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# Ofgem – DPCR5 Non-operational Property Cost Review

30 July 2009

15107145/2

Version	Date	Amended by	Principal Changes
Version 2	30 July 2009		Final draft issued

**DRIVERS  
JONAS**

# Ofgem – DPCR5 Non-operational Property Cost Review

**30 July 2009**

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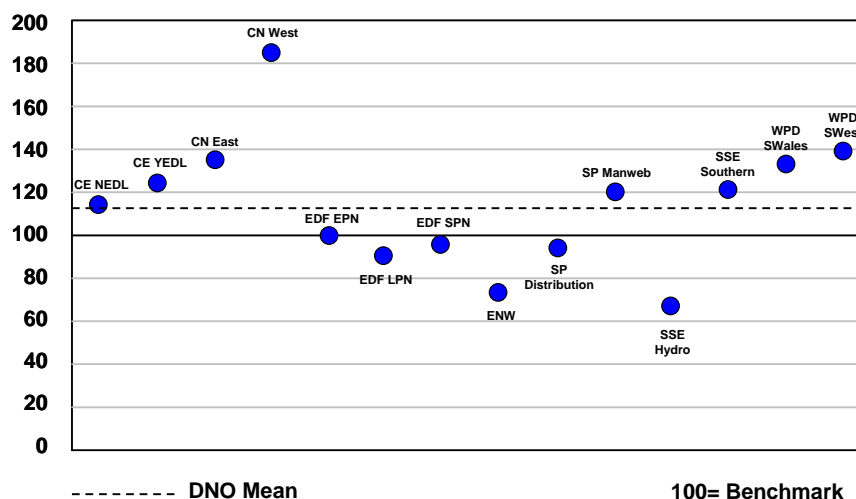
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## 1. Executive Summary

- 1.1 This Report examines the non-operational property costs of the UK’s fourteen Distribution Network Operators (‘DNOs’).
- 1.2 Ofgem required an opinion on the following issues:
- Assessment of historical property and FM costs
  - Assessment of space utilisation
  - Review of management of surplus properties
  - Forecast for property and FM costs for 2008-15, and Cost Forecast for DPCR5
- 1.3 Drivers Jonas led a team which included Investment Property Databank (IPD) and Adryan Bell (an expert in space utilisation).
- 1.4 Three Templates were issued to DNOs to enable desk research to be carried out. These covered: (a) working practices and estate strategies; (b) historical costs, headcount and space metrics; and (c) projected future costs, headcount and space changes covering the DPCR5 period.
- 1.5 In addition, a total of 27 sites were visited to establish how properties were being used and help support findings from the desk research.
- 1.6 Finally, a workshop was held with DNOs to explain Ofgem’s brief, and results of data benchmarking have been submitted to DNOs for comment. Where necessary figures were amended during this validation process.

### Assessment of property and FM costs, and space utilisation

- 1.7 The following chart represents the combined effect of costs and space utilisation into one single metric. The benchmark score is set at 100, and those DNOs above this figure are more efficient in terms of use of space utilisation and costs; those below 100 less efficient.



### Review of surplus properties

- 1.8 DNOs carry few surplus properties. These are effectively managed, often by the main property function within the owning companies. Costs are not material in the context of expenditure on overall property and FM.

## DPCR 5 Cost Forecast

- 1.9 2010-11 cost forecasts are based on 2007-8 costs validated as part of the benchmarking analysis.

DNO	2010-11 Forecast	Headroom v Revised Benchmark	Owning Company	2010-11 Forecast	Headroom v Revised Benchmark
CE NEDL	£2.44	£0.07	Central Electric	£4.67	£0.50
CE YEDL	£2.23	£0.44			
CN East	£3.19	£1.18	Central Networks	£5.22	£2.92
CN West	£2.03	£1.74			
EDF EPN	£5.55	(£0.01)	EDF	£12.01	(£0.60)
EDF LPN	£3.56	(£0.41)			
EDF SPN	£2.90	(£0.18)			
ENW	£5.26	(£0.04)	Electricity North West	£5.26	(£0.04)
SP Distribution	£4.48	(£0.44)	Scottish Power	£7.33	(£0.16)
SP Manweb	£2.84	£0.28			
SSE Hydro	£2.30	(£0.76)	Scottish and Southern	£5.40	(£0.10)
SSE Southern	£3.10	£0.65			
WPD SWales	£2.09	£0.68	Western Power	£5.57	£1.99
WPD SWest	£3.47	£1.31			
<b>Total</b>	<b>£45.46</b>	<b>£4.51</b>	<b>Total</b>	<b>£45.46</b>	<b>£4.51</b>

- 1.10 The effect of Ofgem's regulation can be seen in the scale of 'headroom' (£4.51 million) against forecast (£45.46 million).
- 1.11 Costs exclude inflation and where possible intra-group cross-charges, the most notable of which is notional rent on freehold properties (totalling £3.5 million across all DNOs).

### Other findings and conclusions

- 1.12 The research spanned a wide range of property-related issues. The most important related findings are:
- The quality of buildings varies enormously. There is evidence of 'asset-stripping' which runs the risk of leaving behind costly or spatially inefficient buildings. The situation outlined above is exacerbated by the fact that investment decisions tend to be assessed over relatively short time horizons. This means cost efficiencies from long-term investments are unlikely to be approved by DNOs.
  - A number of DNOs have argued that successful RPI-X settlements, and restrictions on use of capital receipts, has contributed to these short-term corporate policies.
  - Where possible, DNO space utilisation in offices is more intense than other organisations examined. However, space metrics are distorted by the need to have 'free' emergency control centres ready for immediate use. It is understandable that DNOs prefer to spend a little more on property costs in order to secure greater resilience for the core business.
  - The quality of estate strategies and working space procedures was very patchy.
  - There was limited evidence of the impact the workplace could have on productivity – Central Networks review of a 'Great Place to Work' being one exception.

### Ways to generate future efficiencies - recommendations

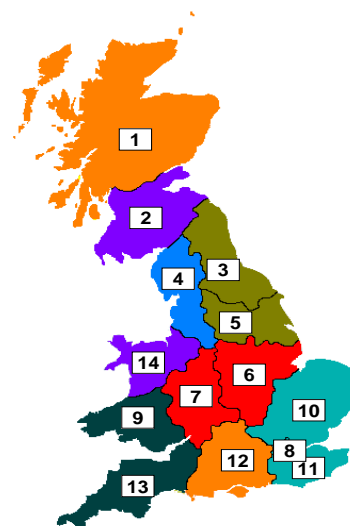
1.13 We have drawn together best practice from this review and outside the utilities industry to identify ways DNOs can better use their space and reduce costs. The most important of these recommendations is:

- Prepare written estate strategies, aligned to the core business model
- A Board member should be property champion
- Data should be accurate and benchmarked, including use of KPIs
- Investment criteria should, where possible, reflect longer-term benefits and not just short-term payback periods
- Consideration should be given to longer-term FM partnerships (5-7 years) rather than 2-3 year lowest cost procurement cycles
- Common standards and policies should be introduced – working practices; furniture; filing; flexible working; open-plan working; clear-desk; home working
- Consider internal charging for space

## 2. Introduction

- 2.1 This Report examines the non-operational property costs of the UK's fourteen Distribution Network Operators ('DNOs').
- 2.2 The review supports Ofgem's wider DPCR5 cost review programme covering 2010 to 2015, and examines both historical and forecast property costs for properties such as offices, depots, call centres and training facilities.
- 2.3 **DNO Structure**
- 2.4 The Owning Group structure and areas controlled by the DNOs are shown in the map and table below.

Company	DNO Area	DNO Abbreviation	Map
Central Electric	North East	CE NEDL	3
	Yorkshire	CE YEDL	5
Central Networks	East Midlands	CN East	6
	West Midlands	CN West	7
EDF Energy Networks	London	EDF LPN	8
	East of England	EDF EPN	10
	South East	EDF SPN	11
Electricity North West	North West	ENW	4
Scottish Power Energy Networks	South Scotland	SP Distribution	2
	North Wales, Merseyside and Cheshire	SP Manweb	14
Scottish and Southern Electric Power Distribution	North Scotland	SSE Hydro	1
	Southern England	SSE Southern	12
Western Power Distribution	South Wales	WPD SWales	9
	South West	WPD SWest	13



## 2.5 Scope

- 2.6 The prime aim of this study is to help Ofgem determine allowances for the non-operational property management activity each DNO should be granted for the DPCR5 period.
- 2.7 The scope of Ofgem's study was outlined in its December 2008 Terms of Reference and is extracted below.
- **Assessment of property costs** - the contractor will undertake an assessment each DNO's property costs for the last three financial years (2005-08) and develop a forecast for 2008-15. This will comprise three elements:
    - **(a) Assessment of workspace deployment** – the contractor will determine whether the DNO is utilising its property portfolio efficiently by comparing relevant workspace metrics within the DNOs and against appropriate external comparators. The contractor should also assess the effectiveness of the DNO's working arrangements against industry best practice e.g. workstation allocation, occupancy levels, working patterns etc
    - **(b) Assessment of the costs of work space** - the contractor will determine whether the costs of the DNO's property estate is efficient in terms of:



- unit costs e.g. cost per FTE compared within the DNOs and appropriate external comparators e.g. water companies
- rents paid on freehold or leasehold property (or equivalent charges for property owned by another part of the same group) compared to market rates in the same geographic region
- **(c) Assessment of facilities management (FM) costs** - the contractor will assess the efficiency of DNO's FM costs by comparing appropriate unit cost measures between the DNOs and against appropriate external comparators.
- **(d) Review management of surplus property** – the contractor will assess the scope for rationalisation of surplus property.

## **2.8 Drivers Jonas Team**

- 2.9 The lead consultant is Drivers Jonas, a Limited Liability Partnership and multi-disciplined chartered surveying practice employing some 750 partners and staff throughout the UK.
- 2.10 The Drivers Jonas team also includes two key sub consultants. The first, Investment Property Databank (IPD), is market leader in performance analysis of real estate, analysing around 70 million square meters of space annually across a range of asset classes and industry sectors.
- 2.11 The second sub consultant, Adryan Bell, is a recognised authority on new ways of working and efficiently using space, and is author of 'Transforming your Workplace' (2000) and co-author of 'Working without Walls' (2004) and 'Working beyond Walls' (2008).

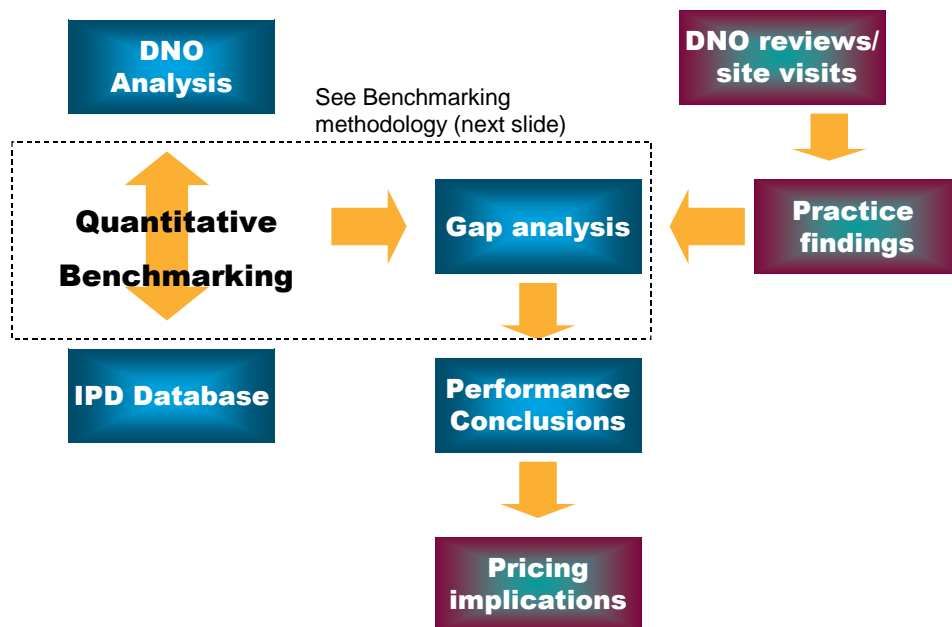
## **2.12 Structure of Report**

- 2.13 This Report is structured as follows:
- Executive Summary
  - Introduction
  - Methodology
  - Results by DNO
  - Consolidated Results
- 2.14 The individual sections for each DNO are designed to be standalone reviews of the DNO in question and capable of being read independently. The Consolidated Results section then summarises all the findings so that DNOs can be compared side-by-side.

### 3. Methodology

#### 3.1 Introduction

3.2 A combination of desk analysis and site visits was used to address Ofgem's requirements as reflected below:



3.3 Desk analysis was based on material collected from three separate Templates, described in detail below. In addition, a total of twenty-seven sites were visited – see Appendix 4 for locations.

#### 3.4 Interaction with DNOs

3.5 In February, the full Drivers Jonas team met representatives from all DNOs, together with Ofgem, in a workshop-format designed to explain the brief, scope of services, and show drafts of the three Templates DNOs were asked to complete.

3.6 The meeting generated valuable feedback from all who attended, and the team was able to answer questions and queries, and revise draft Templates where appropriate.

3.7 This early interaction helped in the smooth running of the data collection process to date, and overall DNOs were able to return Templates within the timescales set out.

3.8 The interaction continued with individual queries being addressed to DNOs as data was received. Draft benchmarking findings have also been circulated to DNOs for comment prior to preparation of this Report.

#### 3.9 Site visits

3.10 An important part of the review process was to carry out site visits at twenty-seven properties across all DNOs. These were carried out by staff from Drivers Jonas and Adryan Bell during April and May.

3.11 DNO property managers were very helpful in accompanying site inspectors to answer questions, explain the history of the buildings, their current usage

(such as working practices), and general questions on estate strategy and future plans.

3.12 Site visits examined a wide range of building types, including:

- Offices
- Depots
- Shared buildings
- Training centres

3.13 Sites were selected on the basis of an analysis of building cost and occupation data. This identified properties with either particularly high or low metrics when compared to benchmarks – for instance, high running costs per m<sup>2</sup> (assumed to be poorer performance) or high FTE density (assumed to be good use of space).

### 3.14 Combining desk analysis and site visits

3.15 Findings from both the desk analysis and site visits were used to:

- Benchmark property and FM costs against appropriate external comparators and also the distribution network
- Assess the quality of DNO estate strategies and working practices
- Prepare a data forecast to 2015

### 3.16 Templates Issued

3.17 As noted above, three Templates were designed, submitted and returned to Drivers Jonas. Copies of each Template are contained in Appendices 1 to 3.

#### 1. Estate Strategy & Working Practices

- estate strategy
- procurement
- surplus space
- working practices
- business strategy
- accounting issues

#### 2. IPD occupiers data collection

- 3 years costs
  - 2005-08
- property details
- FTE metrics

#### 3. Future data forecast

- 7 years costs
  - 2009-15
- property details
- FTE metrics

#### **Template 1 – Estate strategies and working practices**

3.18 Template 1 captured the following information:

- Estate Strategy - describes the portfolio, current standards and desired changes
- FM & Property Services - covers management and procurement, and future changes
- Surplus Space - cost impact, and mitigation strategy
- Working practices - how these optimise the use of space;
- Business strategy - how this impacts on the Estates strategy
- Accounting Issues – covers the impact of intra-group accounting, and use of notional charges

#### **Template 2 – Cost / staff / area / property details**

3.19 Template 2 captured:

- Space details – Full Time Equivalents, Gross Internal Area and Net Internal Area
- Property details – Address and building usage
- Financial data – costs for: Real estate, Building operation, Business support, Management and Capital

**Template 3 – Seven year date forecast to 2015**

3.20 Template 3 captured:

- Financial forecasts – in the same format as the Financial data contained in Template 2, without inflation
- Inflation forecasts – separately provided for each year and each cost heading
- Space / property / FTE data – forecast changes in number of buildings, space usage, numbers of staff

**Supplementary Questionnaire**

3.21 During the course of the site visits, a number of issues arose that were felt best dealt with through the mechanism of a simple additional questionnaire. To facilitate its completion, we structured it to allow simple ‘Yes/No’ responses where possible.

3.22 The supplementary questionnaire captured responses related to:

- FM procurement strategies
- Space management
- Building performance reporting
- Preferences for self delivery or outsourcing certain activities

**3.23 Data validation**

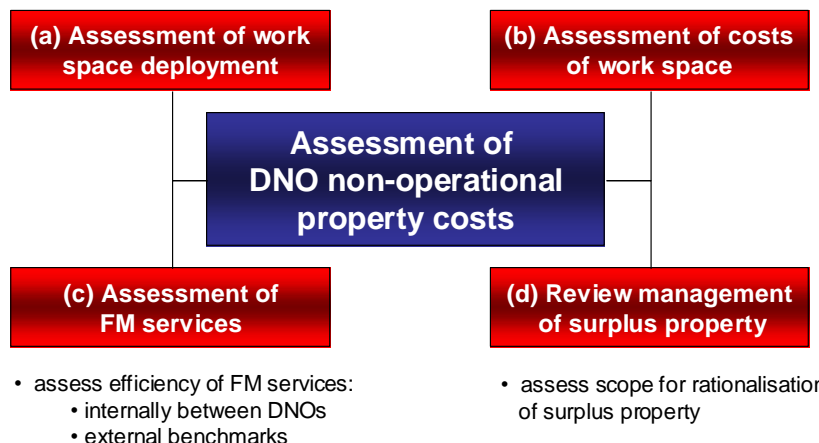
3.24 Lengthy discussions were also held by IPD with DNOs to validate historical data returns. Some DNOs had experience of using IPD’s standard Total Occupancy Cost data template, whilst others found it more challenging to convert information into the required format.

3.25 The time necessary to review and correct data entries has effectively meant that historical data only for the most recently completed year, 2007-8, has been validated. For benchmarking purposes, this Report therefore focuses on this as its primary ‘Base Year’.

### 3.26 Ofgem’s Scope of Services

3.27 Information collected through the desk analysis and site visits was then analysed to match Ofgem’s scope of services.

- compare work metrics with DNOs
- compare work metrics externally
- review work space allocation, occupancy levels & working patterns
- determine whether estate costs are efficient in terms of:
  - unit costs (e.g. £ / FTE)
  - rents on LH / FH for region



### 3.28 (a) Assessment of workspace deployment

3.29 Each building has been benchmarked against relevant industry standards for “space per person” and “space per workstation” metrics in accordance with IPD’s International Total Occupancy Cost Code, the most commonly used cost standard. Space has been measured on the following bases:

- Total net internal area (NIA) at individual building level
- Total NIA of sub-let space
- Total NIA of vacant space
- Total Number of Full Time Equivalent staff (FTEs)
- Total Number of workstations

### 3.30 (b) (c) Assessment of Workspace costs and FM costs

3.31 The assessment of property costs and FM costs was grouped together as the methodology is very similar for both cost types.

3.32 Again, information from desk analysis and site visits was combined to provide:

- Historical analysis of costs per FTE and area metric for the DNOs against appropriate external comparators;
- Analysis of current performance regarding cost per FTE and area metric for each of the DNOs;
- DNO’s performance compared against good practice in the private sector.

3.33 As part of the analysis each DNO’s Estate Strategy was reviewed. This enabled the quality and suitability of buildings to be reviewed in context of the DNO’s wider business strategy. The analysis identified changes in:

- FTEs (including location)
- Buildings (acquisition / disposal)

- Increases / decreases in area
- Other investment / divestment, included future capital requirements
- Working practices
- Procurement policies

**3.34 (d) Review management of surplus property**

3.35 Surplus property details, both current and forecast, were provided in Template 1.

3.36 DNOs were also asked to explain how it managed surplus sites, with these activities benchmarked against good industry practice.

