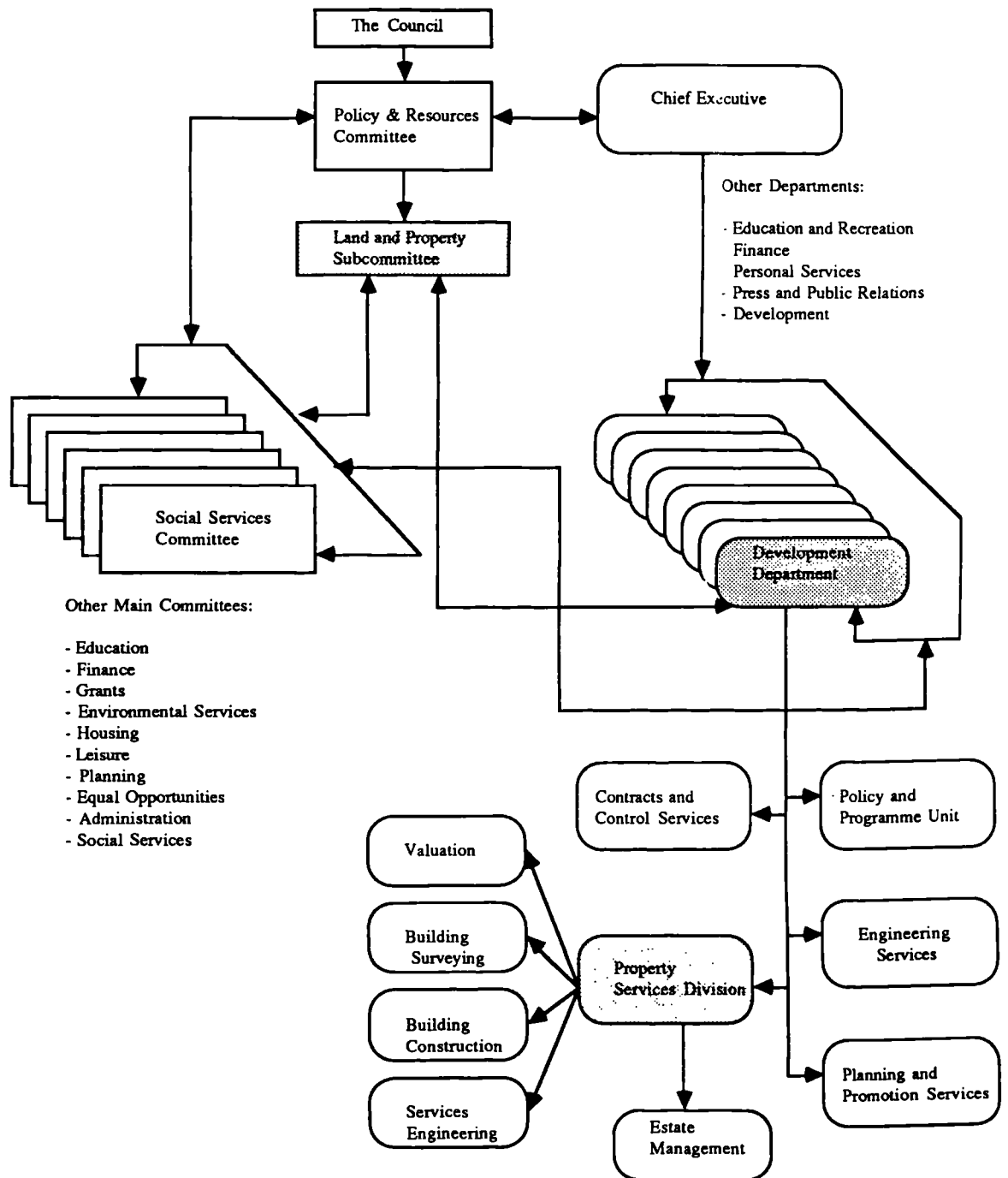
Job description package: Head of City Centre Management (June 1991)

Figure A.A.6 Sandwell Metropolitan District Council's internal management structure



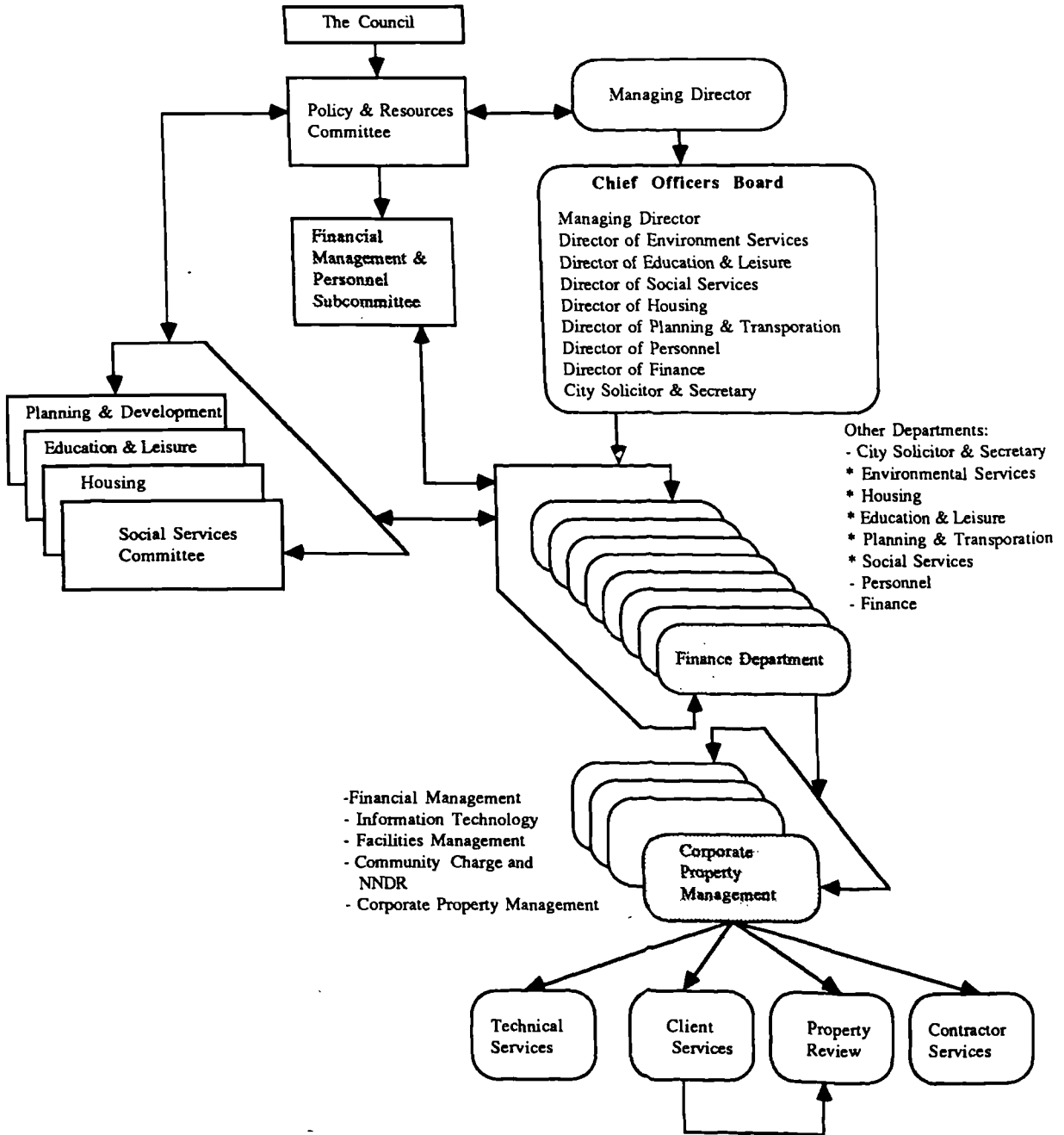
Source: Job description package: Facilities Manager (May 1991)

Figure A.A.7 Merton London Borough Council's internal management structure



Source: Job description package: Valuer (May 1991)

