



CABINETOFFICE

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Civil Service Chief Operating
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Secretary

4 April 2023

Dame Meg Hillier MP
Chair of the Public Accounts Committee
House of Commons
London
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Dear Chair,

Managing Central Government Property

The Cabinet Office agreed to provide an update to the Committee on two areas by April 2023.

Please accept my apologies for the slight delay in providing you with this note. I had originally anticipated being able to respond by the end of March. However, the finalisation of the State of the Estate report took slightly longer than expected. I am pleased to be able to provide you with some of the figures from that report in the response to recommendation 7 below. I would request that these figures are not placed in the public domain before 24 April 2023 by which point the report is expected to be laid in both Houses.

Recommendation 5: The Cabinet Office should write to us by April 2023, setting out how it intends to reach its property disposal target, including:

- ***KPIs;***
- ***milestones;***
- ***disposals targets for each portfolio;***
- ***how it is monitoring compliance from all departments;***
- ***and how it is ensuring value for money during market fluctuations.***

Response:

The [Government Property Strategy 2022-2030](#) commits the Government to develop an annual pipeline of at least £500 million of disposals by 2025 to fund investment in the estate we need to keep. The disposal pipeline is expected to deliver total capital receipts of £1.5 billion from the sale of surplus property in the three years to 31 March 2025.

The disposal commitment was informed by Cabinet Office's knowledge of the Government property portfolio, and from analysis of the 2015-2020 property disposal programme which raised £5.195 billion in capital receipts. Cabinet Office has established a Disposal Programme that will run from April 2022 to March 2025, and will monitor and report on the Government's progress against the commitment by analysing, reporting on and monitoring disposal plans and disposal receipts, and setting relevant programme performance indicators and measures.

Disposal plans formed part of the wider property efficiency conversation that departments have had with Cabinet Office and HM Treasury during the Efficiency and Savings Review, launched at Autumn Statement 2022 and concluded at Spring Budget 2023. During this exercise departments shared any further opportunities for estates efficiencies. The Civil Service Chief Operating Officer and the Director General Government Property led a Property Roundtable with leaders of the four major landholding departments (Department for Transport, Department of Health and Social Care, Department for Levelling Up and Communities, and the Ministry of Defence) to inform the Efficiency and Savings Review. These four Departments are expected to generate around 80% of the disposal receipts commitment. The Roundtable gathered insights on the biggest opportunities and blockers for efficiency savings and agreed a set of tangible actions for departments to drive further efficiencies within the current Spending Review. The exercise confirmed that all existing efficiency proposals, including the £1.5 billion capital receipts commitment, were achievable within SR21. HM Treasury will be developing methods to track the delivery of these commitments for the coming SR period.

Following Deep Dive sessions with the major landholding departments in Autumn 2022, Cabinet Office commissioned departments to provide high level forecasts of expected capital receipts from disposals to 31 March 2025. Cabinet Office subsequently commissioned departments to produce a detailed forward look (pipeline) of their planned disposal activity to 2030 in order to stress test, risk-adjust and assure the high level receipt forecasts. This activity has provided assurance that the Government's disposal commitment can be met.

In order to account for adjustments in timeframes for disposals, departments will be required to refresh their forward look (pipelines) of planned disposals twice-yearly. This will also ask Departments to include details of all unconditional property disposal receipts from 1 April 2022. This will enable the Cabinet Office to monitor performance against the £500 million per annum disposal commitment. Performance against this and other efficiency commitments in the Government Property Strategy will be reported for the preceding financial year in the annual [State of the Estate report](#). I am pleased to be able to report that, for 2022/23, we expect the disposals target of £500m to be exceeded and this will be formally reported in the relevant State of the Estate report in due course.

The Disposal Programme will also report into the Cabinet Office Functional Standards Group (Efficiency Team) who will, through the new Government Efficiency Framework announced at Spring Budget 2023, ensure appropriate oversight and reporting are maintained for all savings identified during the Efficiency and Savings Review.

Cabinet Office officials are working closely with the major property holding departments, and with the support of HM Treasury, to develop proposals for unblocking barriers to planned and potential disposals that are identified through the disposal pipeline process. Cabinet Office will use its convening powers and call on its programmes including One Public Estate and the new Place

Pilots to unblock and support delivery, drawing in other enabling partners to provide additional capability and capacity where appropriate.

An updated version of The Disposal of Government Property (Real Estate) guidance will be published in 2023 to align with current Government priorities. The guidance provides disposal best practice advice and the technical processes to be followed to ensure Best Value is obtained in any disposal. This includes documenting the objectives driving the disposal, and from those to determine, with professional valuation advice, the most appropriate disposal strategy and method of sale. The guidance encourages departments with surplus property to first explore whether a transfer to other parts of government or the wider public sector may best achieve policy objectives prior to proceeding with a market disposal. Departments should consider the implications on the disposal strategy of a weaker or uncertain market, including whether setting provisions to benefit from increases in value after disposal through overage or clawback, or the potential for partnership or profit sharing arrangements are appropriate.

Recommendation 7: The Cabinet Office should write to us within six months splitting out operating costs of the government estate by expenditure type (including lease obligations) and also set out the current £500 million planned savings for each area and what scope there is for additional savings.

Response:

The government already collects and reports aggregated running costs from departments that are published annually in the State of the Estate Report. The next State of the Estate report for 2021-22 is due to be laid in both Houses when they return from the Easter recess. It will report that total expenditure was £22bn, out of which £2.3bn was the total rental cost of leases and £19.7bn was the service provision cost, utilities and other expenditure. The rent cost makes up 10% of the annual running cost.

The Government Property Strategy 2022 sets a 'top down' target of £500 million operating cost savings per annum by the end of the Spending Review period. It is expected that this target will be achieved primarily from reducing the size of the government leasehold estate, including rationalisation enabled by the Government Hubs programme, greater sharing of space across the public sector and exploiting the benefits of smarter working.

The Government Property Strategy sets as a Key Performance Indicator reductions to the annual running cost of each portfolio. The 2022-23 State of the Estate Report (to be published early in the new financial year) will set out what savings have been made from each portfolio in the first six months of the strategy (from September 2022 to March 2023).

Yours sincerely,



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