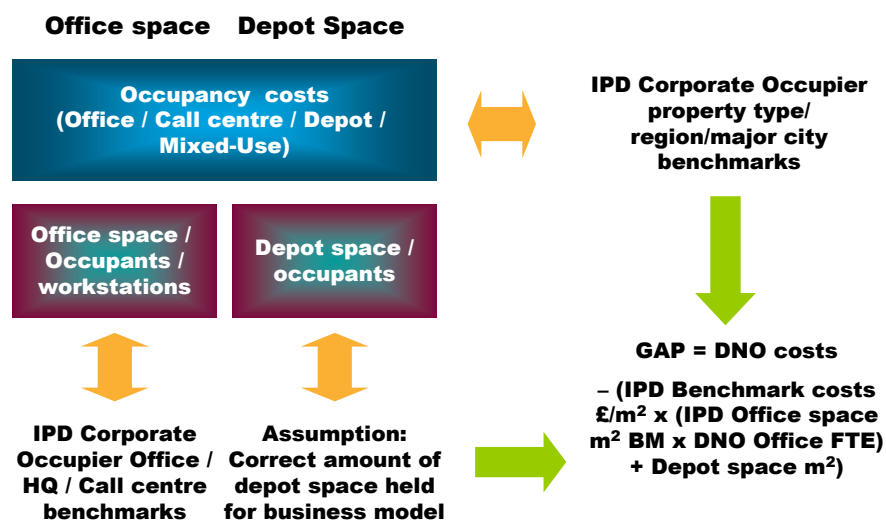
**3.37 Assumptions and workings**

3.38 The above benchmark analysis is subject to the following assumptions and workings:

- All of the information provided within this Report is based on figures provided by each DNO from the completed Templates and following a thorough validation process. The base year for the analysis is 2007/8.
- Building use has been determined by proportion of floor space. Those with greater than 65% of NIA for office space have been categorised as an office. Those buildings with more than 65% of NIA for Depot have been categorised as Depots and those buildings where the proportion of office and depot above 35% but below 65% have been identified as mixed use. Call centres and Data centres have also been identified and benchmarked accordingly in the analysis.
- In addition to use type, buildings have also been benchmarked according to geography, and benchmarked against key centres where applicable or by region.
- The space analysis does not critique DNO depot space allocation, which means that in calculating benchmark costs area figures have been accepted as provided.
- Vacant space in wholly vacant buildings is removed from the price analysis and identifying cost impact separately costed.
- Freehold and long leasehold (over 30 years) rents have been assumed to have a zero value for DNOs and the IPD benchmark. This is to avoid freeholds or long leaseholds appearing unfairly cost efficient compared to current prices.
- Where rates are “de minimis” the benchmark has been assumed as zero (therefore no rates figure is attributed to the property). This is to avoid unfair cost comparisons with full rates costings.
- Where a cost category is missing from a DNO building, it is also removed from the benchmark figures to retain parity.

### 3.39 IPD Scorecard Benchmark

3.40 The IPD scoring system is based on a score of 100:

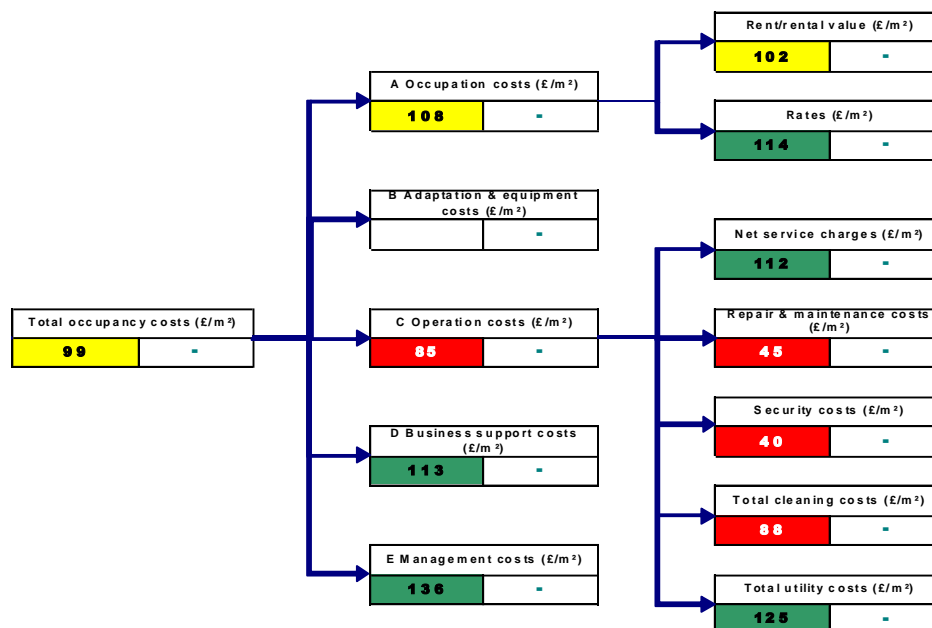


- A score of exactly 100 matches the IPD benchmark for the cost / space metric being measured;
- Scores above 100 represent instances where the DNO is outperforming (i.e. doing better than) the benchmark;
- A score of less than 100 denotes performance below (i.e. worse than) benchmark.

3.41 Note that the difference between the score and 100 represents the percentage difference between the DNO portfolio performance and the benchmark.

3.42 Total costs per DNO are then sub-divided into a hierarchy of cost scores, again all referenced to the benchmark score of 100. An example is given below, where:

- Red - denotes the DNO score is 10 or more worse than benchmark;
- Green - denotes the DNO score is 10 or more better than benchmark;
- Yellow – denotes score is within 10 (plus or minus) of benchmark.



### 3.43 Calculation of 7-year cost forecast

- 3.44 The first year of the 7-year cost analysis is 2007-8, the same year used to benchmark costs. Our original intention was to use the forecast figures provided by DNOs in Template 3.
- 3.45 However, as part of the 2007-8 data validation process it was necessary to make numerous changes to costs for that year, for instance re-allocations of Owning Group management charges.
- 3.46 The 7-year cost forecast analysis therefore uses as its starting point the validated 2007-8 costs, then adjusts subsequent years for cost and volume changes reported in Template 3.
- 3.47 In terms of the five years covered by DPCR5, in some instances the profile of costs is not smooth. We have therefore calculated the Net Present Value of these costs, and applied a goal-seek to set a figure for 2010-11.



3.48 An example of the format used is shown below:

Example DNO	Current year actual / budget /	Forecast Year1	Forecast Year2	Forecast Year3	Forecast Year4	Forecast Year5	Forecast Year6	Forecast Year7
	DPCR5							
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Baseline costs used for Benchmarking	£2.50	£2.50	£2.50	£2.50	£2.50	£2.50	£2.50	£2.50
<b>Cost changes</b>								
- end of rent free	n/a	£0.00	£0.25	£0.25	£0.25	£0.25	£0.25	£0.25
- increase in FM costs	n/a	£0.10	£0.15	£0.15	£0.18	£0.20	£0.20	£0.20
- total cost changes	n/a	£0.10	£0.40	£0.40	£0.43	£0.45	£0.45	£0.45
<b>Revised costs</b>	<b>£2.50</b>	<b>£2.60</b>	<b>£2.90</b>	<b>£2.90</b>	<b>£2.93</b>	<b>£2.95</b>	<b>£2.95</b>	<b>£2.95</b>
Benchmark costs + increase in FTE	£2.90	£2.95	£2.95	£2.95	£3.00	£3.00	£3.00	£3.00
Headroom	£0.40	£0.35	£0.05	£0.05	£0.07	£0.05	£0.05	£0.05
NPV of revised costs DPCR5 @ 10%				£11.12				
<b>Re-profiled revised costs</b>				£2.93	£2.93	£2.93	£2.93	£2.93
NPV of Re-profiled costs DPCR5 @ 10%				£11.12				

3.49 Note:

- In this example we have assumed the end of a rent free lease arises in 2009-10
- Benchmark costs reflect increases in FTEs
- A 'headroom' calculation is made, comparing Revised Costs with Benchmark. In the above example the headroom remains positive across all years.
- A Revised Cost NPV is calculated using a notional DNO Cost of Capital of 10%
- This NPV is then re-calculated using a flat cost profile

3.50 Inflation is excluded from all costs.

### 3.51 Structure of analysis

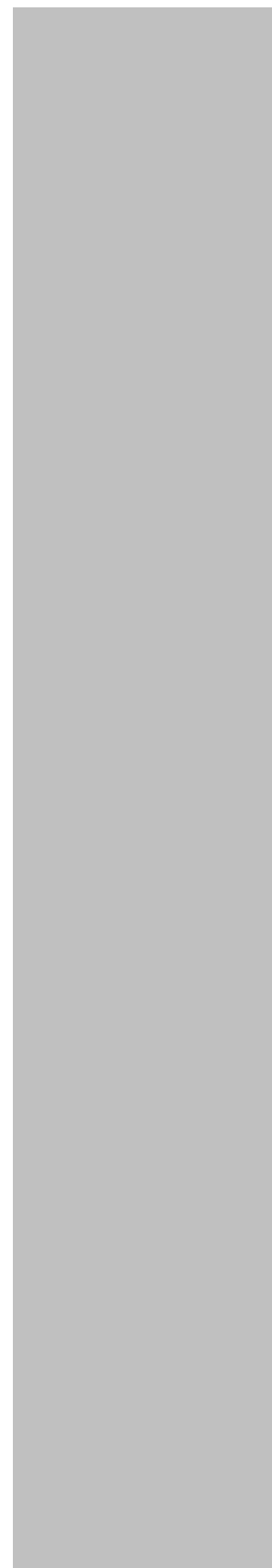
3.52 Each Owning Group and DNO is reviewed as follows:

- Estate Strategy and Working Practices, using Template 1 (at ownership group level):
  - Estate Strategy
  - FM and Property Services
  - Surplus Space
  - Working Practices
  - Business Strategy and Operating Model
  - Accounting Issues

In each case, comments provided by owning companies are reproduced (or summarised) in table format, followed by a short Drivers Jonas commentary.

- Data Analysis, using Template 2 (at DNO level):
  - Key data inputs (costs / area / FTE) are reproduced, together with supporting comments provided by DNOs
  - Overall Benchmark Score – this combines Cost and Space benchmarks, and is measured against a score of 100. The DNO is compared to other DNOs in terms of its Overall

- Score, and separately the component Cost and Space elements
- Workstation Benchmark – this shows in graphical format the ratio of Workstations to FTEs and average m<sup>2</sup> per Workstation
- Full Cost Scorecard – this builds up a cost hierarchy of scores, again measured against a benchmark of 100, leading to the final Cost Benchmark
- Review of 7-year Forecast by DNO and calculation of DPCR5 cost forecast.
- Site visits:
  - Observations made during site visits
  - Supporting photographs to amplify observations where appropriate
- Concluding Comments:
  - Comments at Owning Group level that draw together strands from the Data Analysis and Site Visits in particular.



## 4. Results – CE Electric

### Estate Strategy / Working practices

4.1 Responses to Template 1, as provided to Drivers Jonas, are provided in the following tables.

#### 4.2 Estate Strategy

Owning Group		CE Electric
DNO		North East England / Yorkshire NEDL / YEDL
1.0	Estate Strategy	
1.1	Copy of estate strategy	No separate document but details of activity in Template response: (a) Capital investment programme (b) Energy efficiency (c) Condition surveys (d) FM reprocurement (e) Non-operational properties Critical Property Unit (CPU) Plan
1.2	Quality of buildings	Most buildings date from the 1960-70s and reflect standards of the time. Upgrades have been limited by years of RPI-X settlements and Ofgem price reductions. Most of the assets with any value have been sold; those left have little commercial value, or the business risk is too high to be disposed of, or exit costs are too high.
1.3	Future vision of estate	Little change is envisaged due to financial constraints, lack of remaining commercial opportunity, and absence of VFM argument to change. The focus therefore is on optimising existing assets and maintenance. Density levels will remain v. high and this will not change until "harsh" regulatory environment changes.
1.4	Three most desirable changes next 5 years	1. Improve environmental efficiency - though investment costs will exceed revenue savings. 2. Review alignment to Business Model, though ability to change is very limited. 3. Ideally reduce the number of back-office sites (3 within 10 miles of each other) but difficult due to exit costs & low commercial values.
1.5	Constraints to change	Financial; Leaseholdings; High exit costs; Need to retain operational resilience; short time horizon for cost-benefit analysis.

#### 4.3 Drivers Jonas comment:

- Most value appears to have been squeezed from the estate. What is left may have little commercial value, or the exit costs / need for operational resilience may be high
- Much of the estate is a legacy of the 1960s / 1970s with buildings located in relatively deprived areas with low commercial value
- CE Electric has a short-term payback period for investments – e.g. scanning IT records has a 5-7 year cost benefit horizon but this was felt to be "...well beyond what is reasonable within the context of the organisation's financial environment"
- CE Electric believes that regulation and price negotiations are a constraint to making further improvements, though the situation it believes it finds itself in appears driven more by decisions to sell off the most valuable assets and apply short-term investment horizons.

#### 4.4 FM and Property Services

	Owning Group	CE Electric
	DNO	North East England / Yorkshire NEDL / YEDL
<b>2.0</b>	<b>FM &amp; Property Services</b>	
2.1	Present management structure	In-house team manage FM and Property.
2.2	Present procurement	All services are delivered through third party contracts, normally over 3 years but subject to EU regulations as they apply to utilities. Security and cleaning has a single global contract; local maintenance with local service providers.
2.3	Existence / application of service standards	Security and cleaning is output-based; other services (e.g. Hard Maintenance) audited
2.4	Ensuring cost effectiveness	Rolling programme of market testing, normally every three years. Price is the main determinant. Outsourcing is not always the cheaper option - management of FM services recently taken in-house achieving a 40% saving.
2.5	Changes in the next 5 years	No significant changes envisaged; CE will review hard maintenance split to see if a national contractor provides better VFM, or use sister US company (but it faces much less onerous regulation).

#### 4.5 Drivers Jonas comment:

- FM contracts tend to be short-term (3 years) and awarded largely on cost grounds
- In-sourcing of the management of service delivery has been found to be cheaper than outsourcing – cost alone might not however be the key determinant for a managerial function
- EU regulations as applicable to utilities is felt to affect procurement of services; CE's sister US company has greater freedom and can focus more on quality of service than just price. The EU regulations do, however, permit long term contracting for FM and property services, a focus on outputs, the creation of partnerships with suppliers and the ability to secure best value for money and not simply the cheapest. The concept of 'most economically advantageous' enables cost and quality to be considered comprehensively and in harmony

#### 4.6 Surplus Space

	Owning Group	CE Electric
	DNO	North East England / Yorkshire NEDL / YEDL
<b>3.0</b>	<b>Surplus Space</b>	
3.1	Present surplus properties / space	2 buildings identified, only Bradford with significant running costs p.a. (£0.279m); restrictive user clauses in ground lease but forecast disposal date is 2009.
	Annual cost	Total £0.280m p.a.
3.2	Surplus properties / space forecast next 5 years	None
3.3	Management of surplus space / properties	No comment

#### 4.7 Drivers Jonas comment:

- Both properties are reported to have restrictive covenants. Almost all costs are in the Bradford site which is forecast to be disposed of in 2009.

#### 4.8 Working practices

	Owning Group	CE Electric
	DNO	North East England / Yorkshire NEDL / YEDL
<b>4.0</b>	<b>Working practices</b>	
4.1	Policy on flexible working	No formal policy. Users can log onto any PC. CE has experimented with flexible working but not successful, and requires an IT-based record system. Management level tend to work flexibly but "we see no benefit in forcing on sections where it does not fit with their operating processes, culture or systems."
4.2	Policy of filing and storage	No central policy. CE experimented with scanning but not deemed cost effective. Low frequency access documents are stored in space not suitable for office accommodation or offsite.
4.3	Adoption of space standards	No formal policy; CE aims for a minimum of 6m <sup>2</sup> per staff where possible.
4.4	Steps taken to optimise space	Target 6m <sup>2</sup> per staff. Utilisation is reviewed quarterly. Furniture is being standardised as replaced.

#### 4.9 Drivers Jonas comment:

- The ability to apply flexible working practices appears constrained by the IT system and paper-based records

- The target space of 6m<sup>2</sup> per person is about 50% of IPD's benchmark standard of around 11.9m<sup>2</sup>. The target, however, is likely to relate to minimum space standards as dictated by health and safety regulations.

#### 4.10 Business Strategy / Operating Model

Owning Group		CE Electric
DNO		North East England / Yorkshire NEDL / YEDL
5.0	<b>Business Strategy / Operating Model</b>	
5.1	Provide a copy of the Business Plan	CE Operating Plan provided in submission. Property contributes to 6 key areas: (1) Finance (2) Safety (3) Resilience (4) IT (5) Operating Model (6) Carbon footprint. Of particular note is that "the operations directorate is currently undertaking a major review of its operating model that may fundamentally change how it organises, manages and deploys labour."
5.2	Three most important business changes and how they will impact on Property / FM	1. Changes will be driven by economic climate and how this affects the wider business. 2. Outcome of DPCR5 is single most important determinant. 3. Carbon reduction targets set by the CE business, linked to penalties / incentives offered by Ofgem.
5.3	Key features of Business Model with focus on 3rd parties	60% of CE's work programme is delivered through direct labour which drives the infrastructure required to support this level of staffing. A JV exists with Northumbrian water (called Vehicle Leasing Services) who use some of CE's garages and for whom a rental income is received.

#### 4.11 Drivers Jonas comment:

- We note reference to a major review of CE's operating model that "may fundamentally change how it organises, manages and deploys labour" though no more details are available as these would be confidential in nature;
- The DNO recognises the important contribution property issues can make to, or interface property has with, other areas of the business such as IT, the business model and finance;
- Carbon reduction targets appear to be linked to financial incentives offered, or penalties threatened, by Ofgem. Ofgem is proposing reporting of carbon footprint.

#### 4.12 Accounting Issues

	Owning Group	CE Electric
	DNO	North East England / Yorkshire NEDL / YEDL
6.0	<b>Accounting Issues</b>	
6.1	Accounting policies with material affect on property costs	No accounting policies materially affect the treatment of buildings.
6.2	Related-party transaction costs	At NEDL non-operational sites are leased from NEPL - costs have been completed to reflect actual costs and exclude any intra-group profits.
6.3	Inclusion of notional charges in data Template 2	None included

#### 4.13 Drivers Jonas comment:

- At NEDL non-operational properties are held by a subsidiary NEPL that then recharges property costs back to NEDL. However, CE reports that all cost information included in Template 2 excludes any related party profit or depreciation.

#### 4.14 Any Other Comments

None provided.

### NEDL - Data Benchmarking

#### 4.15 Key Inputs 07-08

DNO	Total Cost (£)	Total Space (m <sup>2</sup> )	Office (m <sup>2</sup> )	Depot (m <sup>2</sup> )	Total FTE Office	Total Wkstn Office
CE NEDL	£2,256,531	16,431	8,270	8,161	803	941

#### 4.16 Input notes provided by CE NEDL:

- Costs incurred in relation to non-operational premises in the North East relate to NEDL, although in reality all non-operational premises are occupied for activities undertaken on behalf of both NEDL and YEDL
- The costs for internal moves, courier & messengers, reprographics and archiving have been apportioned by office space across all buildings
- Catering costs have been allocated to Manor House
- Management costs were allocated to NEDL only in the original submission, subsequently these costs spread across NEDL and YEDL and allocated at building level

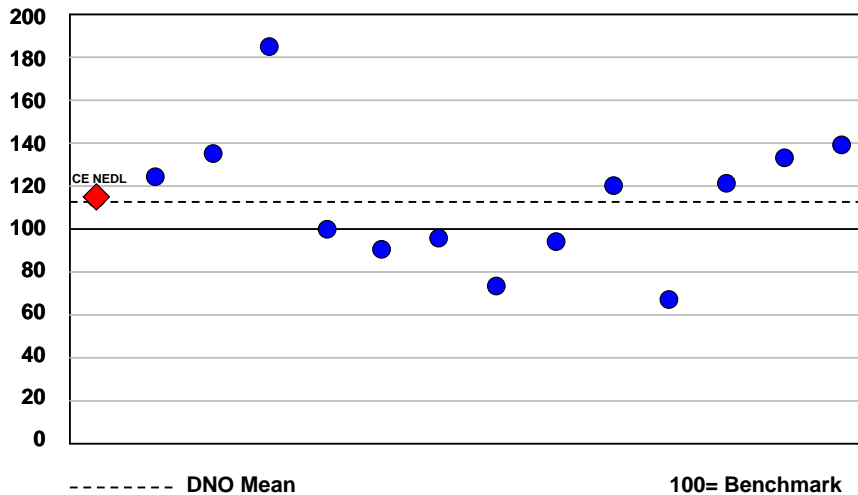
- For NEDL costs associated with reprographics were accounted for by administration departments until April 2007 when these costs were transferred to the property department. As such these costs were not included by NEDL in the 2005/06 and 2006/07 data submission
- No financial data was submitted for the Malton unit and consequently this was excluded from the analysis
- Operational sites (such as primary substations) have been excluded from the benchmarking analysis

**4.17 Overall Benchmark Score**

Overall score	Cost score	Space score
<b>111</b>	<b>99</b>	<b>115</b>

- Overall, CE NEDL is performing 11% better than the IPD benchmark.
- Efficiency for the portfolio as a whole is being principally driven by space efficiency.
- Costs for the CE NEDL portfolio are only marginally below the IPD benchmark (1%) although this falls comfortably within the IPD mean range (scores of between 90-110).