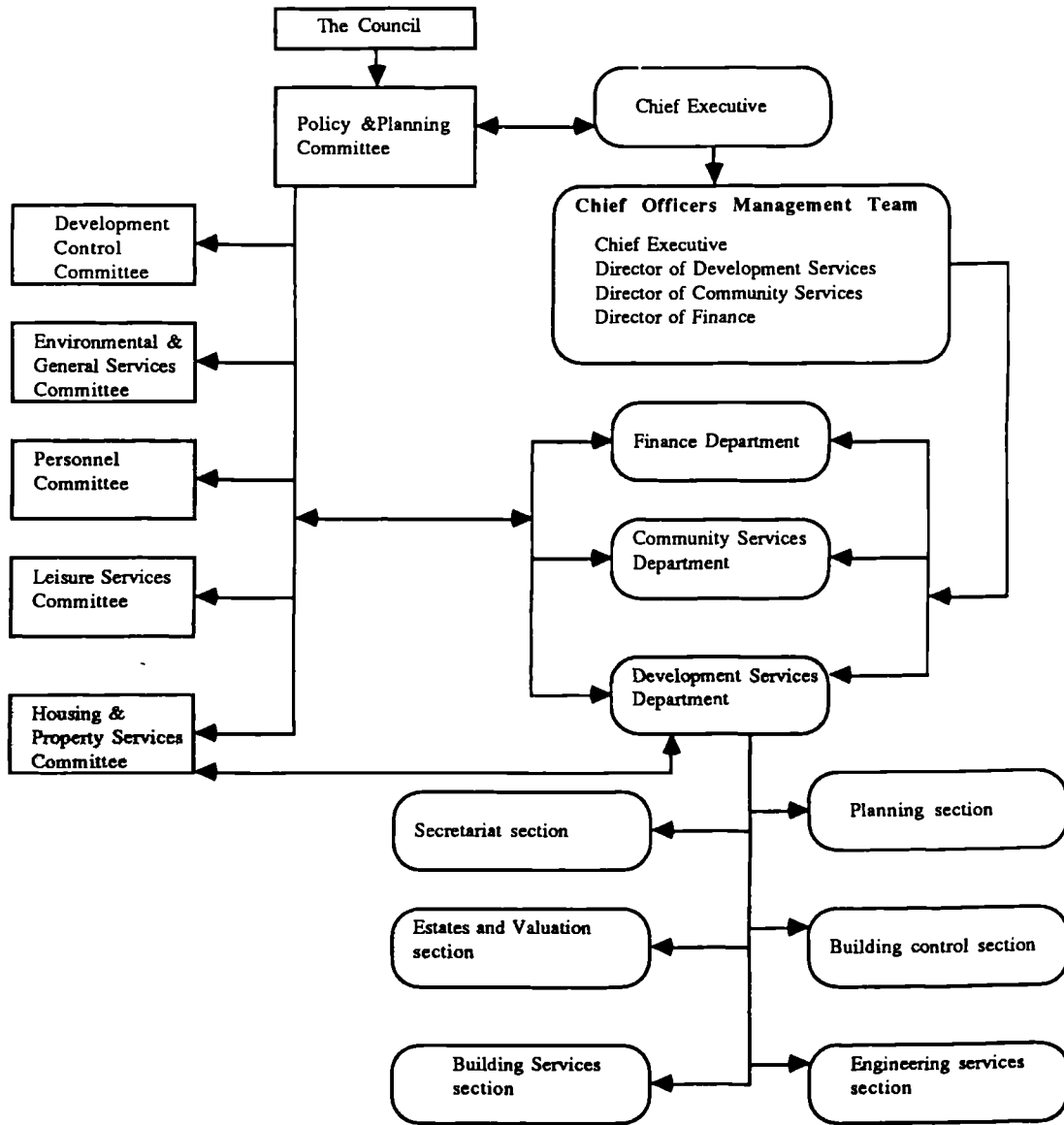
Figure A.A.8 City of Westminster Council's internal management structure



\* These five departments have their own departmental property managers.

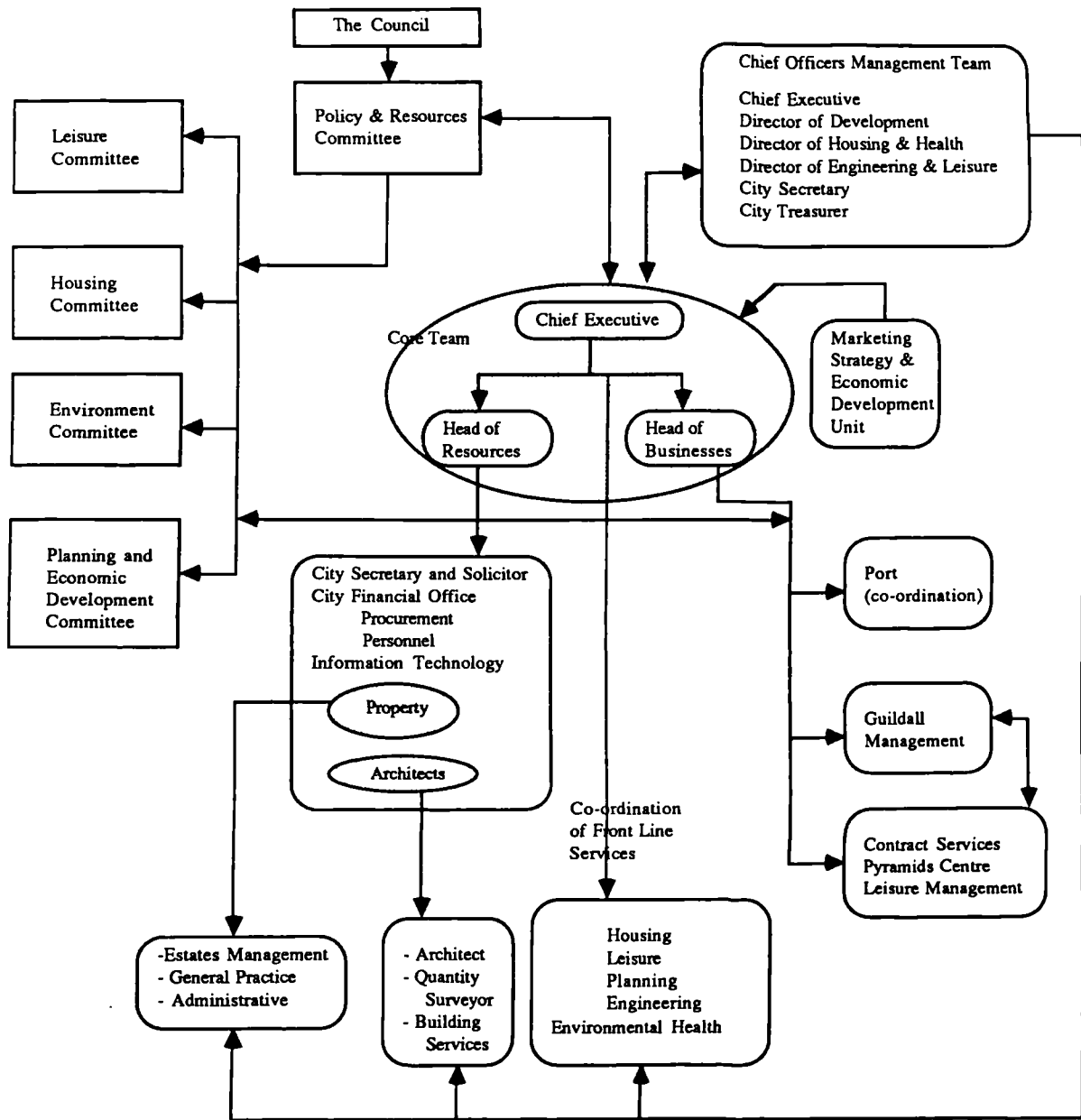
Source: Job description package: Corporate Property Manager (January 1992)

Figure A.A.9 Corby District Council's internal management structure



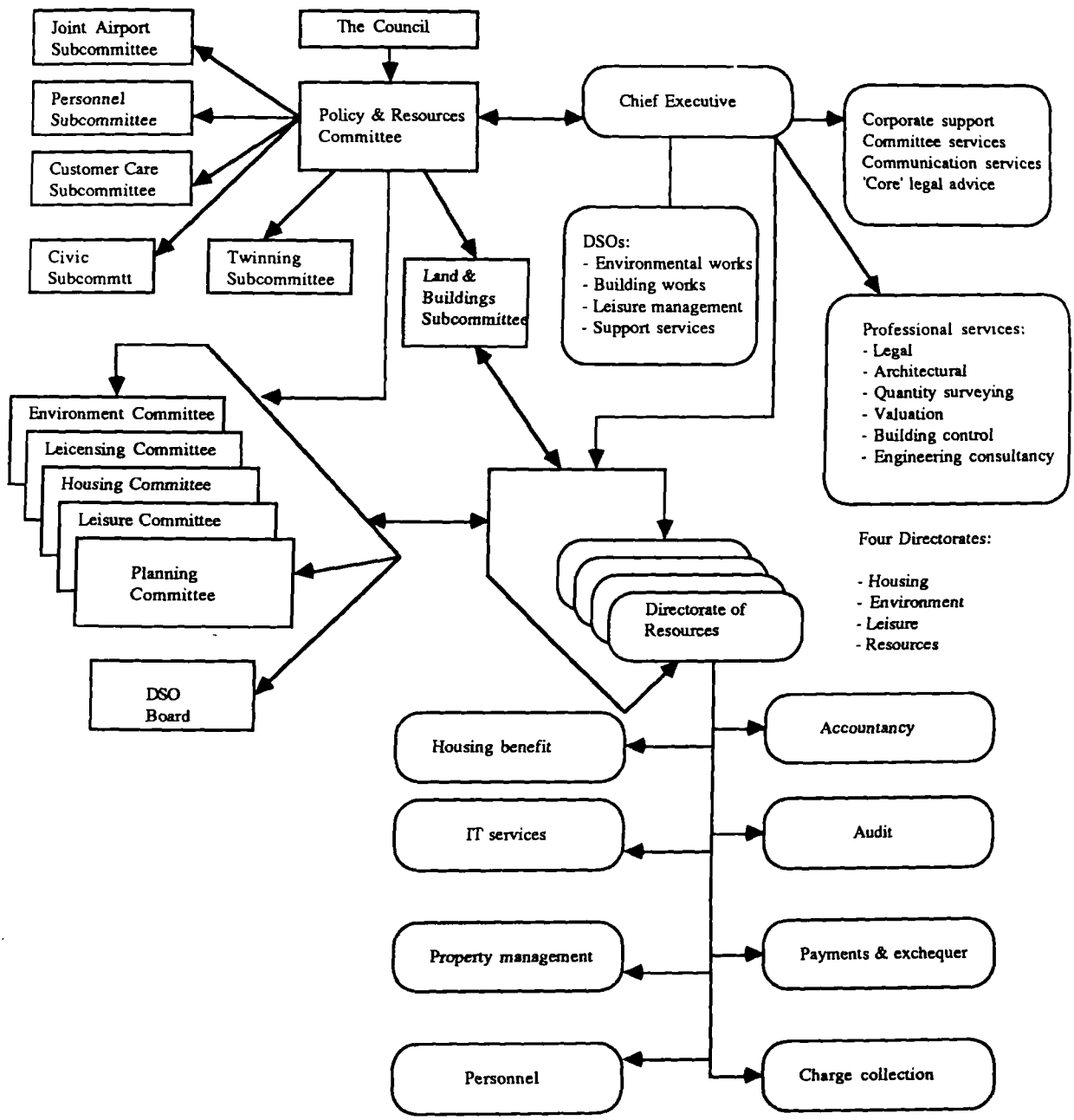
Source: Job description package: Principal Estates and Valuation Officer (March 1991)

Figure A.A.10 Portsmouth City Council's internal management structure



Source: Job description package: Property Manager (September 1992).