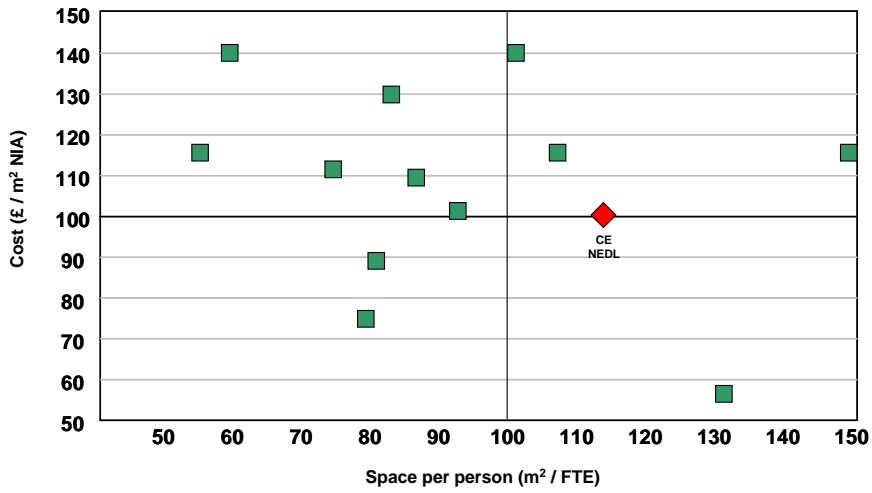
**4.18 The performance of CE NEDL relative to other DNOs is shown below:**



**4.19 The graph above shows that CE NEDL’s Overall Score is currently performing better than the IPD benchmark with a score of 111.**

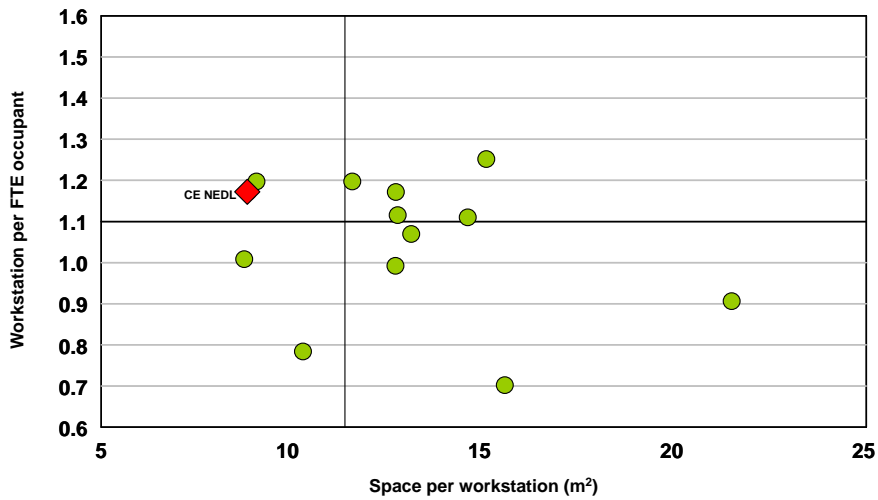


4.20 Cost and Space Efficiency



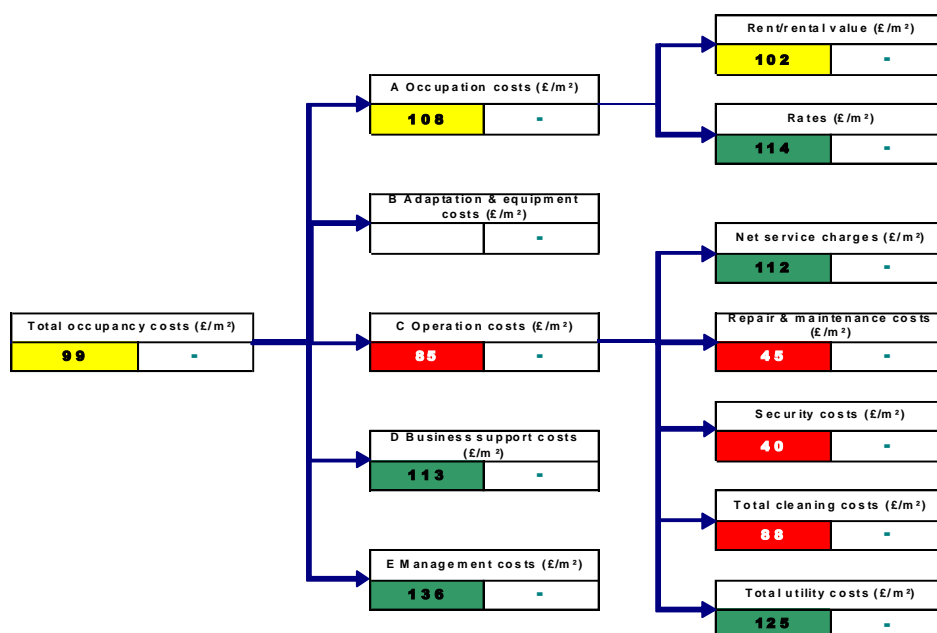
4.21 As already noted, CE NEDL's Cost (£ /m<sup>2</sup>) is almost exactly the same as benchmark, whilst its Space per person (m<sup>2</sup>/FTE) is better than benchmark.

4.22 Workstation Benchmark



4.23 The chart shows that CE NEDL fits in more workstations per m<sup>2</sup> than the benchmark, but has more Workstations per FTE than the benchmark.

#### 4.24 Full Cost Scorecard



#### 4.25 Comment:

- Total occupancy costs are almost exactly the same as benchmark
- Repair, maintenance and security costs are substantially higher than benchmark
- Business support and Estate management costs are much lower than benchmark

#### 7 year forecast

- 4.26 In its Template 3 response CE NEDL reported that total costs are forecast to increase between 2007/08 and 2008/09 due to a higher level of electricity charges (£100k) and higher rental charge in relation to Lloyds Court (£38k).
- 4.27 We also note that FM costs are forecast to increase by £47k by 2015.
- 4.28 NEDL reported £2.54 million in its initial Template 3 response, but included £11k of notional rent on freehold properties. NEDL also re-allocated £235k of FM costs to YEDL as part of the data validation process.
- 4.29 These adjustments are reflected in the baseline costs used to calculate NEDL's cost forecast.

CE Electric North East	Current year actual / budget / forecast	Forecast Year1	Forecast Year2	Forecast Year3	Forecast Year4	Forecast Year5	Forecast Year6	Forecast Year7
	DPCR5							
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Baseline costs used for Benchmarking	£2.26	£2.26	£2.26	£2.26	£2.26	£2.26	£2.26	£2.26
<b>Cost changes</b>								
- increase in electricity costs	n/a	£0.10	£0.10	£0.10	£0.10	£0.10	£0.10	£0.10
- increase in FM costs	n/a	£0.00	£0.04	£0.05	£0.05	£0.05	£0.05	£0.05
- rent increase at Lloyds Court	n/a	£0.04	£0.04	£0.04	£0.04	£0.04	£0.04	£0.04
- total cost changes	n/a	£0.14	£0.18	£0.19	£0.19	£0.19	£0.19	£0.19
<b>Revised costs</b>	<b>£2.26</b>	<b>£2.40</b>	<b>£2.44</b>	<b>£2.44</b>	<b>£2.44</b>	<b>£2.44</b>	<b>£2.44</b>	<b>£2.44</b>
Benchmark costs	£2.51	£2.51	£2.51	£2.51	£2.51	£2.51	£2.51	£2.51
Headroom	£0.25	£0.11	£0.07	£0.07	£0.07	£0.07	£0.07	£0.07
NPV of revised costs DPCR5 @ 10%				£9.26				
<b>Re-profiled revised costs</b>				£2.44	£2.44	£2.44	£2.44	£2.44
NPV of Re-profiled costs DPCR5 @ 10%				£9.26				

- 4.30 Applying the validated 2007-8 costs produces a smoothed cost forecast of £2.44 million for 2010-11 which remains within the benchmark.

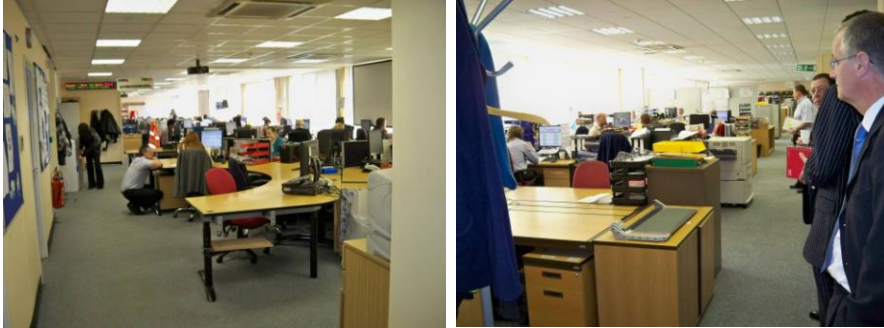
### Site Visits

- 4.31 Three contrasting visits were undertaken representing a range of scenarios at play for the organisation and its operational needs and challenges. The sites visited were Houghton Le Spring, Shiremoor and Newcastle.
- 4.32 Houghton Le Spring was a legacy site in a good location, where historically parts of the site have been sold off at different times for residential development.



- 4.33 The core office on the site remains with car parking and the DNO advised that it could not afford to completely exit the site because of the technical infrastructure linked to the building and site. The office accommodation was quite dated inside, with older larger desks that inhibited efficiency. Workspace was open and well planned and utilised (especially the call

centre areas) but there was a fair degree of clutter. There was a small control centre at this site and a very small and unappealing canteen space.



- 4.34 Shiremoor was in a more deprived location, a legacy from a former policy of locating public sector industry in areas of high unemployment. Parts of the site have been sold off and the remaining site was of mixed use comprising a yard area and associated office accommodation. The office accommodation was rather mixed, with some floors having been recently refurbished (new furniture and décor and storage rationalisation) with other floors looking more tired, dated and inefficient.



- 4.35 The new desks were relatively large perhaps resulting in relatively little spatial efficiencies gained, other than through reduced storage.



- 4.36 The work environment, however, looked brighter and more pleasant. There were also some empty spaces earmarked for IT projects. The site housed some temporary portacabin accommodation, as well as temporary storage bins containing filing to be archived off site. In general terms, the refurbishment demonstrated an intention to upgrade and improve office accommodation and achieve space efficiencies, albeit through a programme that was iterative rather than 'big bang'.
- 4.37 In sharp contrast, the visit to Newcastle presented an entirely different style of office accommodation – high quality corporate head office accommodation in prime period building in a prestigious city centre location.
- 4.38 The building included spacious executive offices and boardroom with associated wood panelled walls. The accommodation had been consolidated from two floors to one floor. It was commented that the DNO's American owners expected corporate facilities of the standard presented in Newcastle.



- 4.39 Hot desk cubicles were provided in the office to support flexible working.



## YEDL - Data Benchmarking

### 4.40 Key Inputs 07-08

DNO	Total Cost (£)	Total Space (m <sup>2</sup> )	Office (m <sup>2</sup> )	Depot (m <sup>2</sup> )	Total FTE Office	Total Wkstn Office
CE YEDL	£2,167,855	22,615	8,307	14,307	752	903

### 4.41 Input notes provided by CE YEDL:

- Costs incurred in relation to non-operational premises in the North East relate to NEDL, although in reality all non-operational premises are occupied for activities undertaken on behalf of both NEDL and YEDL.
- Management costs were allocated to NEDL only in the original submission, subsequently these costs spread across NEDL and YEDL and allocated at building level.
- Operational sites (such as primary substations) have been excluded from the benchmarking analysis.
- Following the initial data submission a total of 209 staff were excluded from the final FTE figures identified as un-allocated staff.
- The costs for internal moves, courier & messengers, reprographics and archiving have been apportioned by office space across all buildings
- Catering costs have been allocated between Swillington and Castleford.

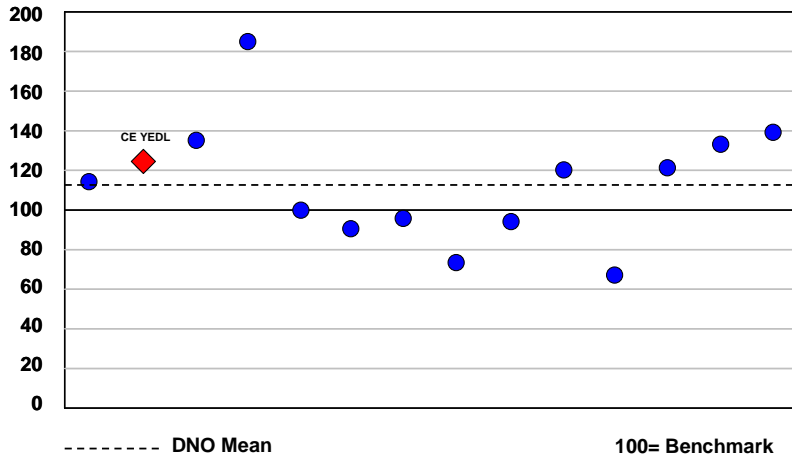
### 4.42 Overall Benchmark Score

### 4.43 The Overall Benchmark Score is provided below:

Overall score	Cost score	Space score
123	115	108

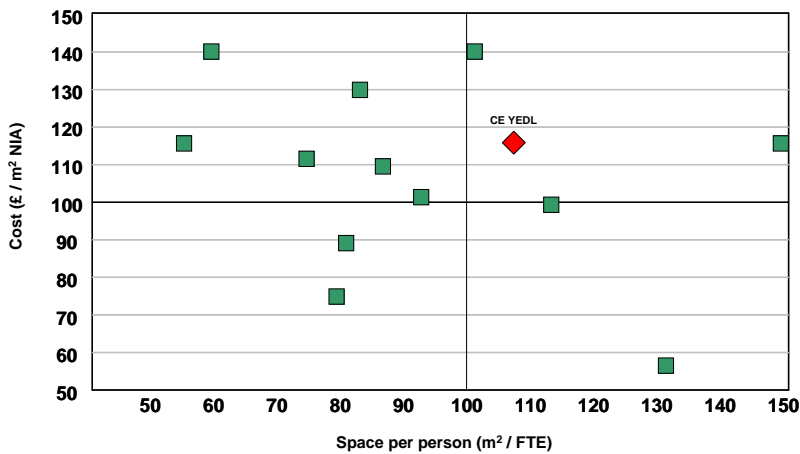
- Overall CE YEDL is performing 23% better than the IPD benchmark.
- Efficiency for the portfolio as a whole is being principally driven by cost efficiency.
- The space score for the CE YEDL portfolio is 8% above the IPD benchmark and just within the IPD mean range (scores of between 90-110).

4.44 The performance of CE YEDL relative to other DNOs is shown below:



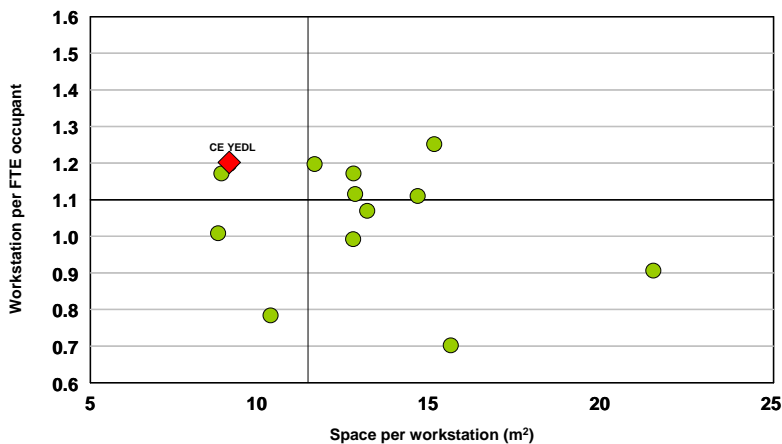
4.45 The graph above shows that CE YEDL's Overall Score is currently performing better than the IPD benchmark with a score of 123.

4.46 Cost and Space Efficiency



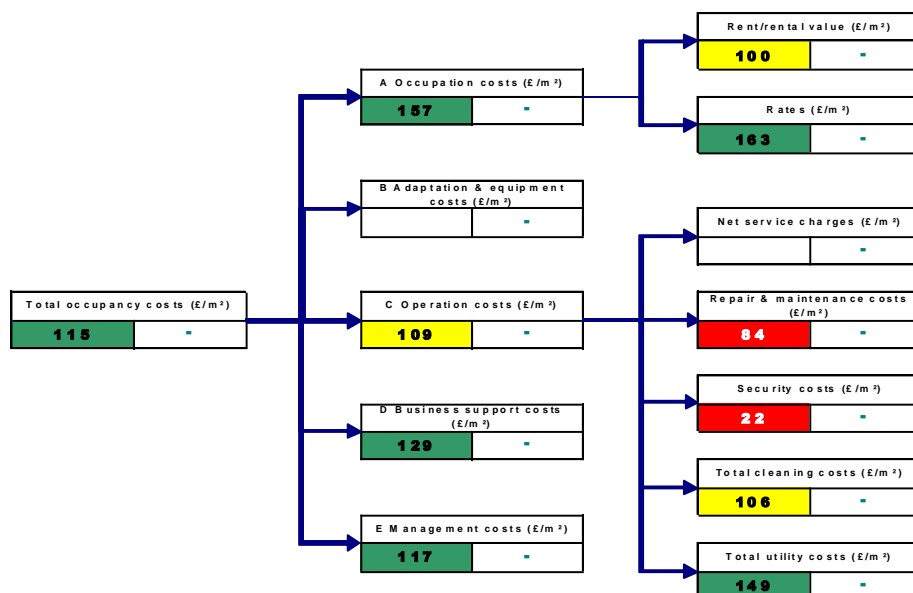
4.47 As already noted, CE YEDL's Cost (£/m²) and Space per person (m²/FTE) are both better than benchmark

4.48 Workstation Benchmark



4.49 The chart shows that CE YEDL fits in more workstations per m2 than the benchmark, but has more Workstations per FTE than the benchmark.

4.50 Full Cost Scorecard



4.51 Comment:

- Total occupancy costs are 15% lower than benchmark, driven by lower rates, utility bills and occupation costs;
- As with NEDL, security costs are much higher than benchmark, in this case by 78%.



## 7 year forecast

4.52 In Template 3 YEDL noted that:

- total costs have increased by £61k, this is due to small increases in a number of categories
- the level of occupied area increases in 2009/10 due to the ground floor of Geldered Road being brought back into use following the June 2007 flood damage

4.53 In arriving at YEDL's 2007-8 baseline costs of £2.167 million, notional rents on freehold properties of £129k were removed, whilst £234k of management costs were re-allocated from NEDL during the data validation process.