Figure A.A.11 Cheltenham Borough Council's internal management structure



Source: Job description package: Director of Resources (May 1991)



**Appendix B. A list of local authorities' property management job descriptions collected**

In total, 67 property management job descriptions were collected from local authorities in the early stages (October 1990 - September 1992) of this research. Table A.B.1 lists the numbers of job description packages being collected from four types of local authority. Further details of these job descriptions are listed in Table A.B.2.

Table A.B.1 The numbers of job descriptions collected by types of authority

Type of authority	Numbers of job descriptions being collected
County Council	19
Shire District Council	18
London Borough Council	14
Metropolitan District Council	16
TOTAL	67

Table A.B.2 Details of 67 local authority property management job descriptions collected

Name of authority	Job title	Collecting date
Avon County Council (CC)	Principal Officer- Property Review	July 1991
	Senior Valuer	July 1991
Bedfordshire CC	Assistant Estates Surveyor	November 1991
Cumbria CC	Portfolio Manager	April 1991
	Head of Estates Services	April 1991
Devon CC	Director of Property Services	June 1992
Essex County Council	Senior Property Review Officer	November 1991
Gloucestershire CC	Director of Property Services	April 1991
Hampshire CC	Development Assistant	April 1991
	Trainee Estates Survey	April 1991
Hereford and Worcester CC	Principal Officer, Land Agency and Survey	March 1991
Kent CC	Property Manager (Arts and Libraries Department)	October 1991
	Principal Corporate Estates Surveyor (Land and Property Department)	May 1992
Leicestershire CC	Property Services Manager (Constabulary)	March 1991
Lincolnshire CC	Principal Valuer	April 1991
Oxfordshire CC	Valuer	July 1991
Surrey CC	Principal Valuer	October 1991
Warwickshire CC	Valuer	April 1991
Wiltshire CC	Senior Valuer	December 1991
Adur District Council (DC)	Principal Estates and Valuation Officer	June 1991
Blackburn DC	Director of Development Services	April 1991
Bournemouth DC	Senior Management Surveyor	September 1991
Bromsgrove DC	Property and Valuation Officer	June 1992
Cannock Chase DC	Director of Development Services	May 1991
Cheltenham DC	Director of Resources	May 1991
Chesterfield DC	Senior Estates Assistant	December 1991
Corby DC	Principal Estates and Valuation Officer	March 1991
Newbury DC	Principal Estates Manager	August 1992
Nottingham DC	Estates Surveyor	October 1990
Portsmouth DC	Senior Valuer	September 1991
	Property Manager	September 1992
Preston DC	Senior Valuer	May 1991
Rochester upon Medway DC	City Development and Valuation Officer	March 1991
Southampton DC	Valuation Services Manager	October 1992
Torbay DC	Assistant Valuer	June 1991
Watford DC	Principal Estates Surveyor	June 1991
Worthing DC	Estates Manager	April 1991

Bexley London Borough Council (LBC)	Assistant Chief Valuer	March 1991
Corporation of City of London	Management Surveyor	June 1991
	Portfolio Surveyor	June 1991
Enfield LBC	Property Review Planner	April 1992
Haringey LBC	Principal Valuer	May 1991
Hackney LBC	Chief Assistant Valuer	September 1991
Islington LBC	Group Valuer	June 1991
Merton LBC	Valuer	May 1991
Redbridge LBC	Asset Registrar (Property Review)	January 1992
Richmond upon Thames LBC	Assistant Estates Surveyor	March 1991
Southwark LBC	Property Referencer (Legal Services Department)	May 1991
	Senior Valuer (Development Department)	June 1991
Sutton LBC	Valuer	May 1991
Westminster LBC	Corporate Property Manager	January 1992
Birmingham Metropolitan District Council (MDC)	Management Surveyors	May 1991
	Senior Valuer	May 1991
	Valuer	May 1991
Coventry (MDC)	Head of City Centre Development	May 1991
	Head of City Centre Management	May 1991
Gateshead MDC	Senior Estates Officer	October 1991
Knowsley MDC	Head of Estate Management	April 1991
Liverpool MDC	Chief Valuation Assistant	June 1991
Manchester MDC	Assistant Director (South Area)	September 1992
	Centre Manager (Wythenshawe)	April 1991
Newcastle upon Tyne MDC	Markets Manager	June 1991
Rochdale MDC	Estates Officer	June 1991
Salford MDC	Estates Surveyor	April 1991
Sandwell MDC	Assistant Estates Surveyor	April 1991
St. Helens MDC	Assistant Principal Surveyor	May 1991
Wigan MDC	General Manager (Building Department)	April 1991

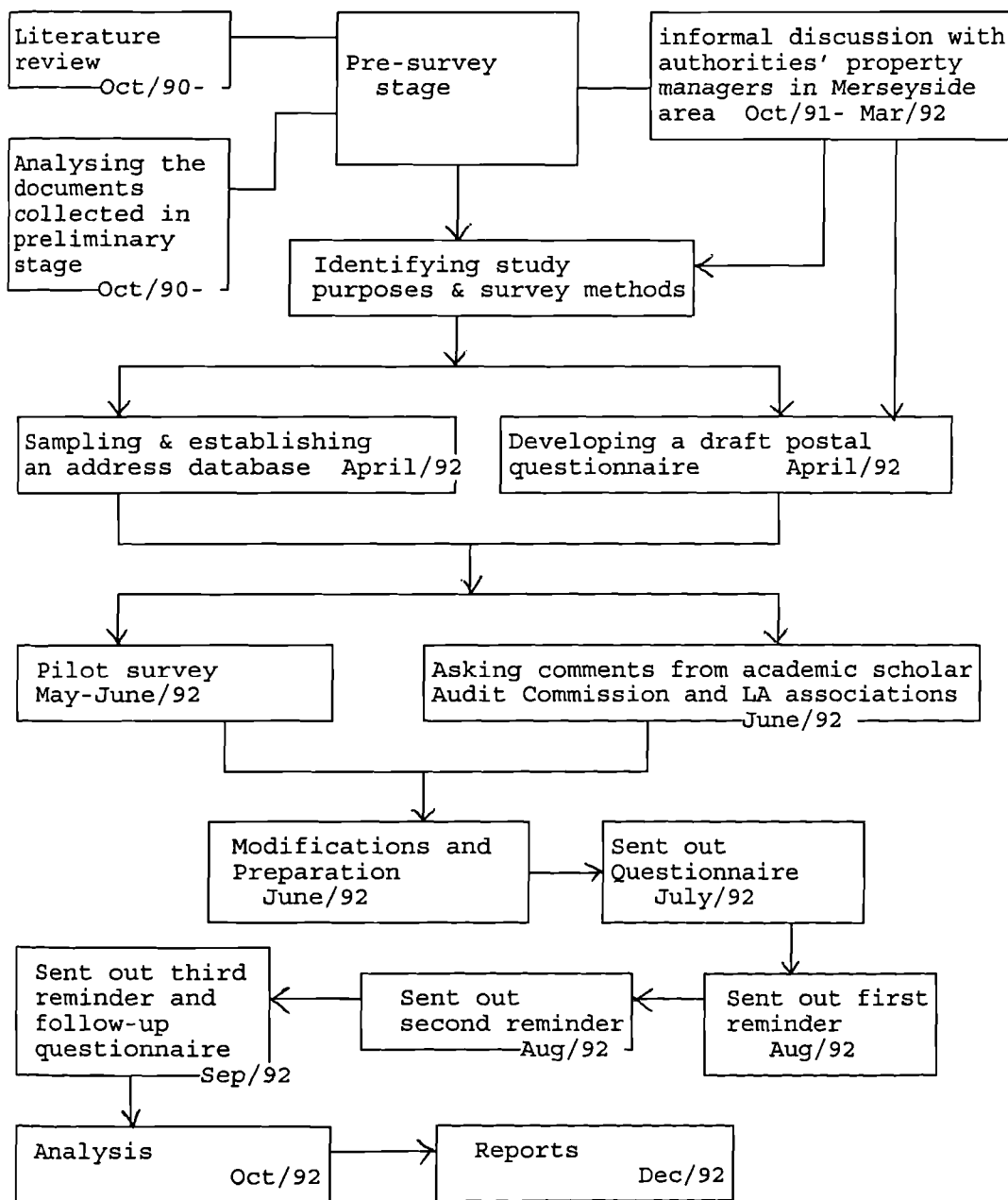
## APPENDIX C. THE IMPLEMENTATION OF SAMPLE SURVEYS

Sample surveys can be undertaken by interview or by postal questionnaire. **Interview survey** is a face-to-face situation in which an interviewer asks respondents questions which are designed to elicit answers related to the research hypotheses. It has the advantages of allowing great flexibility in the questioning process, greater control over the interviewing situation, higher response rate, undertaking a depth or complex survey, and collecting supplementary information which may be useful in the data analysis stage. However, its main disadvantages are: higher cost, the extended time which may be taken, interviewer bias, and lack of anonymity which respondents may feel threatened in sensitive questions (Frankfort-Nachmias and Nachmias 1992: 228).

**Postal questionnaire survey** has the advantages of lower cost or larger sample size; it is easy to reach the isolated or difficult sample; and, it allows respondents time to reflect on the questions and gives them the possibility to looking up records so that they can give more considered or more precise answers. However, the postal questionnaire has the weaknesses of: (1) placing reliance on respondents to complete the questionnaire, aided only by written instructions; (2) there is only an introductory letter to motivate people to complete and return the questionnaire; and, (3) there are limitations on the number of questions and the complexity with which they can deal. The response rate is also out of the researcher's control. Therefore, a cautious survey design is important in order to obtain a high response rate. Several things are essential in undertaking a postal questionnaire survey, such as: making questionnaire interesting and easy to understand; avoiding unclear questions, long questions and vague terms; making a good layout and structure; and, writing a clear and cogent covering letter to give a clear and simple introduction as well as simple instructions and definitions (Hoinvill and Jowell 1985: ch. 7). For the purpose of obtaining a large coverage of local authorities, and under the constraint of limited resources, the approach of postal

questionnaire survey is more appropriate in gathering data needed for this study. However, the possible weaknesses of adopting this approach should be considered at the earlier stage of the study. Therefore, a prudent survey design is necessary. The process of postal questionnaire survey used in this study is shown in Figure A.C.1.

Figure A.C.1 Flow-chart of the 1992 postal questionnaire survey



First, two actions have been undertaken at the pre-survey stage in order to identify the precise purposes of the survey and to make sure that the postal questionnaire approach would be a feasible method for data collection. Initially, the researcher carried out a literature review and an analysis of preliminary documents derived from the job descriptions of local authority property professionals and property management report, property committee meeting agenda or policy documents which were collected in the earlier stage of this study. This provided a more broadly-based understanding of the context of local authority property management and helped to identify the main factors which might influence the practice of CPM. Several informal (unstructured) interviews with local authority property managers in Merseyside area were thus undertaken to discuss the study's overall aims, the types of information to be collected, and the most suitable approach to gather and analyse information. Through these interviews, it was recognised that there was no convenient, easily-accessible source of information to match the requirement of the research. A survey to gather those data thus was necessary, and the approach of postal questionnaire was a feasible method. Accordingly and including discussions with interviewees, a draft questionnaire was prepared.

Secondly, a mailing address data-base were established and a sample drawn. As so many variables are analysed in the research, it is necessary to obtain a large number of sample. The researcher decided that all county councils, all metropolitan district and all London borough councils would be involved in the survey. There are too many (nearly 300) shire district councils in England. As constrained by resources available for the researcher, a sampling from them was necessary. Considering the requirement of a large sample which would be at least twice the size of the number of county councils, 30% of shire councils is a reasonable sample rate. Furthermore considering that the locality may be a factor related to the take-up and practice of CPM, a region-base random sampling method was used to select shire district councils to be involved in the survey. After those authorities had been identified, a database

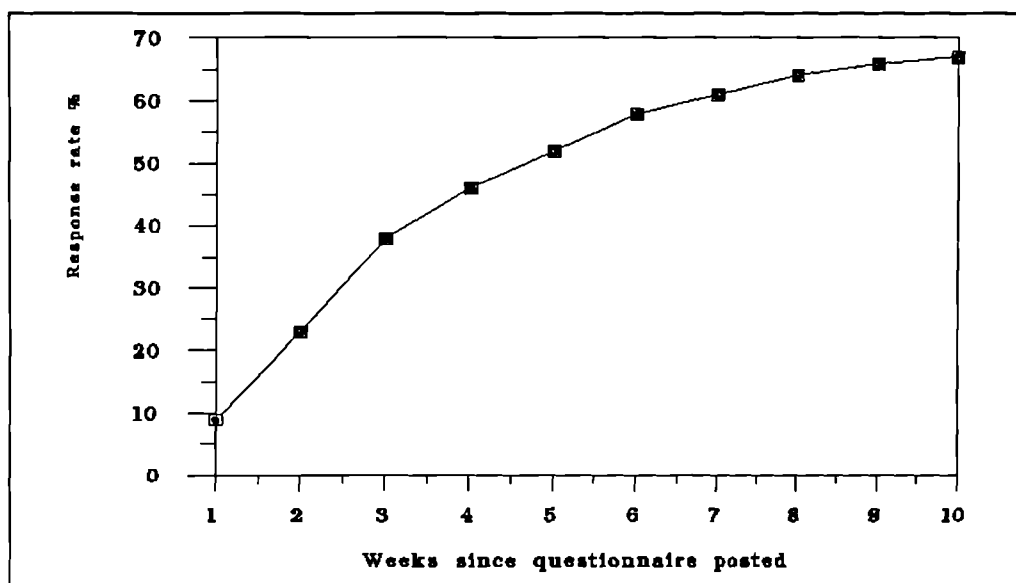
of mailing address (computerised) was established. A covering letter which contained a reference to the confidentiality inherent in all sample survey was also designed. This letter also gave an introduction of the aims and scope of the research and instructions for completing the questionnaire.

Thirdly, a pilot survey of eleven councils was conducted in order to identify the weaknesses of the draft questionnaire. Those respondents were asked to give comments on: (1) time used in answering the questionnaire; (2) difficulties in answering the questionnaire; (3) the terms whose meaning are unclear; and (4) the questions which are hard to answer. The draft questionnaire was also sent to the Audit Commission, the associations of local authorities, and some academic scholars to ask their comments about the questionnaire. Based on their comments, some modifications (in terms and order of the questions) were made. The most useful information which was obtained from the pilot survey was the identification of some sensitive questions which might have deterred recipients from replying to questionnaire. Therefore, the researcher decided to remove those questions from the questionnaire in order to obtain a higher response rate. The covering letter and the final version of the postal questionnaire are showed in [Appendix D](#). However, those sensitive questions which have been removed from the final version of the main questionnaire were still important to this research. In order to gather these information to support the study, a follow-up (confidential) questionnaire was developed ([Appendix E](#)) and sent to those respondents who had replied to the main questionnaire as they are likely to have an interest in this research project. In order to eliminate their anxiety about the sensitivity of the answers they give, this follow-up questionnaire set no reference number for an anonymous report. Through this approach, it was expected that a reasonable samples could be obtained to understand the main obstacles to CPM, the actions should be done to overcome these obstacles, and, the essential skills required by property managers who engaged in CPM. In order to distinguish the respondents

from different types of authority, different color of questionnaire was used.

The next stage was to undertake the postal questionnaire survey and the follow-up questionnaire survey. The main questionnaire was posted to 198 local authorities at the beginning of July 1992. In order to raise response rate, it was essential to remind those recipients who did not return the questionnaire. The reminding strategies adopted by the survey were: (1) sending a reminder letter to those authorities which had not yet replied three weeks after the first questionnaire was mailed to them; (2) the second reminder consisting of another copy of questionnaire and a return envelope sent to those had not yet replied at the end of the fifth week; (3) after seven weeks, posting the third reminder (a letter) to those authorities whose replied questionnaire had not yet received. The response rate of the end of each week is shown in Figure A.C.2 which reveals that reminders one and two had a contribution in raising the response rate, but the third reminder was less help. When the completed questionnaire was received, a thank-you letter was immediately sent to those respondents and they were simultaneously asked to answer the follow-up questionnaire.

Figure A.C.2 Response rates by the end of weeks since questionnaire posted





Two indicators are designed to show the quality of respondents. The first one is the position of the respondents in their council. The other one is the respondents' approximate years of the experience in PM. Over 60% of the respondents were in the second tier or higher in the council's property department or section. Over 75% of them had over ten years experience in property management, while 15% of them had 6 to 10 years experience. This information can be taken to imply that the quality of the completed questionnaires was a reasonably good guide to the real situation of those authorities' PM. A few replies had incomplete answers. Follow-up by telephone was undertaken in order to gain the complete answers. However, some incomplete answers (less than 2% of the replies) still existed due to respondents who could not or were unwilling to give answers. These incomplete items were regarded as missing data in the process of data analysis.

Responses to the main questionnaire were received from 132 authorities in England, representing a 67% response rate. The response rates by types of authority and by regions are showed in Tables A.C.1 and A.C.2. Those authorities which replied to the main questionnaire are listed in Appendix F. Responses to the follow-up questionnaire were received from 70 authorities (16 from County Councils, 36 from Shire Districts, 8 from London Boroughs, and 10 from Metropolitan Districts). As the follow-up questionnaire set no reference number for an anonymous report, it was impossible to remind those who had not responded. The response rate, therefore, could not be raised by reminders. However, the returns represented over 50% of the 132 mailed (see Table A.C.3) was acceptable as an indication of the general aspects of the opinions from local authorities' property managers about the skills needed in CPM to reveal the main obstacles experienced in CPM and their ideas about the actions should be taken to overcome them.

Table A.C.1. Response rates to the main postal questionnaire survey by local authority types

Type of Authority	Number of authorities (A)	Number to be sent a questionnaire (B)	Response number (C)	Response Rate (C)/(B)
County Council	39	39	26	67%
Shire District Council	296	90	65	72%
London Borough Council	33	33	18	55%
Metropolitan District Council	36	36	23	64%
OVERALL	404	198	132	67%

Table A.C.2. Response rates to the survey by regions.