4.54 These adjustments are reflected in YEDL's baseline costs used to calculate its cost forecast:

CE Electric Yorkshire	Current year actual / budget / forecast	Forecast Year1	Forecast Year2	Forecast Year3	Forecast Year4	Forecast Year5	Forecast Year6	Forecast Year7
	DPCR5							
	2007-08 <i>£ million</i>	2008-09 <i>£ million</i>	2009-10 <i>£ million</i>	2010-11 <i>£ million</i>	2011-12 <i>£ million</i>	2012-13 <i>£ million</i>	2013-14 <i>£ million</i>	2014-15 <i>£ million</i>
Baseline costs used for Benchmarking	£2.17	£2.17	£2.17	£2.17	£2.17	£2.17	£2.17	£2.17
<b>Cost changes</b>								
- increase Grounds Maintenance	n/a	£0.02	£0.02	£0.02	£0.02	£0.02	£0.02	£0.02
- increase Water & Sewerage	n/a	£0.01	£0.01	£0.01	£0.01	£0.01	£0.01	£0.01
- increase Courier	n/a	£0.02	£0.02	£0.02	£0.02	£0.02	£0.02	£0.02
- total cost changes	n/a	£0.06	£0.06	£0.06	£0.06	£0.06	£0.06	£0.06
<b>Revised costs</b>	<b>£2.17</b>	<b>£2.23</b>	<b>£2.23</b>	<b>£2.23</b>	<b>£2.23</b>	<b>£2.23</b>	<b>£2.23</b>	<b>£2.23</b>
Benchmark costs	£2.67	£2.67	£2.67	£2.67	£2.67	£2.67	£2.67	£2.67
Headroom	£0.50	£0.44	£0.44	£0.44	£0.44	£0.44	£0.44	£0.44
NPV of revised costs DPCR5 @ 10%				£8.45				
<b>Re-profiled revised costs</b>				£2.23	£2.23	£2.23	£2.23	£2.23
NPV of Re-profiled costs DPCR5 @ 10%				£8.45				

4.55 Applying the validated 2007-8 costs produces a smoothed cost forecast of £2.23 million for 2010-11 which also remains within the expected benchmark.

## Site Visits

- 4.56 The sites visited were Leeds and Castleford.
- 4.57 The Leeds site was perhaps one of the most challenging sites in the portfolio.



- 4.58 The site had been subject to extensive flooding recently and new flood defences had been installed. Inside, the office accommodation was still to be refurbished following the flooding, with many ground floor spaces unoccupied and requiring redecoration and new floor coverings. On the first floor, the office accommodation (including a call centre facility) was open plan and efficiently planned and well utilized but with rather dated furniture. Electrical installations and IT equipment in the basement area appeared very vulnerable.



- 4.59 The site was located near to a car dealership and other offices, but the technical infrastructure and adjoining sub-station were cited as reasons why it would be difficult to realise any value in the site. The potential threat of further flooding was also real.
- 4.60 Castleford comprised a very large mixed use legacy site.



- 4.61 There was a large yard and car park plus substantial office accommodation in the form of a relatively high quality building to the front of the site. This building was in the process of a floor by floor refurbishment. The refurbished areas were well planned and designed and included an executive area.



- 4.62 Behind this building was additional office space of much poorer quality in a former warehouse. Space was very intensively used and occupied. Within the site was a training centre, with classrooms and a technical training warehouse area. The classroom facilities were very basic.
- 4.63 Castleford is a large legacy site in a relatively deprived area – the work to improve the office areas demonstrates that a prime city centre location is not necessary to provide modern and efficient executive and general office space.
- 4.64 We were advised that the regulatory regime created an environment whereby long term decision-making and strategic investment in the estate was a challenge – and this reflected in the sporadic nature of investment in the upgrade of accommodation

### Concluding Comments

- 4.65 The relatively short time horizon that appears to influence investment decisions could be a contributory factor leading to the absence of a formal Estate Strategy. Strategic imperatives revolve around iterative upgrades of existing space since the estate is generally felt to be fit for purpose in terms of location, or changes are deemed unaffordable when short term payback is required. This internally driven constraint is not helpful in taking long term decisions or considering long term options which are typically associated with property.
- 4.66 We visited a number of buildings that were intensively utilised – for example, Houghton Le Spring and Shiremoor. Both sites supports the

- finding from data analysis that space is being used more efficiently than benchmark levels.
- 4.67 Although there are no formal space standards (other than a recognition of minimum statutory space requirements), the Property Team clearly considers ways of designing and using space to meet business needs efficiently and effectively. A consequence of the lack of formal space standards is that new fit out projects may employ larger, space hungry workstations as witnessed at Shiremoor. Efficient use of space elsewhere clearly acts so as to smooth out overall space utilisation figures.
- 4.68 Similarly, the DNO occupies space that accords with benchmark costs yet it occupies rented space in central Newcastle at the heart of the city's central business district.
- 4.69 The standard of accommodation is high and reflects that of a corporate headquarters. We understand that the business consolidated its occupation within this building recently conscious of the relatively high cost of space.
- 4.70 The absence of any policies on flexible working and the limited attempts to pilot 'team space' (whereby a group of people share fewer desks than the headcount) are reflected in the relatively high overall ratio of workstations to FTEs. The business had tried some desk-sharing initiatives but did not realise expected space efficiencies; however, it may be that without a well planned strategy, the expectations were unrealistic.
- 4.71 The introduction of such policies, along with appropriate policies on storage and the creation of clear desks which also seem to be lacking, could materially impact on the utilisation of workstations.
- 4.72 The fact that the space per workstation is considered to be 'efficient' at less than 10 sqm. per workstation is dampened by the finding that there are significantly more workstations per FTE than the benchmark. The site visits did not, however, reveal, a significant volume of un used workstations.
- 4.73 In general, space utilisation is not the subject of regular performance reporting but quarterly reviews of the portfolio by the Property Team are understood to include a consideration of utilisation.

## 5. Results – Central Networks

### Estate Strategy / Working practices

5.1 Responses to Template 1, as provided to Drivers Jonas, are provided in the following tables.

#### 5.2 Estate Strategy

	Owning Group	CN
	DNO	East Midlands / West Midlands CN East / CN West
1.0	Estate Strategy	
1.1	Copy of estate strategy	No separate document exists for CN as the estate is managed by the UK Shared Services (Business Services) part of EON property. Property decisions are made to the benefit of the wider EON UK business. IPD is used by Business Services to benchmark main office sites. Business Services has also commissioned a "thorough review of the main depot sites to establish site use and fitness for purpose".
1.2	Quality of buildings	Properties in the West are well situated but some showing age and significant investment will be needed to maintain their fitness for purpose (e.g. Tipton and Stoke). Sites in the East have been built up over time and the subject of recent refurbishment investment so tend to be in better condition than the West.
1.3	Future vision of estate	Little direct change is envisaged other than continuing with a planned maintenance and refurbishment regime. More significant change may come through the Business' Alliance Strategy - CN's estate alone "could not host the combined insource / contractor alliance that is envisaged" which presently is unknown.
1.4	Three most desirable changes next 5 years	1. Alliancing Business hosted in the estate 2. Investment at Stoke DC 3. Investment at Tipton site
1.5	Constraints to change	Capital constraints limit the appetite to undertake refurbishment or replace property. A greater constraint is the availability of suitable Depots as these require open yards, stores and small offices, whereas the market tends to provide large offices or warehouses.

#### 5.3 Drivers Jonas comment:

- Property is managed and controlled centrally above CN by EON property. This can bring with it the critical mass of knowledge and professional expertise that might not otherwise be available to a 'smaller' self-contained DNO
- There is evidence that CN is prepared to invest in its estate, in recent years in the East (driven by business need), with an expectation that some investment will be undertaken in the West in the future
- A key future driver will be the Alliancing strategy – this might result in less space being required or may result in the 'business' partner or partners requiring DNO space from which to deliver its contracted services

- The availability of suitable depots is a major constraint on the business. This comment echoes that of other DNOs who find it challenging to identify suitable alternative sites and buildings due to the slightly unusual overall requirements that necessarily include large yard areas.

#### 5.4 FM and Property Services

Owning Group		CN
DNO		East Midlands / West Midlands CN East / CN West
2.0	<b>FM &amp; Property Services</b>	
2.1	Present management structure	FM Services (hard & soft) are managed by EON's Shared Services. The result is a hybrid of insource / outsourcing, e.g. FM Management is in-house, whilst most FM services (catering, cleaning, security and maintenance) are outsourced.
2.2	Present procurement	As above. One national pan-EON service provider is chosen for each service category.
2.3	Existence / application of service standards	Each service provider has mixture of input and output specifications, though no detailed standards exist due to the diverse nature of businesses that third parties provide.
2.4	Ensuring cost effectiveness	Services are tendered every 2-3 years. Between tendering IPD is used to benchmark property costs at main office sites.
2.5	Changes in the next 5 years	CN recently aligned catering to a national service provider. EON will continue to review the possible benefit of a multi-service contract FM model but has no plans to change at present.

#### 5.5 Drivers Jonas comment:

- Most significant property decisions appear to be taken by EON for the benefit of its wider UK business. There may be some risk that this wider business view would not maximise benefits for the DNO. For instance, detailed standards do not exist as they could not be applied to all of EON's different businesses. Conversely, EON will benefit from greater economies of scale, and overall we have no evidence to suggest the net effect is materially disadvantageous to CN.
- The site visits discussed below, and the findings from our supplementary questionnaire, revealed a FM and property support service that is aligned to business needs and uses a variety of tools to optimise the use of space.
- The typical contract period for FM services is lower than that applied by other DNOs with some contract periods reduced to two years in length. Having said that, the response to our supplementary questionnaire confirmed that contract periods are typically 3 years in length.

## 5.6 Surplus Space

	Owning Group CN	
	DNO	East Midlands / West Midlands CN East / CN West
<b>3.0</b>	<b>Surplus Space</b>	
3.1	Present surplus properties / space	Six surplus properties exist, five being Freehold. Four sites are sublet at a profit, with some of the surplus space at larger operational sites being rented to NPower and the Worcestershire CC.
	Annual cost	Sublet income exceeds cost to produce a net surplus of + £0.3m
3.2	Surplus properties / space forecast next 5 years	None
3.3	Management of surplus space / properties	Surplus properties are managed by EON Shared Services; CN understands that agents are appointed to sell or advise on development potential.

## 5.7 Drivers Jonas comment:

- Management of surplus sites is managed by EON but CN retains the financial effect (in this case a net surplus due to subletting)
- Unusually for a DNO it has managed to sublet spare space in two of its larger occupational sites

## 5.8 Working practices

	Owning Group CN	
	DNO	East Midlands / West Midlands CN East / CN West
<b>4.0</b>	<b>Working practices</b>	
4.1	Policy on flexible working	Flexible working supported is supported but there seems to be no separate policy. Workers are categorised as 'fixed' or 'mobile' workers; mobile workers are able to work at home or from nearest CN building.
4.2	Policy of filing and storage	Filing is typically stored offsite and outsourced SP via automated system. Only limited "on time" items are stored locally.
4.3	Adoption of space standards	No formal policy exists; each site is assessed for 'fitness for purpose'.
4.4	Steps taken to optimise space	Established process via EON Shared Services combined with IPD benchmarking of main office sites. Also note that EON has commissioned a "thorough review of the main depot sites to establish site use and fitness for purpose".

5.9 Drivers Jonas comment:

- Formal policies do not exist for Flexible Working or Space Standards, but there is evidence that ‘mobile’ workers can access systems from home. The site visits revealed other mechanisms being used to make best use of space.
- There appears to be less reliance on on-site filing than other DNOs.
- In common with a number of other DNOs, EON is conducting a “thorough” property review, though here it is limited to an examination of depot sites. During discussions, it emerged however that thought is being given to alternative strategies for the future of the Tipton office premises.

5.10 Business Strategy / Operating Model

	Owning Group	CN
	DNO	East Midlands / West Midlands CN East / CN West
5.0	<b>Business Strategy / Operating Model</b>	
5.1	Provide a copy of the Business Plan	A copy of CN's Business Plan has been provided. An initiative known as 'Project Lean' is being developed and there is a keenness to convert outputs into cost savings. Additional investment is being requested of Ofgem which is linked to ongoing revenue efficiencies. The importance of DPCR5 is highlighted, as is Ofgem's benchmarking of CN's costs compared to other DNOs.
5.2	Three most important business changes and how they will impact on Property / FM	1. Alliancing - CN cannot host the combined insource / contractor alliance envisaged 2. Carbon reduction targets, which will require changes in how buildings are used as well as physical alterations. 3. 'Great Place to Work' - a benchmarking review by Business Services to "see where investment or changes to buildings can improve productivity of staff."
5.3	Key features of Business Model with focus on 3rd parties	Response missing

5.11 Drivers Jonas comment:

- CN notes that delivering carbon reductions will require changes in working practices as well as reconfiguring buildings.
- The ‘Great Place to Work’ is a potentially valuable review and suggests that CN is not solely driven by property costs, but recognises the link between working conditions and staff productivity.



## 5.12 Accounting Issues

	Owning Group	CN
	DNO	East Midlands / West Midlands CN East / CN West
6.0	<b>Accounting Issues</b>	
6.1	Accounting policies with material affect on property costs	EON charges all costs to CN with a proportion capitalised based on the number of desks used for capital projects.
6.2	Related-party transaction costs	Described as being 'at cost' with no mark up or overhead added.
6.3	Inclusion of notional charges in data Template 2	The Pegasus office is owned on a long leasehold by EON and notional rent charged to CN - these costs are included in the data Template.

## 5.13 Drivers Jonas comment:

- It would appear that all of CN's property and FM costs are recharged centrally by EON.
- CN reports that all recharges are "at cost" but it is possible that this includes a share of EON's management costs (properly incurred) that we assume Ofgem would wish to exclude.
- One specific property (Pegasus Business Park) has notional rents charged by EON and included in the cost Template returned to IPD. The rent cost of this property is £615,000 per year and has been removed in the benchmarking analysis and calculation of cost forecast.

## 5.14 Any Other Comments

None reported.

## CN East - Data Benchmarking

### 5.15 Key Inputs 07-08

DNO	Total Cost (£)	Total Space (m <sup>2</sup> )	Office (m <sup>2</sup> )	Depot (m <sup>2</sup> )	Total FTE Office	Total Wksth Office
CN East	£3,194,708	34,238	8,439	25,799	1,063	818

### 5.16 Input notes provided by CN East:

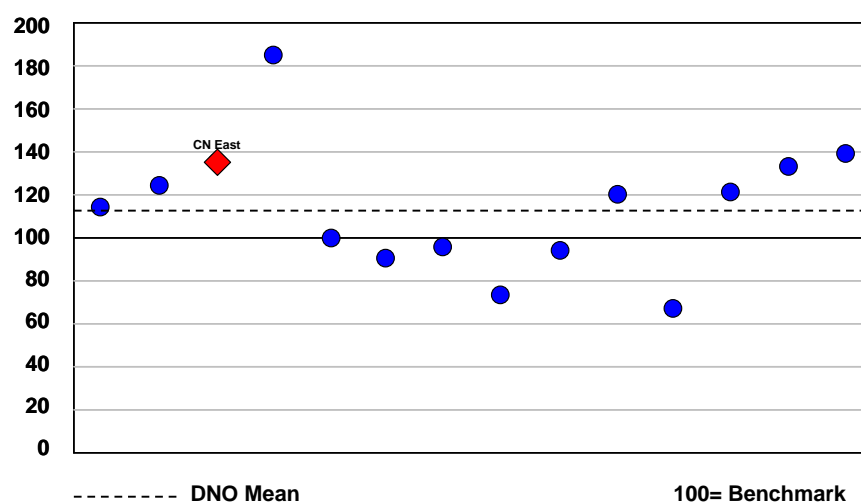
- “Unallocated space was apportioned across the remaining sites. Unallocated costs have been apportioned by space.
- CN HR systems do not allocate FTE to Depots as such all FTE all FTEs are allocated to a selection of office buildings. However, after scrutiny it was found that this does not impact upon overall results.”

Overall score	Cost score	Space score
137	117	150

### 5.17 Overall Benchmark Score

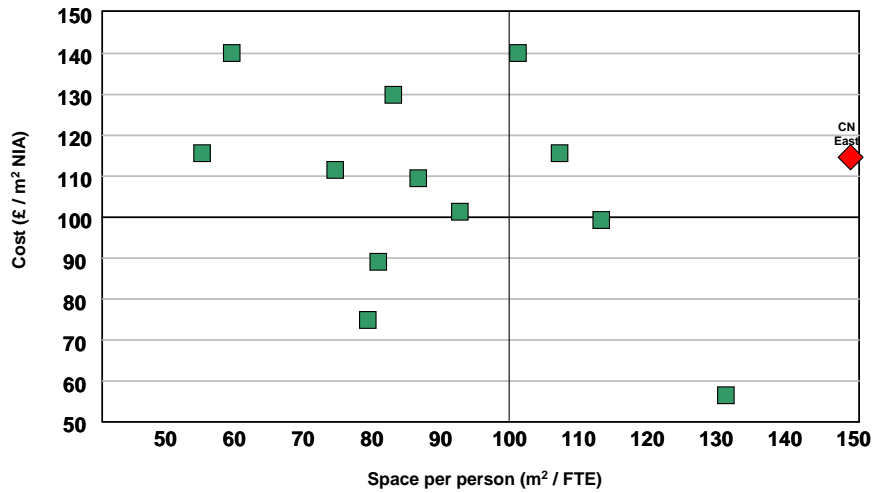
- Overall CN East is performing 37% better than the IPD benchmark.
- Efficiency for the portfolio as a whole is being principally driven by space efficiency.
- The cost score for the CN East portfolio is 17%, comfortably above the IPD benchmark.

### 5.18 The performance of CN East relative to other DNOs is shown below:



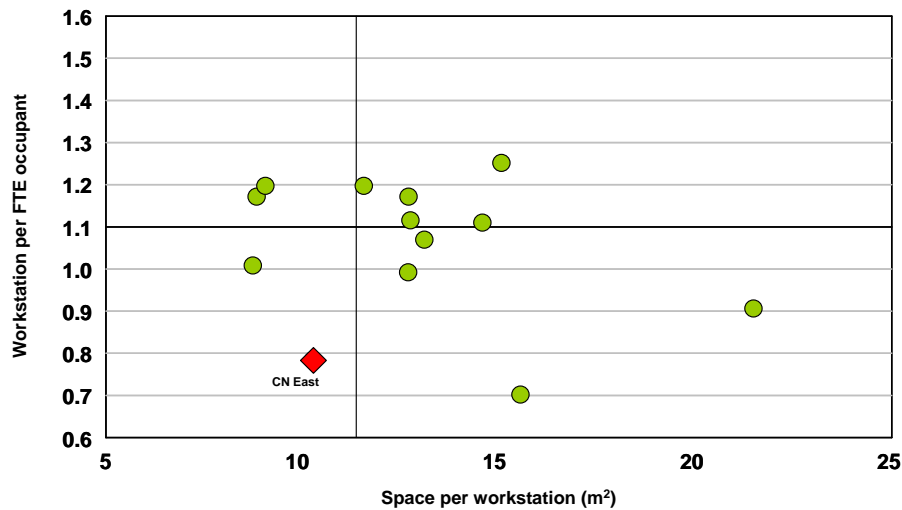
5.19 The graph above shows that CN East's Overall Score is currently performing significantly better than the IPD benchmark with a score of 137.

### 5.20 Cost and Space Efficiency



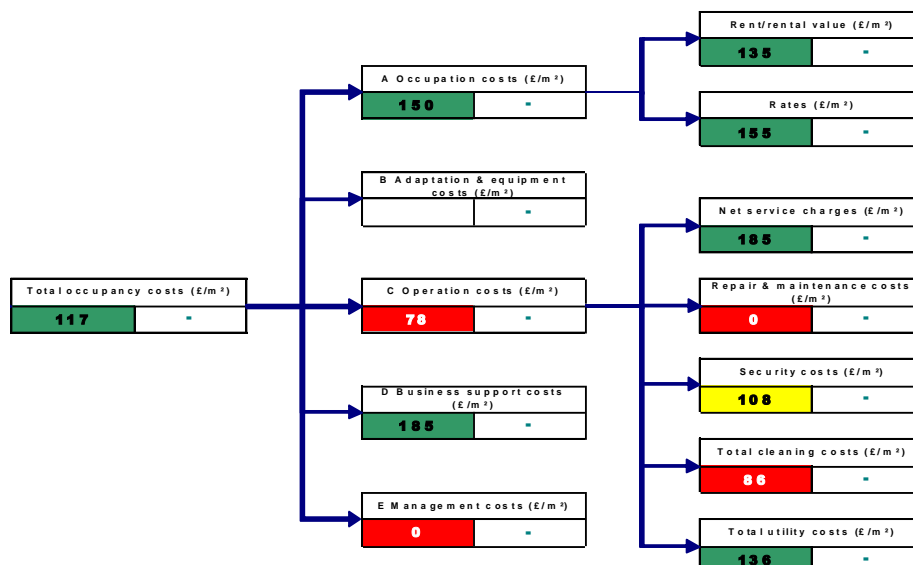
5.21 As already noted, CN East's Cost (£/m<sup>2</sup>) and Space per person (m<sup>2</sup>/FTE) are both better than benchmark

**5.22 Workstation Benchmark**



5.23 The chart shows that CN East fits in slightly more workstations per m<sup>2</sup> than the benchmark, and has far fewer Workstations per FTE than the benchmark.