Areas	Number to be sent a questionnaire (A)	Response number (B)	Response Rate (B)/(A)
North	17	10	59%
North West	23	17	74%
Yorks and Humber.	16	13	81%
West Midlands	20	11	55%
East Midlands	19	13	68%
East Anglia	9	8	89%
South West	21	13	62%
South East	73	47	64%
OVERALL	198	132	67%

Table A.C.3. Response rates to the follow-up questionnaire survey by authority types

Type of Authority	Number of authorities to be sent a questionnaire (A)	Response number (B)	Response Rate (B)/(A)
County Council	26	16	62%
Shire District Council	65	36	55%
London Borough Council	18	8	45%
Metropolitan District Council	23	10	44%
OVERALL	132	70	53%

The final stage was to use the statistical techniques, such as frequency analysis, cross-table analysis, to analyse data obtained from the survey. Data from the survey (as a sample) was used as the basis for inferences (explanations) for all local authorities; however, sample results are subject to sampling fluctuations. Whether a sample result matches or deviates from expectation should be examined. The techniques of statistical testing enables a researcher to determine whether a particular sample result falls within a range that can occur by an acceptable level of fluctuation. The *Chi-Square Test* is designed to evaluate whether the difference between observed frequencies and expected frequencies under a set of theoretical assumptions is statistically significant. This test is most often applied to problems in which two nominal variables are cross-classified in a bivariate table. The analysis of this study belongs to the two nominal cross-classified variables, especially, in examining the significant differences in the practice of CPM caused by various factors. The method of Chi-Square test (with the significance level equal 0.05) is thus used in this study's analyses.

## Appendix D. Postal questionnaire and cover letter

Dear Chief Officer,

### **RESEARCH PROJECT: LOCAL AUTHORITY PROPERTY MANAGEMENT**

I would like to ask for your help in a survey on the how **LOCAL AUTHORITIES MANAGE THEIR PROPERTY AS A CORPORATE RESOURCE**. This survey forms part of my research programme which I am pursuing at the Department of Civic Design, University of Liverpool.

The purpose of this survey is to develop an understanding of:

1. how property management is organised in local authorities;
2. current positions in managing local authority property as a corporate resource;
3. the methods/approaches to be used in achieving the objective of managing property as a corporate resource;
4. your opinions about managing property as a corporate resource.

This survey is mainly focused on the management of the Council's operational property used by council's departments to undertake their duties, i.e. excluding municipal housing, investment properties and tenanted farm.

The enclosed questionnaire should take less than 30 minutes to complete. Your response to this survey is important in order to make it truly representative of all the local authorities involved. Please may I assure you, that all the answers will be kept strictly confidential and no individual references from the questionnaire will be made either in my Ph.D. thesis or anywhere else. At the end of each question is some space for your comments or opinions which will be very welcome.

Please answer all applicable questions and return your completed questionnaire in the envelope provided before 20th July. I am looking forward to receiving your reply. Thank you very much for your help.

Yours faithfully,

Chia-Ho Ching B.A.(Land Economy), M.A.(Town Planning)  
Research student

QUESTIONNAIRE

Serial No

[ ]

PLEASE TICK EACH APPROPRIATE CATEGORY THUS  OR WRITE YOUR ANSWER IN THE SPACE PROVIDED.

Q1. Which of the following terms best describes the (Sub)Committee(s) responsible for the Council's property management (PM) matters?

- 1  A separate Committee for all PM matters
2  A Sub-Committee under the Main (Policy and Resources) Committee (P & R C) responsible for all PM matters
3  A Sub-Committee under another Committee (non P & R C) responsible for all PM matters. Please give its name.

4  More than one (Sub)Committee shares PM duties. Please give their names and how they share PM duties

Q1a. Is the Chair of this PM (Sub)Committee a member of the Council's main (Policy and Resource) Committee?

- Yes 1 No 2 Don't know 3

Comments:

Q2. Which of the following terms best describes your Council's property management unit (department/section)?

- 1  A separate property management/service department
2  A division within another department
Please give the name of this Department:

3  Does not have a central PM unit
Please state who deals with the PM matters:

4  Other please state

Q2a. Is the PM Chief Officer a member of the Chief Officers' Management Team? Yes 1 No 2 Hasn't a PMCO 3

Comments:

Q3. Which of the following property-related functions are included in the PM unit stated in Q2? (Please tick all those which apply)

- Estate Management 1 Valuation 2 Architecture 3
Building Regulations 4 Development 5 Engineering 6
Building Maintenance 7 Facilities Management 8 Planning 9
Others or Comments, please write in

Q4. Has your Council significantly reorganised its PM services? Before 1985 1 1985-87 2 1988-90 3 After 1990 4
Has not reorganised 5 Don't know 6

Comments

Q5. Do any of the Council's service departments have their own internal property managers to manage the property they occupy/use? Yes 1 No 2 Don't know 3  
-If so, please give the name of the department(s)

---

-Does the Council have approved standards to guide these departments in managing the property they use?  
Yes 1 No 2 Don't know 3

Comments: \_\_\_\_\_

---

Q6. Does the PM group (Committee and Department or section) have overall responsibility for the effectiveness/efficiency of the Council's use/occupation of its property?  
Yes 1 No 2 Hasn't a PM group 3

Comments: \_\_\_\_\_

---

Q7. Please indicate approximately how many properties (buildings and land sites) the Council currently holds (excluding municipal housing, investment properties and tenanted farms).  
< 200 1 201 - 500 2 501 - 1000 3 1001 - 2000 4  
2001 - 3000 5 >3000 6 Don't know 7

Comments: \_\_\_\_\_

---

Q8. Does the Council have a central property inventory which records all the Council's operational property holdings in Q7?  
Yes 1 No 2 Don't know 3

-If yes, does the PM unit (department/section) have the responsibility to update this inventory?

Yes 1 No 2 Hasn't a PM group 3

-Is this property inventory computerised?

Yes 1 Part of it 2 No 3 Don't know 4

-Which of the following data are recorded in this inventory?

- 1  Ownership (legal deeds, location, size)
- 2  Use situation (present user, occupation ratio, running costs)
- 3  Physical attributes (year and type of construction, maximum capacity)
- 4  Acquisition cost and purpose

- 5  Historic spend on premise maintenance and repair
- 6  Maintenance/repair cost requirements and in progress
- 7  Property awaiting disposal
- 8  Value of property

Others or Comments: \_\_\_\_\_

Q9. Which of the following annual property expenditures has been reduced (in real terms) in the past three years by your Council?  
1 New capital programmes 2 Maintenance/Repair  
3 Running costs 4 None of above 5 Don't know

Q10. Does the Council regularly (e.g. yearly) audit its expenditure on property used/occupied by service departments?  
Yes 1 No 2 Don't know 3

-If so, what is the role of the PM group in this task?

- 1  Totally undertaken by PM group
- 2  PM group involved as leader
- 3  PM group involved but not as leader
- 4  PM group not involved
- 5  Hasn't a PM group

Q10a. Is any proposed expenditure on property within the Council's Capital Budget subject to the approval of PM Sub/Committee?  
Yes 1 No 2 Hasn't a PM group 3

Comments: \_\_\_\_\_

Q11. Does the Council regularly audit these properties' physical conditions and use performance (eg. occupation ratio)?  
Yes 1 No 2 Don't know 3

If so, what is the role of the PM group in this task?

- 1  Totally undertaken by PM group  
2  PM group involved as leader  
3  PM group involved but not as leader  
4  PM group not involved 5  Hasn't a PM group

Comments: \_\_\_\_\_

Q12. What is the role of the PM group in developing the Council's PM policy/strategy?

- 1  Totally as suggested by PM group  
2  PM group involved as leader  
3  PM group involved but not as leader  
4  PM group not involved 5  Hasn't a PM group

-What is the role of the PM group in implementing this PM policy?

- 1  Totally implemented by PM group  
2  PM group involved as leader  
3  PM group involved but not as leader  
4  PM group not involved 5  Hasn't a PM group

-Does the Council have an approved comprehensive property management policy/strategy i.e. one which considers the Council's operational property holdings overall?

Yes 1 No 2 Don't know 3

If yes, please would you enclose a copy of the Policy/strategy statement. Many thanks.

Comments: \_\_\_\_\_

Q13. Does the Council have an overall property acquisition and disposal plan for operational property?

Yes 1 No 2 Don't know 3

Comments: \_\_\_\_\_

Q13a. Are all the Council's property transactions dealt with by the central PM group? Yes 1 No 2 Hasn't a PM group 3

Q13b. If service departments plan to lease property to another (eg. voluntary/charitable) organisation to provide Council service by indirect, what is the role of PM group in this leasing process?

- 1  Totally dealt with by PM group  
2  PM group involved as leader  
3  PM group involved but not as leader  
4  PM group not involved 5  Hasn't a PM group

Comments: \_\_\_\_\_

Q14. What is the role of the PM group in the maintenance/repair of the Council's operational property?

- 1  formulating the maintenance/repair plan
  - 2  Carrying out/supervising the maintenance/repair projects
  - 3  Monitoring the implementation of these projects
  - 4  PM group not involved in these tasks
  - 5  Don't know
- Does the Council have an overall property maintenance/repair plan?      Yes 1      No 2      Don't know 3

Comments: \_\_\_\_\_

Q15. What is the role of PM group in controlling the Council's property maintenance/repair budget?

- 1  Totally allocated to PM group
  - 2  Only controlling strategic maintenance/repair budget
  - 3  No power to control this budget
  - 4  Hasn't a PM group
- If not totally controlled, can the PM group intervene in the decision of service departments' property maintenance/repair budgets?      Yes 1      No 2      Hasn't a PM group 3

Comments: \_\_\_\_\_

Q16. Does the Council set space standards (e.g. per member of staff employed, etc) for any type of property use or occupation?

- Yes 1      No 2      Don't know 3
- If yes, please indicate those types of property and comments

Q17. If the PM group thinks a service department property is underused or misfitted to its current use, which of the following options can the PM group enact?

- 1  decides it should be disposed of
- 2  suggests it should be disposed of
- 3  decides it should be reallocated (transferred to other committee)
- 4  suggests it should be reallocated
- 5  None of above
- 6  Hasn't a PM group

Comments: \_\_\_\_\_

Q18. Does the Council have a policy rule that any surplus service department property is transferred to the PM Committee or a central (eg. Policy & Resources) Committee?

- Yes 1      No 2      Don't know 3
- Does the PM group manage all surplus property?      Yes 1      No 2      Hasn't a PM group 3

Comments: \_\_\_\_\_

Q19. Does the Council use any Performance Indicator(s)PI(s) to audit the performance of property use/occupation by user departments?

- Yes 1      No 2      Don't know 3
- If so, please state the PIs used and comments:



Q20. Which of the following types of Property Review have been undertaken or are undertaking in the Council?  
Single Property Review 1    Service Department Property Review 2  
Corporate Area Review 3    Never done a Property Review 4

Comments: \_\_\_\_\_

Q21. Does the PM group represent the Council as landlord so as to charge the user departments a real or nominal rent (Asset Rent) for their property occupation?    Yes 1    No 2

-IF so, what is the basis (eg. market value, debt charge or replacement cost) of this charge?

Comments: \_\_\_\_\_

Q22. Do you think that as a general rule local authorities should use and manage their property holdings as a corporate resource?  
Yes 1    No 2

Comments: \_\_\_\_\_

Q23. Please state the tasks you think should desirably be undertaken centrally by a PM group as the minimum requirements for managing property as a corporate resource.

Q24. Which of the following approaches do you think are useful for improving the management of local authority's property as a corporate resource?

Property Indicators 1    Asset Register 2    Asset Rents 3  
Service Property Review 4    Comprehensive Area Property Review 5  
Others or comments: \_\_\_\_\_

Q25. In your opinion, what should councils be doing which can lead councils to use and manage their property as a corporate resource. Would you make any other suggestions about best practice in this field, and how it might be encourage.

If you wish to add another sheet for comprehensive answer or comment, please do so.

## Appendix E. Follow-up questionnaire and cover letter

Dear Sir/Madam,

Please accept my thanks for your help in answering the questionnaire of Local Authority Property Management in England. A copy of the results of this survey will be sent to you for your information around September/October this year.

A second aspect of my research is to gather information on what property managers think about the **skills needed** in and **obstacles** to good practice in Local Authority Property Management. The sheet attached covers a number of topics related to these questions, and I would be grateful for your help once again in completing and returning it to me. Please note the sheet has no reference number, i.e. it is for an anonymous report. Many thanks.

Yours sincerely,

Chia-Ho Ching  
Research student

PLEASE TICK EACH APPROPRIATE CATEGORY THUS  .

**Q1. Which of the following property professional skills do you regard as essential for property managers engaged in managing local authorities' property as a corporate resource?**

- A  Formulating property management (PM) strategy plan
- B  Identifying the objectives of property holdings and use
  
- C  Integrating various parties' interests/determining priorities
- D  Understanding the property needs of service departments
  
- E  Imagining/creating alternative property uses
- F  Communicating with/persuading Councillors/service managers
  
- G  Detecting the changing environment which will influence the interests of property use or occupations and accordingly formulating response actions
  
- H  Property maintenance/repair financial analysis
- I  Monitoring the performance of various property uses/occupations
  
- J  Identifying the opportunity costs of property occupation

Others: please indicate

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**Q2. Which of the skills listed above do you regard as the most important (generally speaking)?**

The most important skill is \_\_\_\_\_

The second most important skill is \_\_\_\_\_

The third most important skill is \_\_\_\_\_

**Comments on the reasons for your choice and order of ranking:**

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**Overleaf to continue...**

**Q3. Which of the following are, in your view, the main current obstacles to your Council using and managing its property as a corporate resource?**

- A Lack of overall information on property holdings and use
- B Accounting system can't display performance of property occupation/use
  
- C Inadequate/no overall property strategy or policy
- D Lack of suitable property use Performance Indicators
  
- E Lack of good communication between property manager and users
- F Property manager has inadequate power to manage property as a corporate resource
  
- G PM affairs low priority in the Council Leader's and Chief Executive's agenda
  
- H The position of the Head of Property Officer isn't high enough
- I The user Committees/Departments ignore the importance of property management
  
- J Insufficient corporate property management staff/skill
- K No incentives to users for joint occupancy or transfer between Committees

Other obstacles or comments:

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**Q4. Which is the most significant obstacle among those listed above?**

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**Q5. In your opinion, what should be done to overcome the obstacles listed in Q3?**

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**Any further comments on the questions above or the subject of the project would be welcomed by the researcher.**

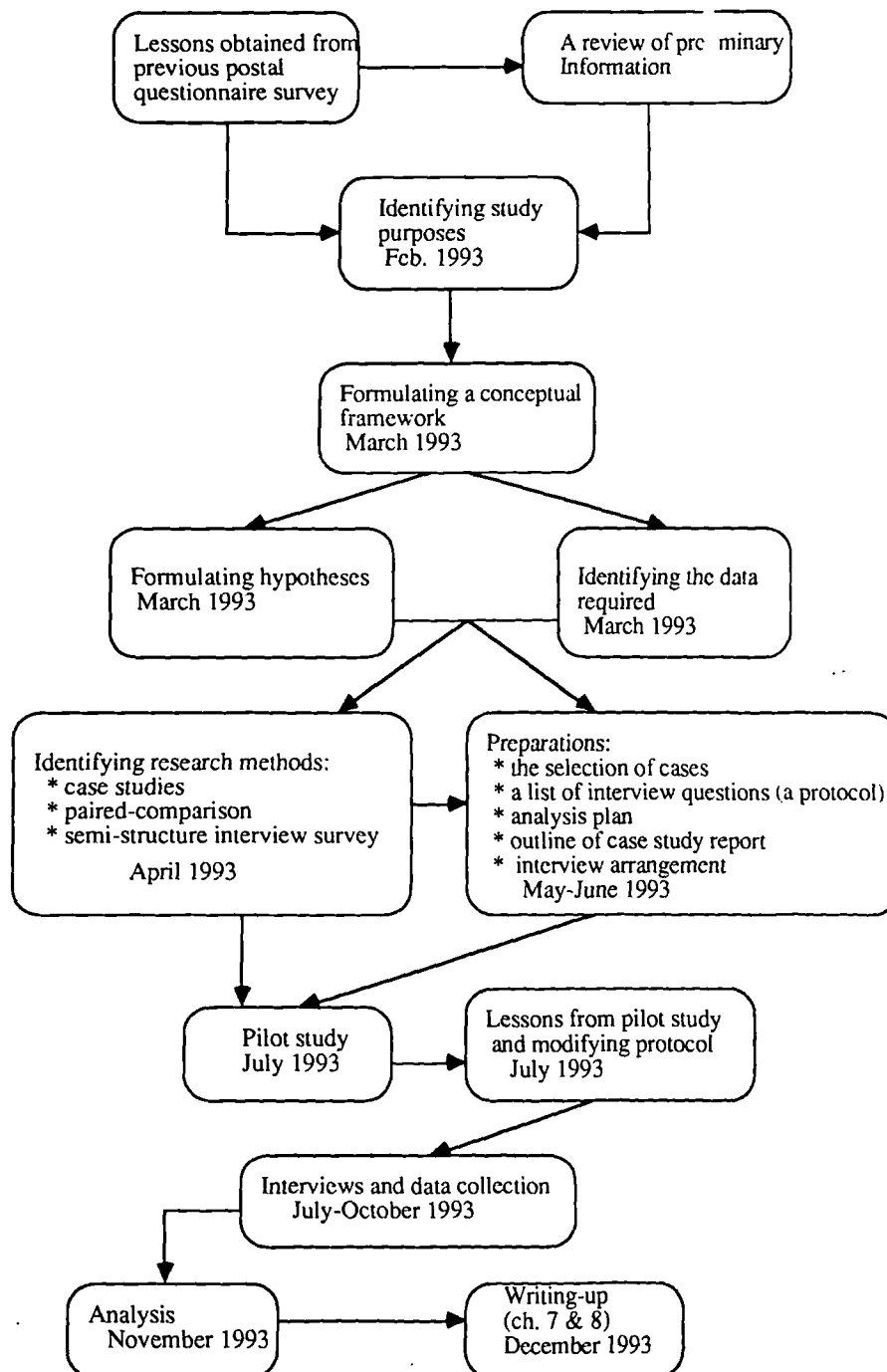
Appendix F. Authorities which responded to the 1992 main postal questionnaire survey