## 5.24 Full Cost Scorecard



### 5.25 Comment:

- CN East's Total Occupancy Costs are 17% better than benchmark, mainly driven by lower occupation costs, business support costs, net service charges and utility costs.
- Set against this Estate Management Costs are more than 100% higher than benchmark, as are Repair and Maintenance costs.
- We assume that part of these fluctuations are due to the central recharge mechanism put in place by EON.

## 7 year forecast

5.26 CN East report no changes in area or FTE over the DPCR5 period.

5.27 Central Networks provided a composite reply on Template 3 East and West queries as follows:

- "There are still some headline changes driven mainly by the fact that we have not forecast any project management costs for both East and West for 2009 onwards. This is because this cost is billed retrospectively and is based on the type and volume of work undertaken. It is unlikely that the charge will be zero but the cost in anyone year can fluctuate wildly depending on works undertaken.
- Other cost changes are due to reduced depreciation charges and capital charges, offset by increased central FM costs for support staff.
- What is not included as this is just a tenuous assumption at this stage is any form of upgrade of the Tipton office. This is CN West's Head office and is of poor quality. Within the next DR period upgrade work may be necessary but scale and costs are at this stage completely unknown".

5.28 Capital costs are excluded from non-operational cost forecast. The net effect of changes, where reported in Template 3, appear to be broadly neutral.

5.29 A total of £615,000 notional freehold rental costs were deducted from submitted costs in arriving at the baseline cost figure of £3.19 million.

Central Networks East	Current year actual / budget /	Forecast Year1	Forecast Year2	Forecast Year3	Forecast Year4	Forecast Year5	Forecast Year6	Forecast Year7
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
	DPCR5							
Baseline costs used for Benchmarking	£3.19	£3.19	£3.19	£3.19	£3.19	£3.19	£3.19	£3.19
Total cost changes	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
<b>Revised costs</b>	<b>£3.19</b>	<b>£3.19</b>	<b>£3.19</b>	<b>£3.19</b>	<b>£3.19</b>	<b>£3.19</b>	<b>£3.19</b>	<b>£3.19</b>
Benchmark costs	£4.37	£4.37	£4.37	£4.37	£4.37	£4.37	£4.37	£4.37
Headroom	£1.18	£1.18	£1.18	£1.18	£1.18	£1.18	£1.18	£1.18
NPV of revised costs DPCR5 @ 10%				£12.11				
<b>Re-profiled revised costs</b>				£3.19	£3.19	£3.19	£3.19	£3.19
NPV of Re-profiled costs DPCR5 @ 10%				£12.11				

The smoothed cost forecast for 2010-11 is £3.19 million, substantially lower than the expected benchmark of £4.37 million.

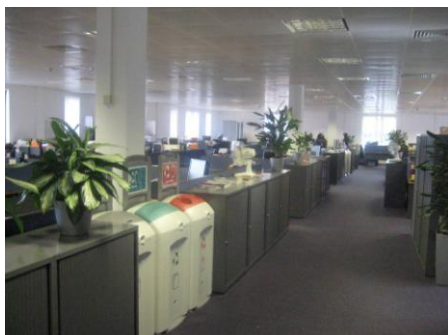
### Site Visits

5.30 The site visited was Pegasus Business Park, East Midlands.

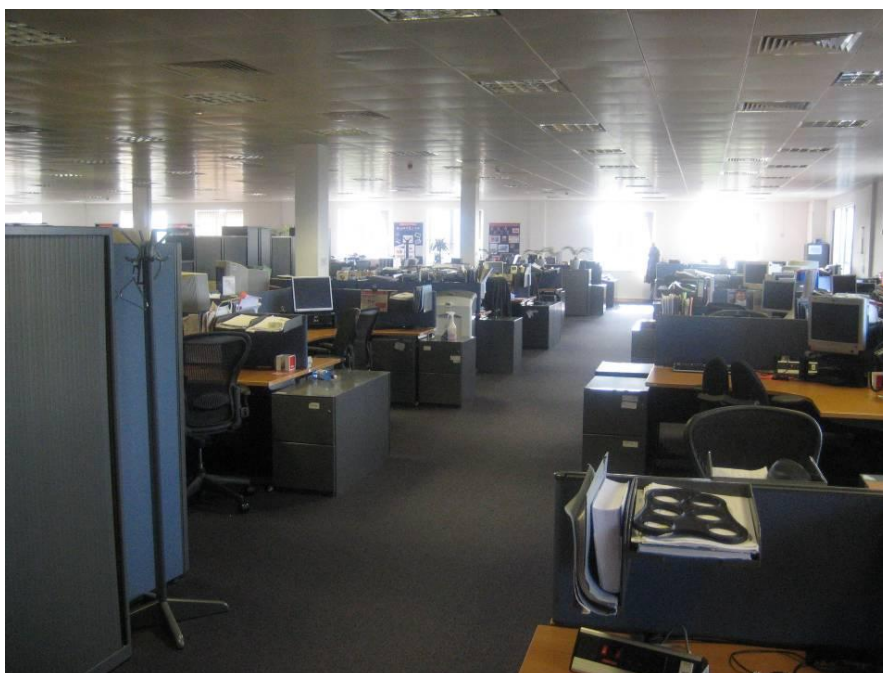
5.31 Pegasus Business Park represented an interesting comparison to the Tipton premises occupied by CN West. The former is a modern, purpose built, high quality office in a business park location adjacent to East Midlands Airport.



5.32 It comprises a very large detached office spread over two floors with associated car parking.



- 5.33 With its open, modern interior, it provides a very pleasant office environment with system furniture. It was well laid out with central facility points (printers etc) and good quality break out café and rest areas. The general office areas were supported with a range of meeting and conference facilities. The CEO occupied space in the open plan office area. In general, the quality was in sharp contrast with the standard of office accommodation seen across many other DNOs.
- 5.34 The occupation of premises at Pegasus Business Park was the result of a consolidation of offices in 6 other locations.
- 5.35 The former East Midlands Electricity underwent a high degree of rationalisation and business transformation resulting in, among other things, the provision of a new headquarters facility at Pegasus Business Park with supporting satellite offices.
- 5.36 Many of the buildings currently occupied by CN East are therefore purpose-built and should, in theory, offer efficiency advantages over older premises. This is indeed borne out by the benchmarking statistics.



- 5.37 Not only has the DNO managed to occupy space efficiently in terms of space per workstation, it also operates with significantly fewer workstations per FTE than the benchmark. It is quite possible that this outcome owes its origins to the introduction of flexible working practices at Pegasus Business

Park in 2000 where car parking levels dictated that alternative ways of using space over time needed to be found.

- 5.38 The use of standard desk sizes for all grades of personnel at Pegasus Business Park will have contributed to the measured results. Furthermore, a common desk size was used for all job functions including network planners and engineers who would frequently be allocated larger workstations at other DNOs.

### CN West - Data Benchmarking

#### 5.39 Key Inputs 07-08

DNO	Total Cost (£)	Total Space (m <sup>2</sup> )	Office (m <sup>2</sup> )	Depot (m <sup>2</sup> )	Total FTE Office	Total Wkstn Office
CN West	£2,029,609	37,795	13,186	24,609	1,150	826

#### 5.40 Input notes provided by DNOs:

- “Unallocated space was apportioned across the remaining sites. Unallocated costs have been apportioned by space.
- CN HR systems do not allocate FTE to Depots as such all FTE all FTEs are allocated to a selection of office buildings. However, after scrutiny it was found that this does not impact upon overall results”.

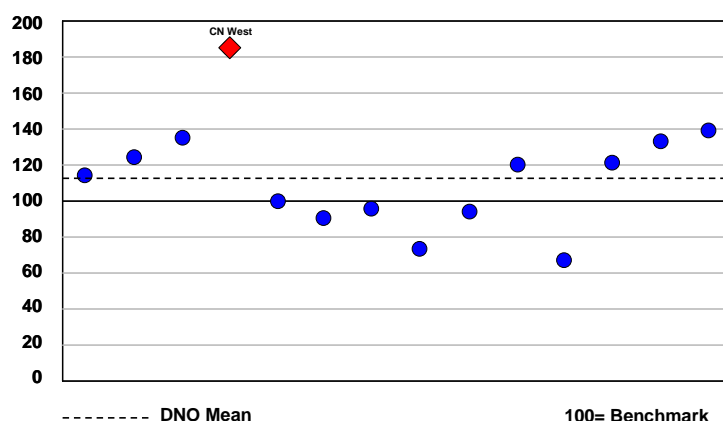
#### 5.41 Overall Benchmark Score

5.42 The Overall Benchmark Score is provided below:

Overall score	Cost score	Space score
186	142	104

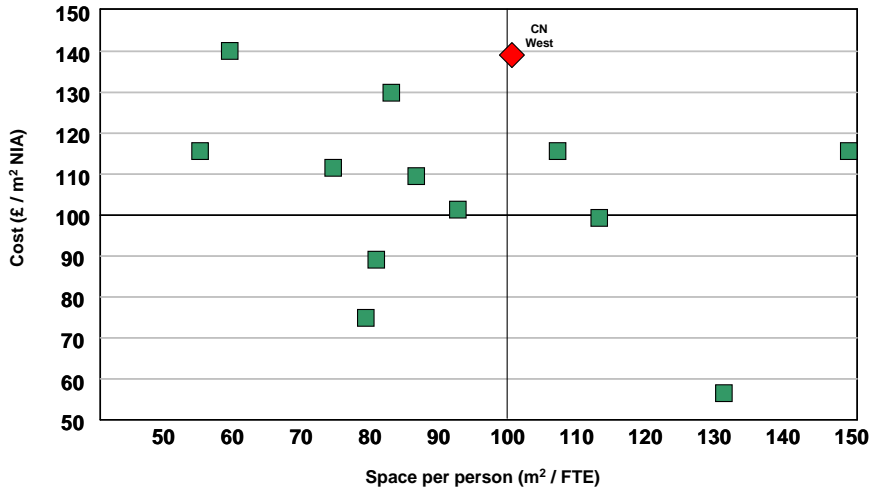
- Overall CN West is performing 86% better than the IPD benchmark.
- Efficiency for the portfolio as a whole is being principally driven by cost efficiency.
- Space for the CN West portfolio is marginally better than the IPD benchmark.

5.43 The performance of CN West relative to other DNOs is shown below:



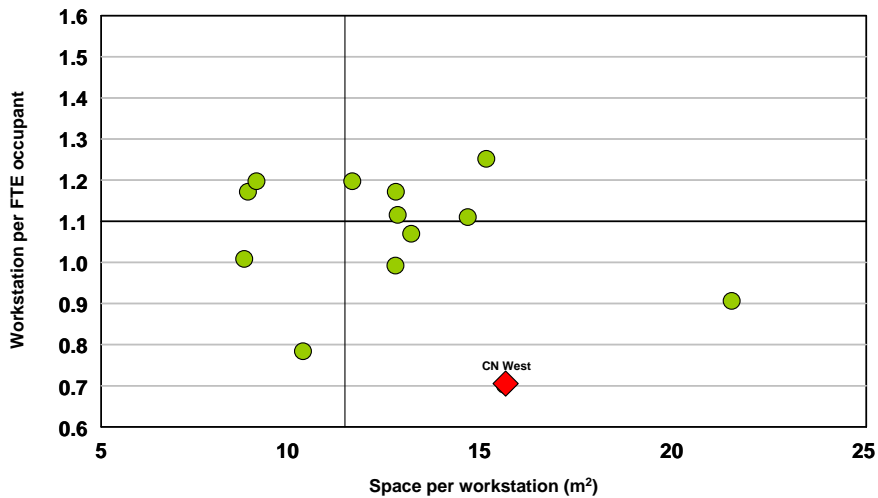
5.44 The graph above shows that CN West's Overall Score is currently performing significantly better than the IPD benchmark with a score of 186.

**5.45 Cost and Space Efficiency**



5.46 As already noted, CN West's Cost (£/m²) and Space per person (m²/FTE) are both better than benchmark

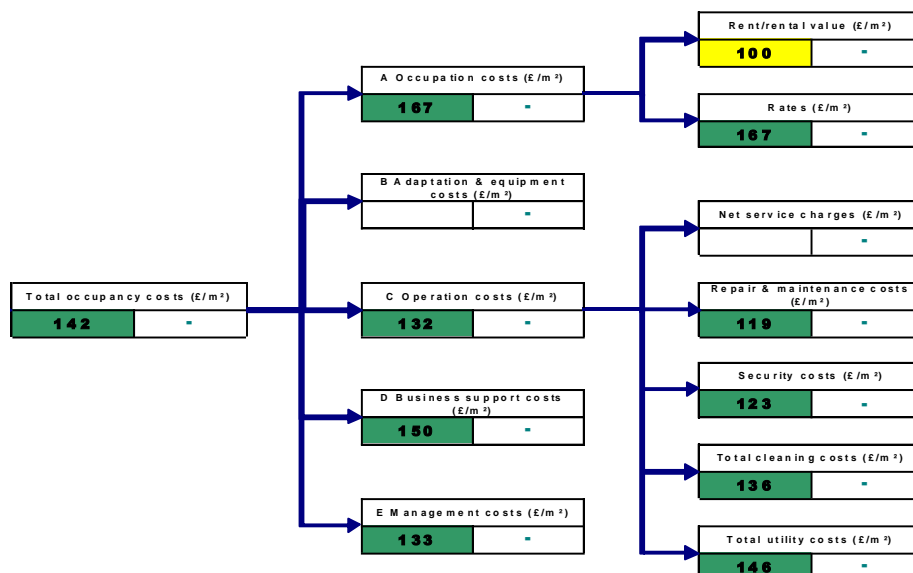
**5.47 Workstation benchmark**



5.48 This chart shows that CN West's workstations occupy significantly more space than the benchmark, compensated by a much lower ratio of workstations to FTEs.



### 5.49 Full Cost Scorecard



### 5.50 Comment:

- Almost all CN West's costs are better than benchmark, with many significantly better than benchmark.

### 7 year forecast

- 5.51 CN West's Template 3 shows no change in FTE or area occupied over the seven year period.
- 5.52 We are aware of Rental income received of £352k in 2007-8 reducing to £297k in 2008-9 which is not included in IPD's baseline costs of £2.03 million.
- 5.53 We have not deducted this income due to the fact that there are no lease rental costs in the baseline figure, and CN West is (overall) much lower than the expected benchmark.

Central Networks West	Current year actual / budget / forecast	Forecast Year1	Forecast Year2	Forecast Year3	Forecast Year4	Forecast Year5	Forecast Year6	Forecast Year7
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Baseline costs used for Benchmarking	£2.03	£2.03	£2.03	£2.03	£2.03	£2.03	£2.03	£2.03
Total cost changes	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
<b>Revised costs</b>	<b>£2.03</b>	<b>£2.03</b>	<b>£2.03</b>	<b>£2.03</b>	<b>£2.03</b>	<b>£2.03</b>	<b>£2.03</b>	<b>£2.03</b>
Benchmark costs	£3.77	£3.77	£3.77	£3.77	£3.77	£3.77	£3.77	£3.77
Headroom	£1.74	£1.74	£1.74	£1.74	£1.74	£1.74	£1.74	£1.74
NPV of revised costs DPCR5 @ 10%				£7.69				
<b>Re-profiled revised costs</b>				<b>£2.03</b>	<b>£2.03</b>	<b>£2.03</b>	<b>£2.03</b>	<b>£2.03</b>
NPV of Re-profiled costs DPCR5 @ 10%				£7.69				
Rental income	(£0.35)	(£0.30)	(£0.30)	(£0.30)	(£0.30)	(£0.30)	(£0.30)	(£0.30)

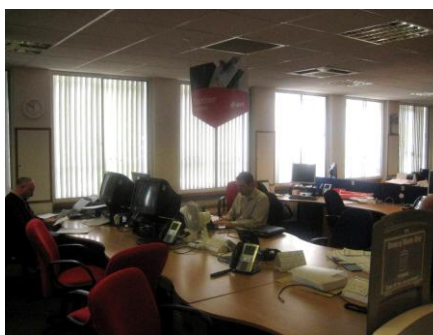
The smoothed cost forecast from 2010-11 is £2.03 million.

## Site visits

- 5.54 The site visited was Tipton, West Bromwich.
- 5.55 The single visit was to a large legacy site in a mixed commercial and industrial location. Tipton incorporates extensive car parking, large grounds (including a lake), a sub-station, yard area and warehouse storage, a training centre (including exterior training field) and extensive office accommodation. This site was the head office for the DNO region and was home to non-DNO businesses within the wider organisation.



- 5.56 The office areas were in both the main high rise office block and also converted stores towards the rear of the site.
- 5.57 The office areas were open plan and intensively utilised but dated in certain areas. Some floors in the main building were in the process of being refurbished and banks of hot-desk existed within the office areas.
- 5.58 Through the effective conversion of depot and other 'industrial' space into office accommodation (for example, Tipton), the DNO has helped achieve a cost of accommodation more efficient than the benchmark.



- 5.59 The use of hot desking facilities at sites such as Tipton has also contributed towards the relatively efficient use of space overall in comparison to the benchmark.

## Concluding Comments

- 5.60 An innovative use of desk diaries has undoubtedly helped to optimise the use of workstations – all desks are notionally available for anyone to use. Despite a small degree of personalisation of desks, the extensive use of desk diaries was noted on our site visits.
- 5.61 More recently, the concept of 'team space' was introduced whereby a team comprising a discreet business function is allocated a number of desks less than the headcount of the team.

- 5.62 Unusually for DNOs, CN operates a regime of internal charging. While we are not aware of the detailed mechanics of the system, we understand it acts as a real incentive to economise on the use of space. The costing system is based on a simple charge per desk and therefore avoids some of the complexities associated with tying charges for space to prevailing market rents.
- 5.63 The absence of allocated rooms for senior management, or even an executive boardroom, add to the range of initiatives that together deliver 'high' performance of the property portfolio.
- 5.64 A significant factor affecting the preparedness of the business to change its property portfolio through further rationalisation for example appears to be the prospect of alliancing. There is a likelihood that contracts will be entered into with suppliers who may well wish to use their own premises (offices and depots) from which to deliver services. There is an expectation that suppliers may also wish to use some accommodation currently occupied by the DNO.
- 5.65 It therefore seems prudent to await the outcome of the contracting programme before embarking on any significant overhaul of the estate.
- 5.66 Looking back, CN East had been able to move from legacy sites to rationalised purpose-built sites, suitably modern and fit for purpose, whereas CN West appeared to be saddled with legacy sites with historic constraints, albeit with low operating costs.
- 5.67 The CE organisation provided, after EDF, the most comprehensive description of its adoption and support for flexible working practices and pro-active workplace strategy (although no formal documented policies submitted). This included categorising mobile and fixed workers and desk-sharing arrangements.
- 5.68 What the benchmarking information fails to identify, through no fault of the methodology adopted, is the organisational overhead created by virtue of the DNO operating two disaster recovery facilities. It is understood that the use of two distinct systems within CN West and CN East has driven the need two distinct disaster recovery facilities. So, while space may be used efficiently and cost-effectively where in use, there remains a question over the cost-effectiveness of retaining two such facilities.
- 5.69 In addition, the property platforms from which the CN businesses operate are rather different owing as much to the history and evolution of the businesses as any other factor. While CN West still maintains an element of the former area structure of offices within its region, CN East occupies a portfolio that has been rationalised significantly.
- 5.70 Again, the scope of the current study has not extended into an exploration of the 'optimum' property platform but it seems intuitively correct that some models will be both more efficient and effective than others. The cost of migrating towards the 'optimum' platform is undoubtedly a genuine constraint with the result that, in the case of CN, it has to some extent fit its business to its property portfolio.