London Boroughs	County Councils	Metropolitan Districts	Shire Districts
Barnet	Avon	Barnsley	Alnwick
Bromley	Berkshire	Birmingham	Barrow-in-Furness
Camden	Buckinghamshire	Bolton	Bassetlaw
Croydon	Cambridgeshire	Bradford	Bath
Hackney	Cheshire	Bury	Blackburn
Hammersmith & Fulham	Cleveland	Calderdale	Blyth Valley
Harrow	Cumbria	Doncaster	Bournemouth
Hillingdon	Durham	Kirklees	Breckland
Lewisham	East Sussex	Leeds	Bristol
Merton	Gloucestershire	Liverpool	Burnley
Redbridge	Hampshire	Manchester	Cambridge
Richmond-upon-Thames	Hertfordshire	Rochdale	Canterbury
Southwark	Humberside	Rotherham	Caradon
Sutton	Isle of Wight	Sandwell	Carlisle
Tower Hamlets	Kent	St. Helens	Castle Point
Waltham Forest	Lancashire	Sefton	Cherwell
Westminster	Norfolk	Sheffield	Chichester
City of London	Northamptonshire	Solihull	Congleton
	Northumberland	Trafford	Corby
	Nottinghamshire	Wakefield	Daventry
	Oxfordshire	Walsall	Fareham
	Somerset	Wirral	Glanford
	Staffordshire	Wolverhampton	Gloucester
	Surrey		Great Grimsby
	West Sussex		Harrogate
	Wiltshire		Havant
			Hertsmere
			High Peak
			Ipwich
			Kettering
			Leicester
			Lincoln
			Luton
			Mansfield
			Milton Keynes
			North Bedfordshire
			North Warwickshire
			Northampton
			Norwich
			Pendle
			Peterborough
			Redditch
			Rochester upon Medway
			Rugby
			Rushcliffe
			Salisbury
			St. Edmundsbury
			South Lakeland
			South Ribble
			Southend-on-Sea
			Staffordshire Moorlands
			Stockton-on-Tees
			Stroud
			Swale
			Tendring
			Thanet
			Thurrock
			Warrington
			Warwick
			Watford
			Wellingborough
			West Somerset
			Winchester
			Woodspring
			Working

## Appendix G. The implementation of case studies' survey

The procedure for the case studies' survey is shown in Figure A.G.1. From the stage of identifying study purposes to the stage of identifying research methods which have been described in chapter 7 section 2, this Appendix describes the implementation of the case studies, including the selection of cases, formulating a questionnaire and an analysis plan, a pilot survey and formal surveys.

Figure A.G.1 Flow-chart of case study survey



### **(1) The selection of cases**

In order to avoid the general weaknesses of case studies, i.e. lacking generality and the difficulty of maintaining objectivity, the selection of cases is essential. Based on two considerations, four pairs of authorities (two county councils, two shire districts, two London boroughs, and, two metropolitan districts) were chosen as the objects of this study. The first consideration is that there should be many common attributes between selected cases and their respective groups (higher or lower corporate property management index (CPMI) scores and type of authorities) and conversely, few unique attributes (see Kennedy 1979: 666-668). Secondly, the 'matched' pairs are selected as far as possible (the ideal 'matched' pairs, i.e. balance in every attributes, might not exist) to refrain from non-CPR reasons (e.g. different organisational arrangement in property management or other property management instruments used) which caused the higher/lower CPMI scores. The attributes to be used in the selection include: attributes of the authorities (size, population, rural or urban development), property management organisational arrangement, size of property holdings, CPMI scores, and, other property management instruments used.

The purpose of the research does not require the specific identification of the individual local authorities. In order to retain confidentiality, therefore, the cases are identified with alphabetical names (e.g. County Council 'A' and County Council 'B') in the thesis. The eight cases (authorities) are briefly described below.

County Council 'A' is located in the region of South East England with population about one million. Its area is about 165 thousand hectares. Its principal towns include garden cities, new towns, and, several industrial areas. This Council has a separate department responsible for the management of its property portfolio (more than 3000 sites and buildings). The property management matters are reported to the Policy Committee. Its CPMI score is 5. In addition

to the implementation of CPR, this Council has undertaken service-base property reviews, and was establishing (1992) an Asset Rent System to assist its property management.

County Council 'B' is one of the largest county within the region of North-West England with a population of 1.4 million. Its' area is about 300 thousand hectares. Most of its principal towns are large industrial areas. Its' property (more than 3000 in number) is managed by a separate department under the control of a sub-committee of the Main Committee. Its CPMI score is 4. In addition to CPR, it has undertaken single property reviews and service-base property reviews.

Shire District 'A' is located in the region of Yorkshire and Humberside with population about 149 thousand, area 133 thousand hectares. It is a desirable residential area, formerly an important spa town and more recent development includes the creation of exhibition halls, luxury hotels and shopping centres. The number of operational properties owned by this Council is within the range of 201-500. A sub-committee of the Main Committee controls property management matters which are undertaken by a division of the Chief Executive's Department. Its CPMI score is 7. In addition to CPR, it also undertakes the instrument of Asset Rents system to assist its property management.

Shire District 'B' is situated in the region of South East England with population about 88 thousand. Its' area is about 10 thousand hectares. The Council includes four main townships and is sprinkled with small rural communities. It owns less than 200 operational properties which are managed by a separate department reporting to a sub-committee of the Main Committee. Its CPMI score is 3. In addition to CPR, it also undertakes the instrument of Asset Rents system to assist its property management.



The population of London Borough 'A' is about 320 thousand. Its area is nearly nine thousand hectares. It is a residential area with a large area of office buildings, shopping centres and hotels. It holds 1001-2000 operational properties which are managed by a separate department reporting to a sub-committee of the Main Committee. Its CPMI score is 5. In addition to CPR, it also has many years experience in undertaking service-base property reviews.

The population of London Borough 'B' is about 212 thousand living in an area of about four thousand hectares. It is predominantly a residential area with belts of industry. It holds around 1000 operational properties under the management of a separate department which reports to the Land Strategy Committee. Its CPMI score is 3. In addition to CPR, it also has undertaken service-base property reviews for many years.

Metropolitan District 'A' is located in North West with population about 215 thousand and area of about 10 thousand hectares. It contains a range of differing urban and rural environments. Major sources of employment come from industry (industrial park). It holds around 1000 operational properties managed by a separate department which reports to a separate property committee. Its CPMI score is 7. It only undertakes CPR.

Metropolitan District 'B' is situated in the region of Yorkshire and Humberside with a population of just over half million. It is an industrial city with about 36 thousand hectares. The number of operational properties it holds is between 2001 to 3000. These properties are managed by a separate department reporting to three area sub-committees. Its CPMI score is 4. In addition to CPR, it also undertakes single property reviews and service-base property reviews.

## **(2) Formulating a questionnaire and an analysis plan and undertaking a pilot survey**

Based on the conceptual framework established, the data needed in this study were identified. The following data items are required: reasons/motivations and initiator of CPR; objectives of undertaking CPR; organisational arrangement in undertaking CPR; procedure and participants for the implementation of CPR; and, the outcomes and contributions of CPR. In order to collect this information, a questionnaire was prepared (see Appendix H), including all the questions to be asked in the interviews. This questionnaire provided a mechanism to identify exactly what data was sought and to assure parallel information was collected in different case studies. This approach helped to reduce the possibility of a return visit to the case study sites.

Furthermore, an analysis plan and an outline study report were prepared beforehand to guide what would be done with the data once collected. These helped to record and analyse unstandardised information, and led to reasonable and unbiased conclusions.

A pilot survey was carried out before the case studies were undertaken. County council 'A' was chosen as the pilot study council. It was undertaken in 1st July 1993. This pilot study refined the data collection approach with respect to both content of the data and the procedures to be followed. Three lessons were learned from the pilot study. First, it is better to let those interviewees know the questions before the interview. A copy of the questionnaire therefore was sent to interviewees before the interview. Secondly, the conversation in interviews should be taped for keeping record and assisting writing-up reports. Thirdly, several recent challenges to English local authorities (e.g. compulsory competitive tendering, local government reorganisation and decentralisation policies) may influence the take-up and implementation of CPR. Their impacts should be considered in the survey. This issue was therefore added to the questionnaire (question 30 in Appendix H).

### (3) The implementation of survey

The data required was collected mainly through face-to-face interviews and document surveys (reports, committee agendas). The whole interviews of eight authorities were taped for keeping records and assisting writing up. The case study surveys were undertaken between July and October 1993 and shown in Table A.G.1.

Table A.G.1 The implementation of case study surveys

Case authorities	Survey date	Interviewees' position	Time spent in survey
County 'A'	1/7/93	Head of Property Audit	3 hours
County 'B'	6/7/93	Property Review Team Leader	4 hours
Shire District 'A'	29/7/93	Chief Estates Surveyor	4 hours
Shire District 'B'	12/8/93	Land and Property Manager	3 hours
London Borough 'A'	14/10/93	Senior Valuer	2 hours
London Borough 'B'	8/7/93	Chief Valuer	3 hours
Metropolitan District 'A'	15/9/93	Director of Land and Property	2 hours
Metropolitan District 'B'	20/8/93	Group Services Manager and Senior Surveyor	3 hours

## Appendix H. Case Study Questionnaire

- Q1. Could you explain the main reasons/motivations for the Council undertaking a Corporate Property Review (CPR)?
- Q2. What were the objectives of undertaking a CPR? Who suggested them?
- Q2a. What was the extent of these objectives linked with the Council's strategic management objectives and priorities?
- Q2b. Were the objectives of CPR clearly set out at the early stage of the review?
- Q2c. Were these objectives agreed by property users and service committees at an early stage of the review? If not, what were the obstacles and how did the Council overcome them?
- Q3. Who was the initiator of the CPR ?
- Q3a. Please state the organisational arrangement for CPR and please evaluate whether it is well organised? (considering the team embracing enough property professional and experienced staff as well as the involvement of service managers and those to be affected by the review)
- Q3b. Did the review team obtain adequate powers?
- Q3c. Did the leader of the review team have sufficiently high status?
- Q4. To whom does the property review team report? That is, the results of the review need their approvals. Why?
- Q5. Please describe the procedure and participants in different stages of CPR?
- Q5a. Does the council have an operational manual (guidance note or document) to state the authority, accountability, and procedure in undertaking the CPR?
- Q6. Does the Council have a property management strategy/policy? If so, how important is the CPR in the Council's property management strategy? If not, is the CPR an important issue in the Council's top management agenda ?
- Q6a. Were the outputs of CPR to be considered in the process of formulating or updating the council's PM strategy or the top management agenda? If not, why?
- Q7. Did the Council base its formulation or updating of a property transaction plan (PTP) on the outcomes of the review ? If not, why?
- Q8. Did the CPR report list/suggest the requirements and priorities for property maintenance/repair?
- Q8a. Did the Council base its formulation or updating of a property maintenance plan (PMP) on the recommendations of the review? If not, why?