## 6. Results – EDF

### Estate Strategy / Working practices

6.1 Responses to Template 1, as provided to Drivers Jonas, are provided in the following tables.

#### 6.2 Estate Strategy

	Owning Group	EDFE
	DNO	London / East England / South East England EDF LPN / EDF EPN / EDF SPN
1.0	Estate Strategy	
1.1	Copy of estate strategy	The Estate Strategy is currently being developed and has not yet been adopted. A slide summary was provided entitled 'Networks Property Strategy' dated Feb-09. Included under 'solutions underway' is: (a) Customer Operations Accommodation Review (b) Kent Area Study (c) London Property Strategy (d) Lodge Road & Bengeworth Road vacation. Further identified 'Opportunities' identified as (1) Reduce London footprint (2) Investigate new ways of working (3) Hemel & Croydon reviews (4) Cluster office upgrades.
1.2	Quality of buildings	All deemed fit for purpose. A limited number 'good quality', and most 'reasonable' quality. A minority are described as 'poor' quality requiring substantial investment.
1.3	Future vision of estate	"It is planned to retain and renew property leases as required going forward"
1.4	Three most desirable changes next 5 years	1. Develop training facilities 2. Review & improve poorest sites 3. Reduction in London property footprint
1.5	Constraints to change	(1) Occupation standards (2) Sustainability ambitions (3) Capital funding (4) Geographical requirements - in particular being local to customer networks.

#### 6.3 Drivers Jonas Comment:

- Although the Estate Strategy has yet to be adopted, a presentation provided indicates considerably thinking on priorities and initiatives to reduce space and cost, with the link to the business clearly articulated.
- The DNO appeared to understand the potential impact on space through the delivery of new ways of working – this was confirmed during our site visits.
- The majority of the estate is in good or reasonable condition, yet there appear to be a number of ways in which efficiencies can be further created.
- The provision of training facilities is noted as a priority. It would appear to us that scope exists to share facilities between DNOs.
- The higher costs of property in London and the South East are an important driver in development of the Estate Strategy.

#### 6.4 FM and Property Services

	Owning Group	EDFE
	DNO	London / East England / South East England EDF LPN / EDF EPN / EDF SPN
<b>2.0</b>	<b>FM &amp; Property Services</b>	
2.1	Present management structure	FM and Property Services are delivered by "in-house provider". EDF Energy Networks recently established a Property Team, and a copy of its Service Level Agreement has been provided.
2.2	Present procurement	Services are contracted through the 'Corporate Procurement' function in conjunction with the in-house service provider. "National contracts are established with many commodities bundled both nationally and regionally".
2.3	Existence / application of service standards	These are contained in the SLA, which takes the appearance of a legal contract even though between two EDF companies (EDF Energy plc to EDF Energy Networks Ltd).
2.4	Ensuring cost effectiveness	Regular benchmarking undertaken with IPD against a Utility Sector Group and wider Blue Chip Sector Group.
2.5	Changes in the next 5 years	The in-house provider of FM & Property Services is in the process of reviewing its organisational structure; it is likely that it will transform into a delivery management structure with support and non-core activities being outsourced.

#### 6.5 Drivers Jonas Comment:

- Until recently another EDF entity has been responsible for providing all FM and property management services, but this is likely to change with support and non-core activities being outsourced.

#### 6.6 Surplus Space

	Owning Group	EDFE
	DNO	London / East England / South East England EDF LPN / EDF EPN / EDF SPN
<b>3.0</b>	<b>Surplus Space</b>	
3.1	Present surplus properties / space	None
	Annual cost	None
3.2	Surplus properties / space forecast next 5 years	None

	Owning Group	EDFE
	DNO	London / East England / South East England EDF LPN / EDF EPN / EDF SPN
3.3	Management of surplus space / properties	Surplus space is returned to Corporate Property Services

6.7 Drivers Jonas comment:

- Although it is common at other DNOs for property to be managed centrally, EDF appears to be unusual in that the financial impact of surplus properties is not passed back down to the operating company.

6.8 Working practices

	Owning Group	EDFE
	DNO	London / East England / South East England EDF LPN / EDF EPN / EDF SPN
4.0	Working practices	
4.1	Policy on flexible working	EDF has an established policy on flexible working - "Work Life Solutions" - provided as a separate document. This covers issues such as: Home working, Job Sharing and Flexi-working (part office and part home).
4.2	Policy of filing and storage	"Minimal storage facilities are provided" with off-site archive facilities.
4.3	Adoption of space standards	Detailed space standards document provided; this sets a space standard of 9.29 m <sup>2</sup> for a typical office-based employee.
4.4	Steps taken to optimise space	Space has recently been reviewed, with an intention to reduce London footprint. A pilot scheme testing 'agile / flexible' workspaces is currently underway.

6.9 Drivers Jonas comment:

- EDF has detailed and well-established policies on Flexible Working and Space Standards – the site visits were useful to understand the extent to which they are put into practice..
- The typical space standard for office staff is 9.29 m<sup>2</sup>, about 20% smaller than IPD's typical space standard of around 11.9 m<sup>2</sup>. For new office premises, a space standard of up to 10 m<sup>2</sup> would be typical but, when considering the reuse of existing space, a standard nearer 12 m<sup>2</sup> might be the norm.

## 6.10 Business Strategy / Operating Model

	Owning Group		EDFE
	DNO	London / East England / South East England	
		EDF LPN / EDF EPN / EDF SPN	
5.0	<b>Business Strategy / Operating Model</b>		
5.1	Provide a copy of the Business Plan	Not provided. Key points simply listed as (1) Safety (2) Costs (3) Training (4) Sustainability.	
5.2	Three most important business changes and how they will impact on Property / FM	1. Develop training facility to support the business. 2. Review poor quality sites and sites with poor utilisation. 3. Reduce the London property footprint.	
5.3	Key features of Business Model with focus on 3rd parties	No significant changes planned, though some in-sourcing of critical skill set (engineers) expected though this will have de minimus impact of total FTE at each branch.	

## 6.11 Drivers Jonas comment:

- Development of training facilities matches and intention to recruit engineers matches Ofgem's requirement for DNOs to expand resources in this critical skill set.
- Changing or reducing the London footprint appears again as a key business requirement, in line with objectives to reduce operating costs.

## 6.12 Accounting Issues

	Owning Group		EDFE
	DNO	London / East England / South East England	
		EDF LPN / EDF EPN / EDF SPN	
6.0	<b>Accounting Issues</b>		
6.1	Accounting policies with material affect on property costs	Construction / refurbishment costs capitalised per FRS15; other costs reported on a standard accruals basis.	
6.2	Related-party transaction costs	Property Services provides complete service for the property portfolio.	

	<b>Owning Group</b>	<b>EDFE</b>
	<b>DNO</b>	<b>London / East England / South East England</b> <b>EDF LPN / EDF EPN / EDF SPN</b>
6.3	Inclusion of notional charges in data Template 2	"Properties owned by the related party are charged at market rent"

6.13 Drivers Jonas comment:

- All costs are charged by related companies.
- The statement that "Properties owned by the related party are charged at market rent" indicates that it is not the cash cost of property rents that are charged, but notional costs.

6.14 Any Other Comments

None provided.

**EDF EPN - Data Benchmarking**

6.15 Key Inputs 07-08

DNO	Total Cost (£)	Total Space (m <sup>2</sup> )	Office (m <sup>2</sup> )	Depot (m <sup>2</sup> )	Total FTE Office	Total Wkstn Office
EDF EPN	£4,724,859	26,415	13,611	12,804	1,104	1,071

6.16 Input notes provided by EDF EPN:

- "The shared services sites that were provided separately have been included as part of the overall DNO submission.
- Since the original data submission a number of costs for service delivery support staff were revised as the original data map had them included in the property management function.
- Security costs are higher than benchmark in London and this has been identified by Keith Hutton and Julian Rudd on sites responsible (and considered critical) for national infrastructure".

6.17 Overall Benchmark Score

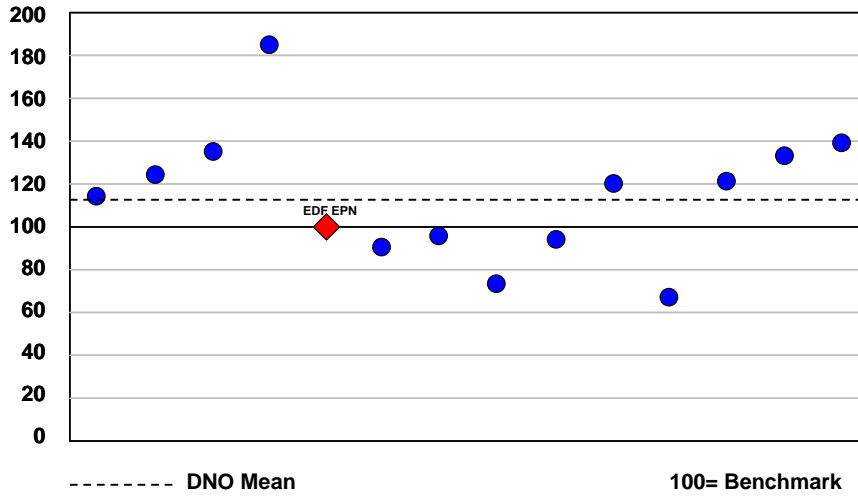
6.18 The Overall Benchmark Score is provided below:

Overall score	Cost score	Space score
100	101	93

- Overall EDF EPN is performing exactly to the IPD benchmark.
- Cost also matches benchmark but space is 7% worse.

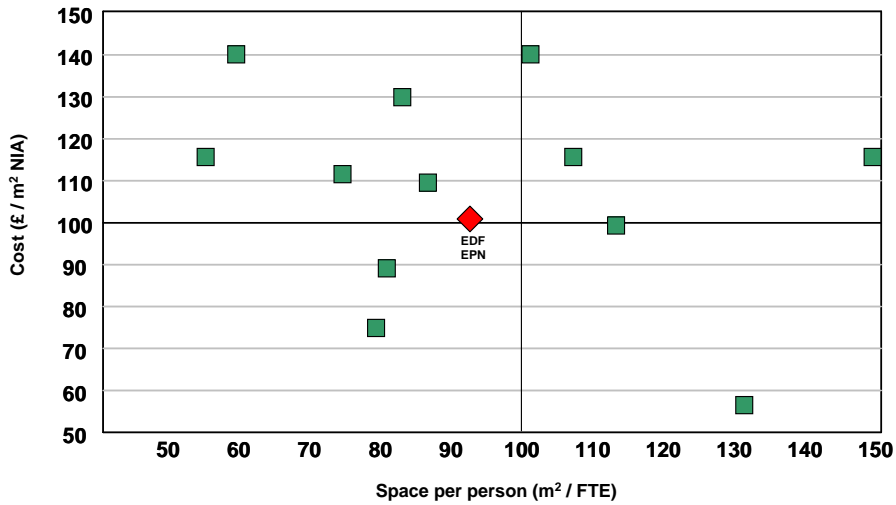


6.19 The performance of EDF EPN relative to other DNOs is shown below:



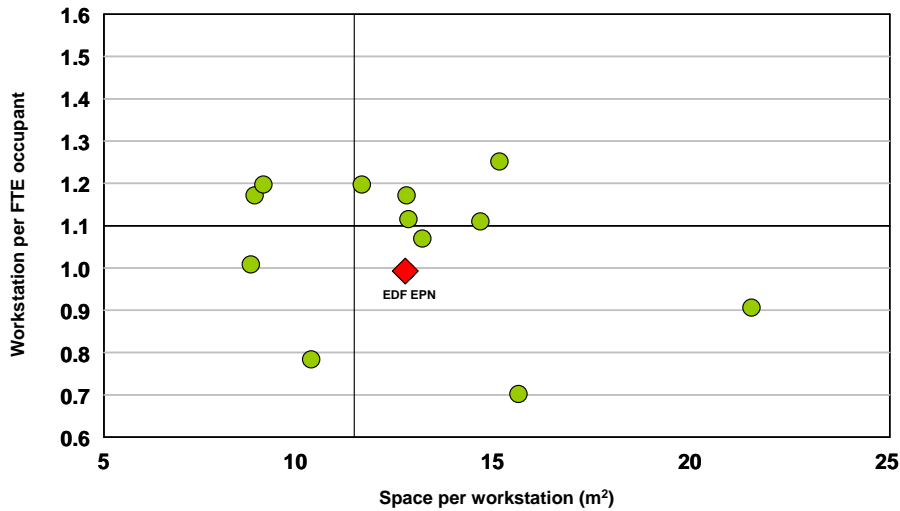
6.20 The graph above shows that EDF EPN's Overall Score is currently performing exactly according to the IPD benchmark score of 100.

6.21 Cost and Space Efficiency



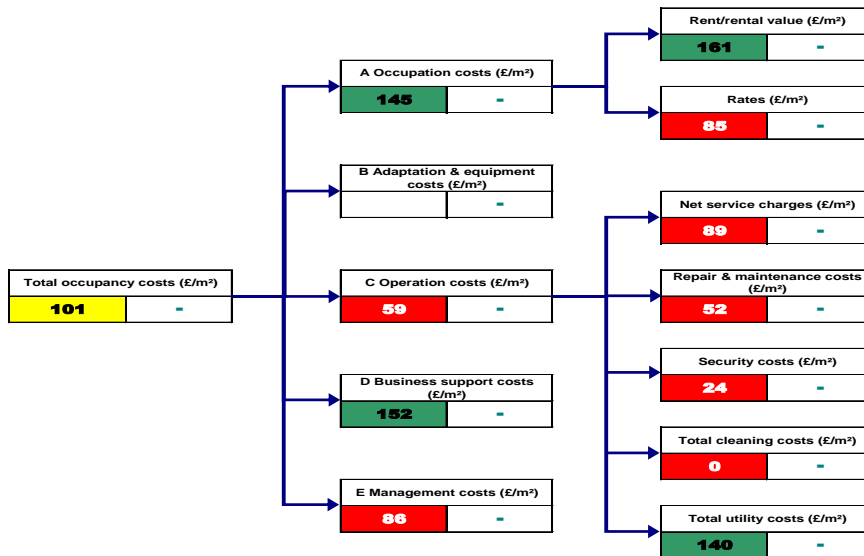
6.22 As already noted, EDF EPN's Cost (£/m²) matches the benchmark but Space per person (m²/FTE) worse.

6.23 Workstation Benchmark



6.24 The chart shows that EDF EPN fits fewer workstations per m<sup>2</sup> than the benchmark, but has far fewer Workstations per FTE than the benchmark.

6.25 Full Cost Scorecard



6.26 Comment:

- The Total Occupancy Cost benchmark is 1% better than the benchmark
- The individual cost categories vary significantly. Of particular note is that the rent benchmark is 62% better than benchmark given that EDF is meant to be charged market rents on all its properties.

## 7 year forecast

- 6.27 EPN's figures were subject to a number of changes during the validation process
- 6.28 The final baseline figure used for benchmarking purposes was £4.72 million; this excludes £0.5 million of notional rent on freehold properties.

EDF East of England	Current year actual / budget / forecast	Forecast Year1	Forecast Year2	Forecast Year3	Forecast Year4	Forecast Year5	Forecast Year6	Forecast Year7
	DPCR5							
	2007-08 £ million	2008-09 £ million	2009-10 £ million	2010-11 £ million	2011-12 £ million	2012-13 £ million	2013-14 £ million	2014-15 £ million
Baseline costs used for Benchmarking	£4.72	£4.72	£4.72	£4.72	£4.72	£4.72	£4.72	£4.72
Increase in occupied NIA	0%	17%	17%	17%	17%	17%	17%	17%
Increase in Baseline costs	£0.00	£0.83	£0.83	£0.83	£0.83	£0.83	£0.83	£0.83
<b>Revised costs</b>	<b>£4.72</b>	<b>£5.55</b>	<b>£5.55</b>	<b>£5.55</b>	<b>£5.55</b>	<b>£5.55</b>	<b>£5.55</b>	<b>£5.55</b>
Benchmark costs + NIA increase	£4.72	£5.54	£5.54	£5.54	£5.54	£5.54	£5.54	£5.54
Headroom	£0.00	(£0.01)	(£0.01)	(£0.01)	(£0.01)	(£0.01)	(£0.01)	(£0.01)
NPV of revised costs DPCR5 @ 10%				£21.04				
<b>Re-profiled revised costs</b>				£5.55	£5.55	£5.55	£5.55	£5.55
NPV of Re-profiled costs DPCR5 @ 10%				£21.04				

- 6.29 EPN's Template 3 indicated that occupied space was forecast to increase by 17% in 2008-9. No FTE projections were provided so we have assumed for forecast purposes that this increase in space is driven by increased headcount.
- 6.30 The cost forecast is calculated at £5.55 million from 2010-11, fractionally higher than benchmark.

## Site Visits

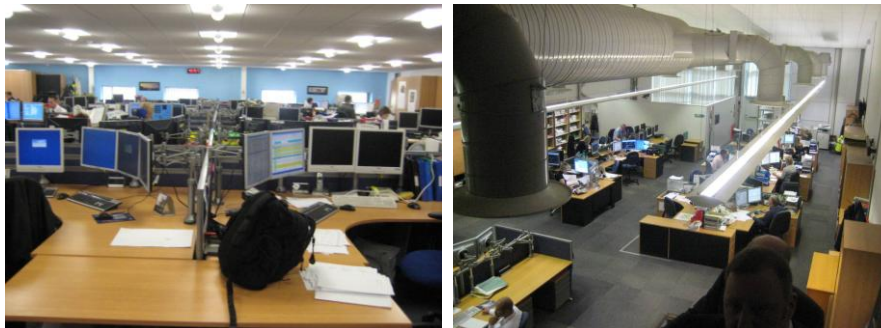
- 6.31 The sites visited were Bury St Edmunds and Ipswich, a central facility for all EDF DNOs.
- 6.32 The Ipswich site (Fore Hamlet) was both a headquarters facility for all EDF DNOs, as well as a significant site for EDF EPN. Perhaps surprisingly, it was a fairly central city location, surrounded by residential and office buildings.



The most noticeable and unique characteristic of this site was the extensive investment in security for the site e.g. high walls, fences, inner fences, gatehouse, CCTV cameras.

- 6.33 Within the site, the office accommodation was open plan and well utilised. A programme of modernisation was evident in some areas (e.g. call centres in converted storage area) and there are plans to further intensify office use

through conversion of additional stores. There was a mix of dated and modern furniture on site and storage were reasonable.



- 6.34 The Ipswich premises include a control centre – by the very nature of the functions carried out in a control centre, space per person is necessarily more than for ‘normal’ office uses. Elsewhere within the Ipswich building, space appeared to be managed relatively efficiently.
- 6.35 The Bury St Edmunds site was also a very extensive legacy site with a full range of mixed use functions e.g. offices, training centre, extensive modern warehouse, back up control centre, high density storage and yard areas.



- 6.36 The office spaces were open plan and generally fairly modern, well planned and utilised. The furniture was dated in some areas. Some offices have been converted from storage space within the warehouse. These spaces seemed quite tight and environmentally ‘difficult’. There was a large mezzanine area in the warehouse prepared for conversion into further offices.



- 6.37 The disaster recovery control centre was impressive in terms of its size and fit out. It was larger than any others seen, but this perhaps reflects the significance of servicing the London area.

6.38 The relative cost effectiveness of EDF EPN compared with the benchmark will be due in part to the successful conversion of industrial space for office use in some of the sites visited – for example, Ipswich. The contingency plans worked up for the conversion of further space into office use if needed reflects a mindset driven by operational efficiency and a desire to make the fullest use of existing assets.

6.39 Despite the provision of a large ‘standby’ control centre at Bury St Edmunds, the overall space per FTE is slightly better than the benchmark. This may be due to particularly high levels of efficiency throughout the remainder of the office estate. This is a plausible reason given the level of strategic thinking and operational management that would appear to be applied to the estate.