- Q9. Did the Council inspect the expenditure on property use and occupation through CPR? If yes, what kinds of expenditure were inspected?
- Q10. Did the review projects include the inspection of the performance of property use and occupations? If yes, how did the Council measure this performance (i.e. the methods to be used)?
- Q11. Has the Council set up some standards for property use and occupation through CPR? What kinds of standards?
- Q12. Has the Council significantly saved its property expenditure due to the implementation of CPR?
- Q13. Has the council created a large amount of capital receipts owing to the CPR?
- Q14. Has the council significantly improved the quality of its overall services after CPR?
- Q14a. Has the council evaluated the improvements of the provision of various services by comparing the quality of services before and after the review?
- Q15. Please indicate the essential components for a successful CPR and how important they are. (A list of elements is provided to help you answer)
- Q16. Did the review base on a good working plan which included clear review procedure, clear review timetable and allocation of duties?
- Q17. Did the Council provide adequate resource to the CPR? If yes, what were they?
- Q18. What kinds of information were required in the review programmes? How precise was these information before the review? Could the review team easily gain access to these data? Did the review team undertake a detailed survey of these data during the review?
- Q18a. What proportion of time was spent by the review team in compiling and assembling these data? (give an average estimation)
- Q18b. Did the Council experience inadequate information as an obstacle in CPR? If yes, what actions have been done to overcome it?
- Q19. How did the Councillors support CPR at its beginning stages?
- Q19a. What actions have been taken to gain or enhance their support? and how useful were these actions in gaining or enhancing their support?
- Q20. To what extent did the Chief Executive and Chief Officer Team support the CPR at the beginning of the review?
- Q20a. What actions have been taken to gain or enhance their support? and how useful were these actions in gaining or enhancing their support?

- Q21. Did the Council use any incentives to assist the implementation of CPR? If yes, what were they?
- Q22. What were the elements to be considered in review? How did the Council evaluate these factors?
- Q23. To what extent did the property users/ service committees support the CPR at the beginning of the review?
- Q23a. What actions have been done to gain or enhance their supports? and how useful were these actions in gaining or enhancing their support?
- Q24. To what extent did the local public (community) support the review at its early stage?
- Q24a. What actions have been taken to gain or enhance their support? and how useful were these actions in gaining or enhancing their support?
- Q25. Were the solutions of review supported by the planning department? and what actions have been taken in gaining or enhancing their support?
- Q26. Were there conflicting interests between service committees/ departments and review team? If so, how did the Council resolve these disputes in order to decide the outcome?
- Q27. Did the Council monitor the progress of CPR? If so, how did the Council monitor the progress of CPR?
- Q28. Has the suggestions of CPR been appropriately implemented? If so, did the Council monitor the implementations of the outcomes or suggestions of the reviews?
- Q28a. To whom did the progress of implementing the recommendations of review report? How often did the implementation progress report to them?
- Q28b. Did the Council allocate an appropriate budget to implement CPR's recommendations? If not, what were the obstacles in implementing them?
- Q29. What obstacles has the council experienced in developing good practice of corporate property management after undertaking a corporate property review and how have they been overcome?
- Q30. Do you think Corporate Property Review will increase its importance in the near future within the Council's internal management under the pressure of CCT, reorganisation, decentralisation management ? Please also give comments on the impact of these changes on the corporate property management?

**Appendix I. A List of Local Authority Property Management Strategy/Policy Documents:**

Barnet London Borough Council (1991) Property Management Measures and Review 1990/91 (October).

Barnet London Borough Council (1992) Property Management Service Plans (February).

Blackburn Borough Council Council (1990) Services Development Plan (Department of Development Services) (November).

Bristol City Council (1992) Estates Management Policy (May).

Breckland District Council (1992) Premises Management Policy (July).

Harrogate District Council (1992) Business Plan (Property Services).

Hillingdon London Borough Council (1992) Land Strategy (June).

Kirklees Metropolitan District Council (1992) Asset Management- A Land Bank (March).

Richmond upon Thames London Borough Council (1989) Review of the Property Assets, (November).

Surrey County Council (1989) Comprehensive Property Review (December).

St. Helens Metropolitan District Council (1986) Corporate Land Management Policy (July).

Waltham Forest London Borough Council (1990) Management of the Corporate Estate (Land Strategy Committee Report) (July).

Waltham Forest London Borough Council (1991) Management of the Corporate Estate-- Area Property Review (Committee Report) (June).

Waltham Forest London Borough Council (1992) Management of the Corporate Estate-- Property Maintenance (Committee Report) (April).

Westminster City Council (1992) A Guide to the Property Holding Account.

**Appendix J. A list of Documents and Materials Used to Analyse Corporate Property Review (ch. 7)**

Enfield London Borough Council (1992) Job Description: Property Review Planner (April).

Essex County Council (1988) Chelmsford Property Review, Property Sub-committee Report (November).

Essex County Council (1989) Braintree Property Review, Property Sub-committee Report, joint Report by Architects Department, and, Estates and Valuation Department.

Essex County Council (1990) Thurrock Property Review-- A Property Review Strategy Document, Property Sub-committee Report by Property Services Department.

Essex County Council (1990) Property Resources Group Profile (May).

Essex County Council (1990) Job Description: Senior Property Review Officer (November).

Hereford & Worcester County Council (1989) Documents Submitted for Audit Commission Value Improvement Prize 1989: Effective Property Management Through Property Review.

Northamptonshire County Council (1989) Documents submitted for Audit Commission Value Improvement Prize 1989: Effective Property Management Through Property Review.

Northamptonshire County Council (1990) Internal Audit Report: Estates, Purchases and Disposals: A Systems Review (September).

Northumberland County Council (1989) Morpeth Property Study (Synopsis) (May).

Northumberland County Council (1991) Hexham Property Reviewed, Supplement in Local Newspaper (?).

Price Waterhouse (1988) Review of Northamptonshire County Council's Property Management Services (October).

Redbridge London Borough Council (1992) Job Description: Asset Registrar (Property Review) (January).

Richmond upon Thames (1989) Review of the Property Assets, Property Sub-committee Report (November).

Letter from Northumberland County Council's Deputy Director of Property (18/11/91).

Letter from Kent County Council's Head of Corporate Estates (21/11/91).

Letter from Sutton London Borough Council's Senior Valuer (20/9/93).



## **Appendix K. A List of Documents and Information Used in Analysing CCT (ch. 9)**

Berkshire County Council (1993) Marketing Testing of Estates and Valuation Services (May).

Coopers & Lybrand (1993) CCT for Local Authority White Collar Services: Construction Related Services, Report prepared by Coopers & Lybrand for the Department of Environment (November).

Ealing London Borough Council (1993) The Proposed Externalisation of the Technical Services Group- information pack for potential acquirers and questionnaire.

East Sussex County Council (1994) Appointment of Director of Technical Services DSO (January).

Estates Gazette (1994) "Clippings", Estates Gazette, 28 May, p.73.

Frampton, R. (1993) "Newcomer steals a march on surveyors", Estates Gazette, 27 February, p.30.

Gloucestershire County Council (1991) Property Service Department- a guide to the new structure (November).

Gloucestershire County Council (1993) Commercial Services- Your guide to our services.

Gloucestershire County Council (1993) Compulsory Competitive Tendering (Report of the Director of Commercial Services Board) (16 September).

Haringey London Borough Council (1991) Haringey Technopark- Ashley Road Tottenham N17 (package for the management of new multi-occupational B1 development) (August).

King, I. (1992) Positioning Yourself for Competitive Tendering: the property services perspective Paper presented at the conference on Competitive Tendering for Local Authority (9/11/92).

Lincolnshire County Council (1987) Competition Policy (Policy and Resources Committee Report) (26 June).

Lincolnshire County Council (1990) The role of the Committee in relation to County Council in-house contractors (Property and Contractors Committee report) (19 September).

Lincolnshire County Council (1992) Financial Guidelines in respect of commercial units (Finance Sub-committee report) (June 15).

Milton Keynes Borough Council (1993) Invitation for applications commercial property- food centre (November).

Portsmouth City Council (1992) Job Description: Property Manager (September).

Strohm, P. (1993) "Working in the Public Sector- Trying Times in the Civic Service", Estates Gazette, April 3, pp.78-9.

Westminster City Council (1991) Initial brief on the City of Westminster's portfolio of investment properties (December).

Westminster City Council (1993) Brief and Draft Service Specification: Property Valuation, Advice and Negotiation (August).

Letters from Oxfordshire County Council's Chief Property Manager (9/3/93 and 22/3/93).

Letter from WS Atkins- Oxford's Principal Consultant (15/3/93).

Telephone conversation with WS Atkins-Oxford's Principal Consultant (19/3/93).

Interview with Manchester City Council's Senior Assistant Director of Land and Property (6/10/92).

Interview with Barnet London Borough's Head of Property Services (19/8/92).

Interview with Harrogate District Council's Chief Valuer (29/7/93).

Interview with Hertsmere District Council's Land and Property Manager (12/8/93).

Interview with Sheffield City Council's Principal Valuer (20/8/93).

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