### EDF LPN - Data Benchmarking

#### 6.40 Key Inputs 07-08

DNO	Total Cost (£)	Total Space (m <sup>2</sup> )	Office (m <sup>2</sup> )	Depot (m <sup>2</sup> )	Total FTE Office	Total Wkstn Office
EDF LPN	£2,919,919	15,114	9,008	6,106	621	748

6.41 Input notes provided by EDF LPN are the same as EPN but reproduced here:

- “The shared services sites that were provided separately have been included as part of the overall DNO submission.
- Since the original data submission a number of costs for service delivery support staff were revised as the original data map had them included in the property management function.
- Security costs are higher than benchmark in London and this has been identified on sites responsible (and considered critical) for national infrastructure”.

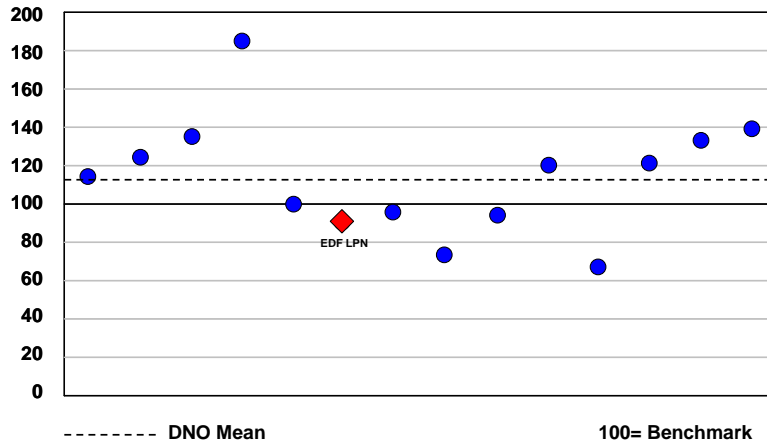
#### 6.42 Overall Benchmark Score

6.43 The Overall Benchmark Score is provided below:

Overall score	Cost score	Space score
89	88	82

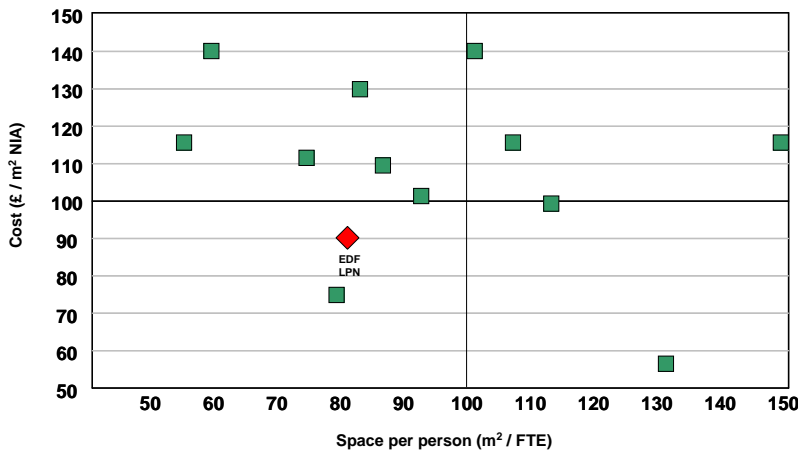
- Overall EDF LPN is performing 11% below the IPD benchmark.
- Costs for the EDF LPN portfolio are 12% worse than benchmark, with space 18% below benchmark..

6.44 The performance of EDF LPN relative to other DNOs is shown below:



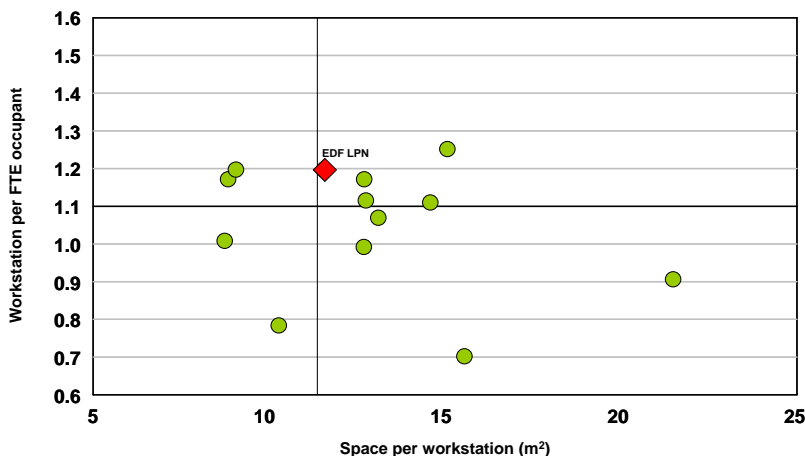
6.45 The graph above shows that EDF LPN Total Cost per Person is currently performing below the IPD benchmark with a score of 89.

6.46 Cost and Space Efficiency



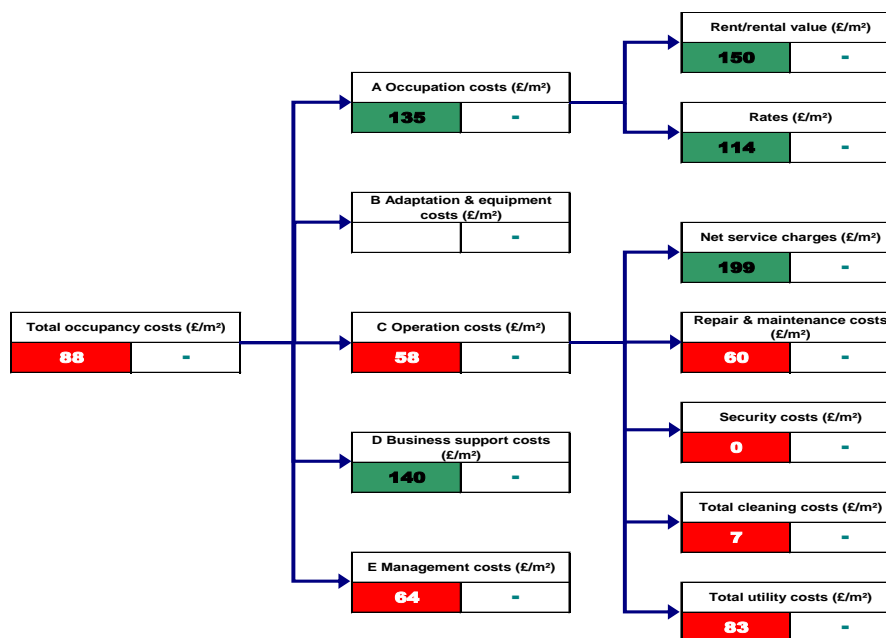
6.47 As already noted, EDF LPN's Cost (£/m²) and Space per person (m²/FTE) are both worse than benchmark.

6.48 Workstation Benchmark



6.49 The chart shows that EDF LPN has more workstations than FTEs and fractionally more space than benchmark for those workstations.

6.50 Full Cost Scorecard



6.51 Comment:

- Total Occupancy Costs are 12% below the benchmark
- As with EDF EPN, individual cost benchmarks vary considerably with rent costs being cheaper than might have been expected.

7 year forecast

6.52 EPN's figures were subject to a number of changes during the validation process. The final baseline figure used for benchmarking purposes was £2.92 million which excludes £0.55 million of notional rent on freehold properties.

EDF London	Current year actual / budget / forecast	Forecast Year1	Forecast Year2	Forecast Year3	Forecast Year4	Forecast Year5	Forecast Year6	Forecast Year7
	DPCR5							
	2007-08 £ million	2008-09 £ million	2009-10 £ million	2010-11 £ million	2011-12 £ million	2012-13 £ million	2013-14 £ million	2014-15 £ million
Baseline costs used for Benchmarking	£2.92	£2.92	£2.92	£2.92	£2.92	£2.92	£2.92	£2.92
Increase in occupied NIA	0%	13%	22%	22%	22%	22%	22%	22%
Increase in Baseline costs	£0.00	£0.39	£0.64	£0.64	£0.64	£0.64	£0.64	£0.64
<b>Revised costs</b>	<b>£2.92</b>	<b>£3.31</b>	<b>£3.56</b>	<b>£3.56</b>	<b>£3.56</b>	<b>£3.56</b>	<b>£3.56</b>	<b>£3.56</b>
Benchmark costs + NIA increase	£2.59	£2.93	£3.15	£3.15	£3.15	£3.15	£3.15	£3.15
Headroom	(£0.33)	(£0.38)	(£0.41)	(£0.41)	(£0.41)	(£0.41)	(£0.41)	(£0.41)
NPV of revised costs DPCR5 @ 10%				£13.49				
<b>Re-profiled revised costs</b>				£3.56	£3.56	£3.56	£3.56	£3.56
NPV of Re-profiled costs DPCR5 @ 10%				£13.49				

6.53 LPN's Template 3 indicated that occupied space was forecast to increase by 22% by 2014-5. As with EPN, no FTE projections were provided so we have again assumed for forecast purposes that this increase in space is driven by additional headcount.

- 6.54 The cost forecast is calculated at £3.56 million from 2010-11, £0.41 million higher than benchmark costs.

### Site Visits

- 6.55 The sites visited were Brixton and Bexley Heath.
- 6.56 The urban geography (and dense customer base) means that this DNO's 'patch' requires an equally dense distribution of depots to ensure service levels are met. There is a desire to rationalise properties but a recognition that this needs to be carried out with great care.
- 6.57 Large sites like Brixton are under-utilised at present with what seems at first glance a wasteful expanse of deteriorating buildings. However, we understand that plans exist to make more extensive use of this site as part of a rationalisation strategy. Considerable investment would be needed to render the buildings more useable.



- 6.58 There were pockets of empty space or opportunities for more efficiency of office space. At present, there is no scope to use these spaces by importing business operations from elsewhere. Looking at this building in isolation, there appears to be little incentive to be more efficient with existing occupied areas.
- 6.59 The large complex at Brixton includes a range of under-utilised buildings, the performance of which will have contributed towards the relatively poor overall space utilisation recorded for EDF LPN. The uncertainties over the future of the site are impacting on the ability of the business to take long term decisions now. As a result, improvements are being made 'at the fringe' to improve utilisation of elements of office accommodation while leaving large areas vacant, but also incapable of being used by a third party as a means of offsetting the cost of ownership.
- 6.60 The inability to effectively sub-divide accommodation and lease or otherwise dispose of surplus space on operational sites is a constraint to the overall efficient use of space.
- 6.61 Brixton is one of EDF LPN's four hub sites with Bexley Heath being another. Bexley Heath is a more dynamic site with a much larger DNO presence including a centre of excellence for projects. In this respect, many staff here are not tied to the location and could presumably be based in an alternative and perhaps more cost effective location.





- 6.62 The Bexley Heath main offices are relatively modern, very open, busy and well utilised. There are some useful booth-style breakout facilities.



- 6.63 In contrast to Brixton, the Bexley site has benefited from a modern fitting out of older premises to create a vibrant working environment. At this location, the aspirations of the space policy and guidelines have been realised effectively where the business has a clear, long term commitment to the location.
- 6.64 Both Brixton and Bexley Heath sites had significant vehicle maintenance operations. This business function has been contracted out by some other DNOs.
- 6.65 The DNO is introducing a new logistics strategy that maximises the use of localised drop-off points for field materials with automated stock control. This diminishes the need for extensive warehousing at all depots and provides a 'just in time' approach to sourcing materials from a centralised point (such as Brixton). This strategy creates opportunities to reduce storage operations on various alternative.

## EDF SPN - Data Benchmarking

### 6.66 Key Inputs 07-08

DNO	Total Cost (£)	Total Space (m <sup>2</sup> )	Office (m <sup>2</sup> )	Depot (m <sup>2</sup> )	Total FTE Office	Total Wkstn Office
EDF SPN	£2,523,439	20,062	11,808	8,254	616	773

### 6.67 Input notes provided by EDF SPN were the same as EPN and LPN:

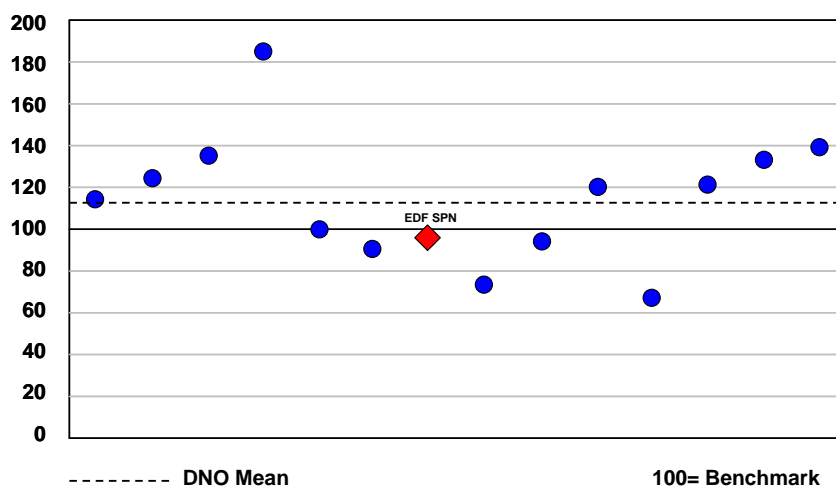
- “The shared services sites that were provided separately have been included as part of the overall DNO submission.
- Since the original data submission a number of costs for service delivery support staff were revised as the original data map had them included in the property management function.
- Security costs are higher than benchmark in London and this has been identified on sites responsible (and considered critical) for national infrastructure.”

### 6.68 Overall Benchmark Score

Overall score	Cost score	Space score
94	115	57

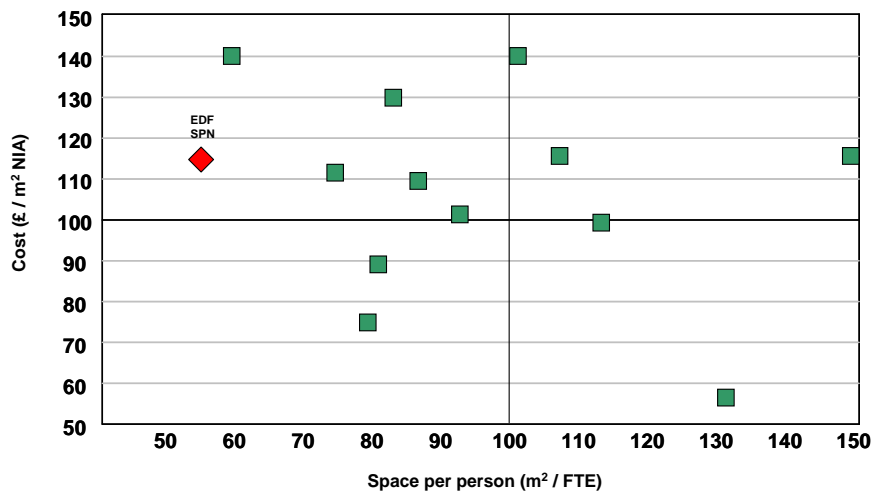
- Overall EDF SPN is performing 6% below the IPD benchmark.
- Efficiency for the portfolio as a whole is being principally driven by cost efficiency which is 15% above the benchmark.
- Costs for the EDF SPN portfolio are lower than the IPD benchmark. However, space efficiency is 43% below the IPD benchmark which impacts upon overall efficiency.

### 6.69 The performance of EDF SPN relative to other DNOs is shown below:



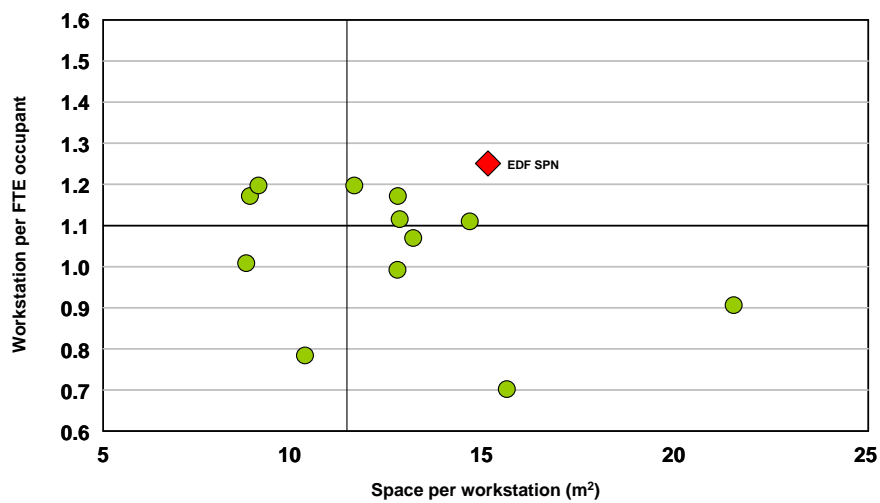
### 6.70 The graph above shows that EDF SPN's Overall Score is currently performing very close to the IPD benchmark with a score of 94.

**6.71 Cost and Space Efficiency**



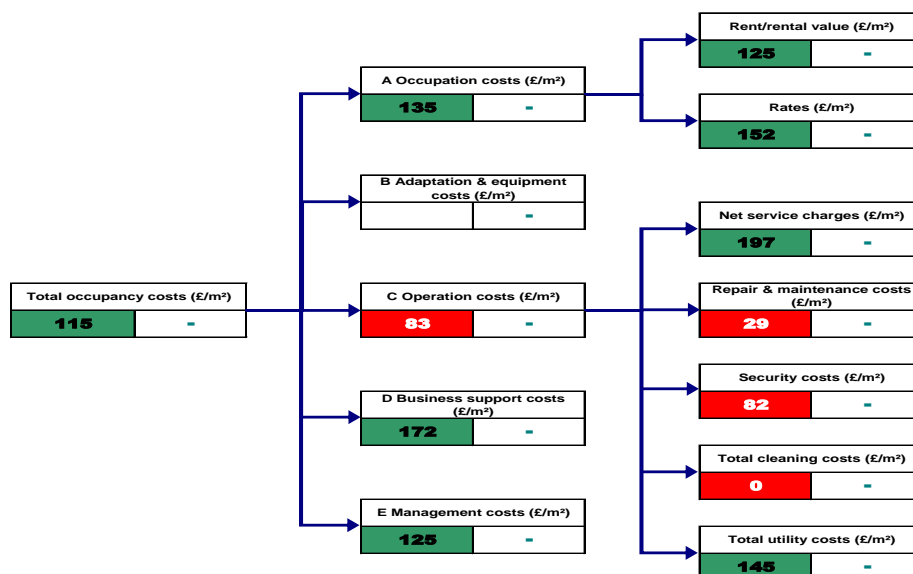
6.72 As already noted, EDF SPN's Cost (£/m²) is better than benchmark, but Space per person (m²/FTE) worse than benchmark.

**6.73 Workstation Benchmark**



6.74 The chart shows that EDF SPN has more workstations than FTEs and more space than benchmark for those workstations.

## 6.75 Full Cost Scorecard



## 6.76 Comment:

- Total Occupancy Costs are 15% lower than benchmark.

## 7 year forecast

6.77 The final baseline figure used for benchmarking purposes was £2.52 million which excludes £0.55 million of notional rent on freehold properties.

EDF South East	Current year actual / budget /	Forecast Year1	Forecast Year2	Forecast Year3	Forecast Year4	Forecast Year5	Forecast Year6	Forecast Year7
		DPCR5						
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Baseline costs used for Benchmarking	£2.52	£2.52	£2.52	£2.52	£2.52	£2.52	£2.52	£2.52
Increase in occupied NIA	0%	9%	15%	15%	15%	15%	15%	15%
Increase in Baseline costs	£0.00	£0.22	£0.38	£0.38	£0.38	£0.38	£0.38	£0.38
<b>Revised costs</b>	<b>£2.52</b>	<b>£2.74</b>	<b>£2.90</b>	<b>£2.90</b>	<b>£2.90</b>	<b>£2.90</b>	<b>£2.90</b>	<b>£2.90</b>
Benchmark costs + NIA increase	£2.37	£2.57	£2.72	£2.72	£2.72	£2.72	£2.72	£2.72
Headroom	(£0.16)	(£0.17)	(£0.18)	(£0.18)	(£0.18)	(£0.18)	(£0.18)	(£0.18)
NPV of revised costs DPCR5 @ 10%				£11.01				
<b>Re-profiled revised costs</b>				£2.90	£2.90	£2.90	£2.90	£2.90
NPV of Re-profiled costs DPCR5 @ 10%				£11.01				

6.78 EDF SPN's Template 3 indicated that occupied space is forecast to increase by 15% by 2014-5. As with EPN and LPN, no FTE projections were provided so we have again assumed for forecast purposes that this increase in space is driven by additional headcount.

The cost forecast is calculated at £2.90 million from 2010-11, £0.18 million higher than benchmark.

## Site Visits

- 6.79 The site visited was Maidstone.
- 6.80 This DNO has a more rural 'patch' and the Maidstone site visited was a legacy industrial building on the fringe of the town.



- 6.81 The office accommodation was quite tired, but predominately open and efficiently planned. A fair amount of clutter and storage was noted, as well as some pockets of unused office space.



- 6.82 From our site visits, it is not possible to conclude why the space per person statistic should be significantly below the benchmark. At Maidstone, the office premises appeared to be used relatively efficiently although somewhat cluttered in places. Furniture systems were generally modern and space efficient and open plan accommodation was the norm as opposed to large numbers of space hungry cellular offices.
- 6.83 The site in overall terms was fairly large with an extensive yard area used in part for storage, and a large well stocked and well organised materials warehouse.

### Concluding Comments

- 6.84 EDF provided the most comprehensive DNO response in terms of policies around flexible working and workplace strategy and guidelines, suggesting a real understanding and intention to exploit related opportunities for staff and organisation alike. It made references to an agile working pilot, but the reality is that is really still to get off the ground. In this sense, it is fair to say that much of the theory and intentions are still to be put into practice in many sights – but at least there are policies and strategies in existence!
- 6.85 While there exists a comprehensive space planning policy and space allocation guidelines, it was evident that these were not universally applied in practice. It is appreciated however that they represent a relatively recently established framework for the efficient management of space and investment is often needed up front before the benefits of modern furniture and storage systems for example, can be realised.
- 6.86 The benefits from more efficient space planning might only arise if it permits the space vacated to be either disposed of or used for an alternative productive use (which may itself release additional space). The comment was made that it can be a challenge to make a business case ‘stack up’ for investment to deliver more efficient use of space. The provision of a more attractive and user-friendly working environment, while benefiting the occupiers affected, may in some cases be the only direct outcomes.
- 6.87 We were advised of an emerging need to take on additional staff to support anticipated capital projects across the EDF business and a related intention to use under-utilised accommodation to house any new employees.

## 7. Results – Electricity North West

### Estate Strategy / Working practices

7.1 Responses to Template 1, as provided to Drivers Jonas, are provided in the following tables.

#### 7.2 Estate Strategy

	Owning Group	ENW
	DNO	North West ENW
1.0	Estate Strategy	
1.1	Copy of estate strategy	There is no single Estate Strategy document, instead reference to a range of other documents that drives planning for the Estate. A summary of the main points is contained in the Template return. Significant points include: (1) To lease wherever possible to allow flexibility and align to regulatory review periods (2) Leases to balance relocation flexibility with longer term tenure at key sites (3) Share depot sites with sub-contractors (4) Use less commercially valuable legacy sites to provide cost effective reserve and contingency accommodation (5) For 'Centres of Excellence' the intention is to move to low cost leased commercial accommodation.
1.2	Quality of buildings	The portfolio has good location fit but some Freehold depots are described as "beyond planned maintenance regimes due to physical obsolescence", e.g. 40-year old air conditioning units where spares are no longer available and use R22 gas which will not be available beyond Summer 2009. A substantial proportion of the estate is situated on or adjacent to operational land (waste water treatment works or substation sites) with basic accommodation at relatively low cost.
1.3	Future vision of estate	Upper quartile cost efficiency. Eight objectives identified including: (1) Small number of leased offices whilst ensuring other locations remain resilient (2) Further home to site working.
1.4	Three most desirable changes next 5 years	1. Increased direct to site working 2. Increase remote & hot desking 3. Offices strategically sited and low environment footprint
1.5	Constraints to change	(1) Physical and planning restrictions associated with the Lake District (2) Economic climate where assets could have a market value lower than book value (3) In addition, DNOs retain only 23.5% of the property sale in the RAV.

7.3 Drivers Jonas comment:

- ENW prefers a lease tenure structure rather than freeholds, though there remains a recognition that long-term tenure is needed at key sites and indeed its response refers to retained freehold properties.
- Less valuable space (with low costs) is retained for reserve and contingency purposes;
- A number of the old freehold sites are likely to need substantial capital investment to upgrade old mechanical and electrical components.

- Notably, two of the three desirable changes over the next five years are linked to more flexible and efficient ways of working.

#### 7.4 FM and Property Services

	Owning Group	ENW
	DNO	North West ENW
<b>2.0</b>	<b>FM &amp; Property Services</b>	
2.1	Present management structure	Two FM contracts originally with United Utilities Facilities but now transferred to Europa. (1) HQ held on a short-term lease (2) FM contract all other properties. Property Services managed in-house RICS staff member.
2.2	Present procurement	Existing contracts with UUFM after 2007 benchmarking; HQ contract awarded annually but 'main contract' expires March 2012. Costs are benchmarked with a review in March 2010.
2.3	Existence / application of service standards	SLA details provided separately. The SLA includes response times, fix terms, % first time fix.
2.4	Ensuring cost effectiveness	Regular benchmarking & contract renewals
2.5	Changes in the next 5 years	Benchmarking will be carried out in 2010 and full Market testing in 2012.

#### 7.5 Drivers Jonas comment:

- ENW has chosen a single FM supplier, Europa (formerly United Utilities) to provide all FM services. The benchmarking and market testing provisions are useful mechanisms to help ensure value for money with FM contracts.

#### 7.6 Surplus Space

	Owning Group	ENW
	DNO	North West ENW
<b>3.0</b>	<b>Surplus Space</b>	
3.1	Present surplus properties / space	Three sites are listed and all part of larger premises. Total space is 2,069 m <sup>2</sup> and costs very low.
	Annual cost	Less than £25k p.a.
3.2	Surplus properties / space forecast next 5 years	None



	Owning Group ENW	
	DNO	North West ENW
3.3	Management of surplus space / properties	Active review but small space, tenure has shifted from Freehold to flexible Leasehold where possible.

7.7 Drivers Jonas comment:

- All surplus space is contained in occupied premises; the total area and running costs are small.

7.8 Working practices

	Owning Group ENW	
	DNO	North West ENW
4.0	<b>Working practices</b>	
4.1	Policy on flexible working	No written policy provided but description of flexible working in practice given in Template response: (1) Most operational staff work out on site (2) Most support staff have laptops with wireless or remote access facilities (3) Some staff are home based (4) Most offices have hot desks (5) Some offices are used 24 hours.
4.2	Policy of filing and storage	Offices hold working / live files. Working files offsite and majority held electronically such as geographical maps, asset records, inspection and maintenance history. Legal documents and Wayleave files held in single deed store. Investigating scanning Wayleaves and Customer correspondence but business case does not presently stand.
4.3	Adoption of space standards	No formal policy provided; response describes "consistent standards applied."
4.4	Steps taken to optimise space	Various steps - (1) Minimal single offices; (2) Open plan with limited storage space (3) Kitchens rather than canteens open plan (4) Single desk size (5) "Tight footprint" (6) Increased use of hot desking.

7.9 Drivers Jonas comment:

- ENW appears to have success in transforming many of its documents into electronic format, though the business case to scan Wayleave agreements and customer correspondence does not yet work.
- The fact that many people are known to work on site and the work of others takes them away from the office suggests the DNO should actively consider introducing formal policies on flexible working. This could be done in harmony with the introduction of space standards.

## 7.10 Business Strategy / Operating Model

	Owning Group ENW	
	DNO	North West ENW
<b>5.0</b>	<b>Business Strategy / Operating Model</b>	
5.1	Provide a copy of the Business Plan	No separate document provided but main points summarised in response. This identifies an intention to maintain overall asset fault rates despite "an ageing asset base". ENW's policy is to provide services to customers "on a minimised whole-life cost basis".
5.2	Three most important business changes and how they will impact on Property / FM	<p>1. Various initiatives including: Direct to site working; Better supply chain; Further consolidation of FM.</p> <p>2. Increased DPCR5 work load and workforce renewal with increased support infrastructure and accommodation requirements.</p> <p>3. Migration from current Contracting model to new delivery support for DPCR5 requiring contract staff locate into ENW / UU sites or potentially contract locations.</p>
5.3	Key features of Business Model with focus on 3rd parties	All network operations, maintenance and construction are delivered by UUES. The property estate and property leases provide accommodation for both ENW and UUES; FM services are provided by Europa for all ENW and UUES accommodation.

### 7.11 Drivers Jonas comment:

- Services are largely outsourced to either United Utilities or Europa.
- ENW and United Utilities also share accommodation which will require property costs to be accurately allocated between the two businesses.

### 7.12 Accounting Issues

	Owning Group ENW	
	DNO	North West ENW
<b>6.0</b>	<b>Accounting Issues</b>	
6.1	Accounting policies with material affect on property costs	ENW follows recognised accounting policies - e.g. IFRS / GAAP / IAS.
6.2	Related-party transaction costs	Very detailed response provided Ofgem guidance on related party transactions which ENW notes need to be "unwound". The net effect according to ENW is that costs reported for regulatory purposes are lower than would be reported in "traditional" formats, and that this may give rise to differences in the way it reports costs to Ofgem in its FBPQ submission.

	<b>Owning Group</b>		<b>ENW</b>
	<b>DNO</b>	<b>North West</b>	
		<b>ENW</b>	
6.3	Inclusion of notional charges in data Template 2	ENW reports it has removed costs (e.g. statutory depreciation charges) in order to exclude notional charges.	

7.13 Drivers Jonas comment:

- ENW notes that its cost submission will vary to costs reported to Ofgem in its FMPQ submission. It is assumed this issue will affect other DNOs.

7.14 **Any Other Comments**

None were provided.

**Data Benchmarking**

7.15 **Key Inputs 07-08**

DNO	Total Cost (£)	Total Space (m <sup>2</sup> )	Office (m <sup>2</sup> )	Depot (m <sup>2</sup> )	Total FTE Office	Total Wkstn Office
ENW	£6,516,828	22,083	9,328	12,755	1,036	1,069

7.16 Input notes provided by DNOs:

- “ENW has undertaken a strategic depot and office rationalisation most clearly demonstrated by the relocation of two large office blocks in central Manchester to the surrounding areas. Subsequently costs have shifted from statutory depreciation to rental costs.
- Costs before 2007/2008 are a breakdown of the total budget costs split pro-rata for Hathersage Road and Hartington Road.
- Following the original data submission Cash pension contributions have been excluded from the analysis figures”.

7.17 **Overall Benchmark Score**

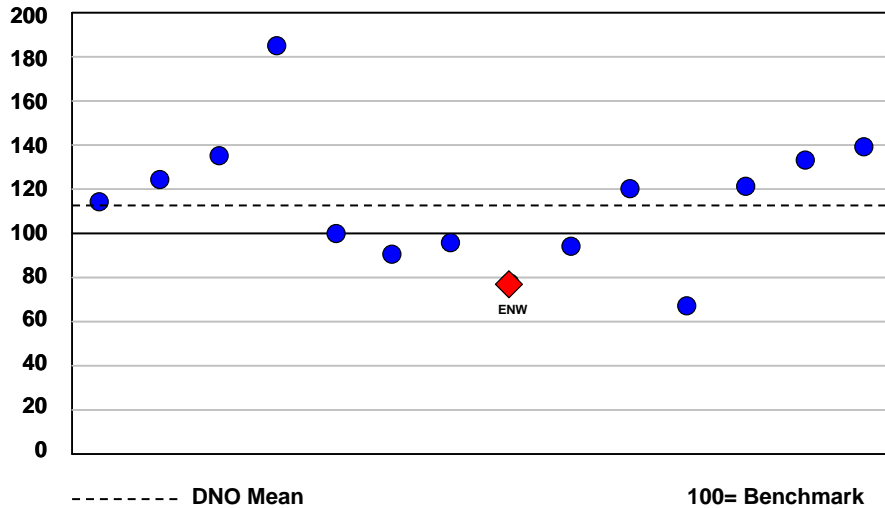
7.18 The Overall Benchmark Score is provided below:

Overall score	Cost score	Space score
77	56	132

- Overall ENW is performing 23% below the IPD benchmark.
- Efficiency for the portfolio as a whole is being principally driven by space efficiency.

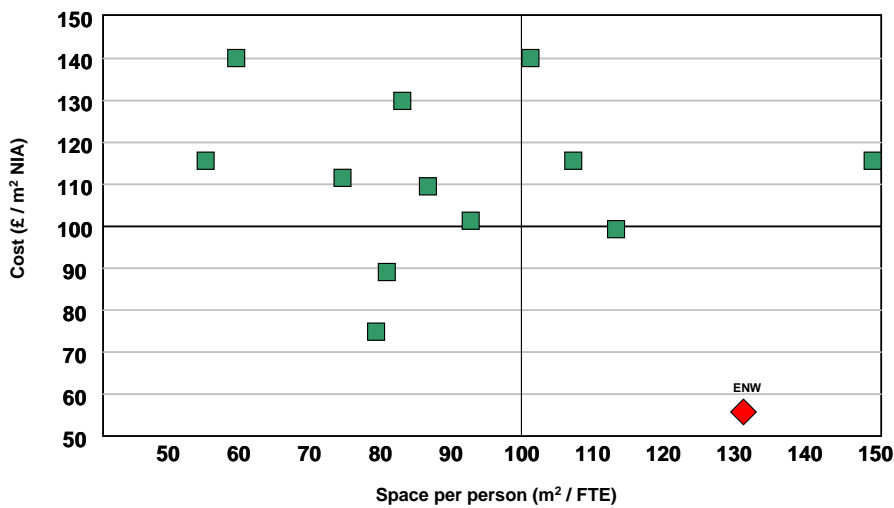
- Costs for the ENW portfolio are well above the IPD benchmark (44%). However, this is offset to a certain extent by positive space efficiency performance (32% above the benchmark).

7.19 The performance of ENW relative to other DNOs is shown below, measured against a benchmark score of 100:



7.20 The graph above shows that ENW's Overall Score is currently performing below the IPD benchmark with a score of 77.

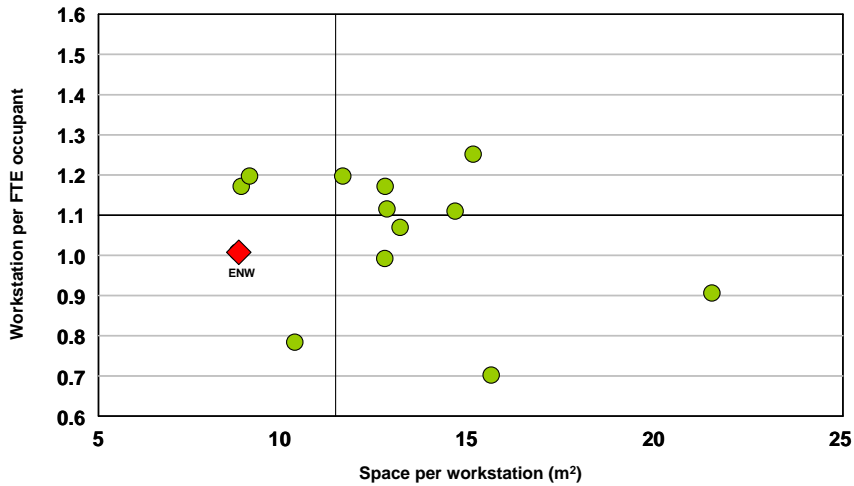
7.21 Cost and Space Efficiency



7.22 Comment:

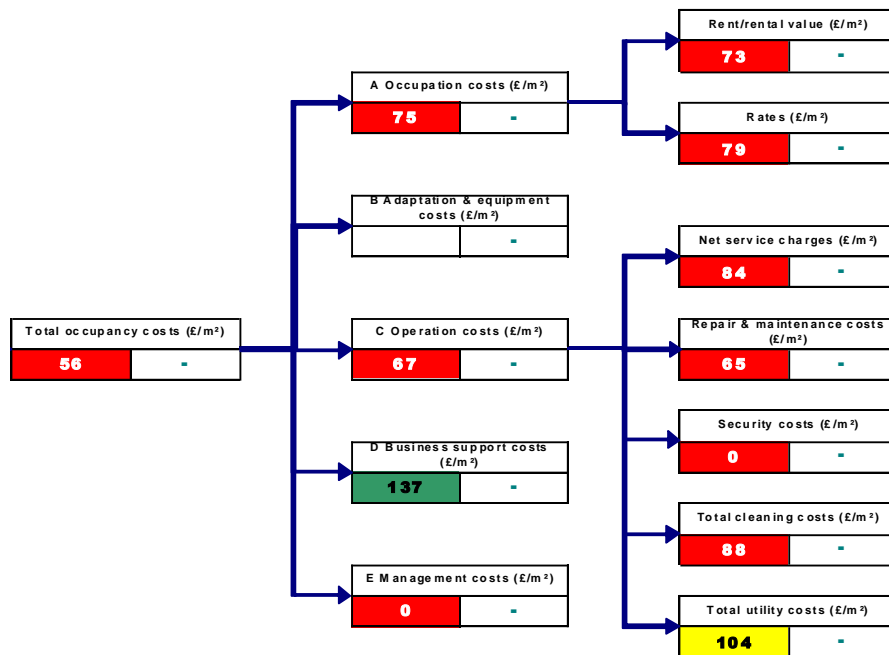
- As already noted, ENW's Cost (£/m²) is significantly worse than benchmark, but Space per person (m²/FTE) much better than benchmark.

7.23 Workstation Benchmark



7.24 The chart shows that ENW workstations occupy less space than the benchmark, and also has less Workstations per FTE than the benchmark.

7.25 Full Cost Scorecard



7.26 Comment:

- Most individual costs exceed IPD's benchmark, with an overall Total Occupancy Cost 44% worse than the benchmark.

## 7 year forecast

- 7.27 ENW's baseline property costs used for benchmarking purposes totals £6.52 million – this is net of notional freehold rent costs of £145k.
- 7.28 In its Template 3 response, ENW forecast a change in office FTEs from 1,036 (in 2007-8) to 1,141 by 2014-15, and increase of 10%. ENW noted in its response that "FTE increases as additional staff will be required to deal with the expected increase in the capital programme to ensure suitable long term network performance and resilience".
- 7.29 Despite an increase in office FTE, ENW expects to reduce the number of buildings and Net Internal Area. ENW commented that it expects to use remaining space "to the highest possible density" to accommodate the additional staff.
- 7.30 For 2007-8, ENW's costs are substantially higher than benchmark. However, in the table below it can be seen that the combination of increased benchmark (driven by additional office FTE) and reducing costs means that for the DPCR5 period its revised costs are better than benchmark.

Electricity North West	Current year actual / budget / forecast	Forecast Year1	Forecast Year2	Forecast Year3	Forecast Year4	Forecast Year5	Forecast Year6	Forecast Year7
	DPCR5							
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Baseline costs used for Benchmarking	£6.52	£6.52	£6.52	£6.52	£6.52	£6.52	£6.52	£6.52
<u>Cost changes</u>								
- reduction in Rent	n/a	(£0.16)	(£0.50)	(£0.26)	(£0.24)	(£0.21)	(£0.18)	(£0.18)
- FM	n/a	(£0.24)	(£0.33)	(£0.64)	(£0.71)	(£0.71)	(£0.74)	(£0.74)
- other costs	n/a	(£0.31)	(£0.30)	(£0.32)	(£0.34)	(£0.34)	(£0.34)	(£0.34)
<b>Revised costs</b>	<b>£6.52</b>	<b>£5.81</b>	<b>£5.38</b>	<b>£5.29</b>	<b>£5.23</b>	<b>£5.26</b>	<b>£5.25</b>	<b>£5.26</b>
Benchmark costs + FTE increase	£4.99	£5.16	£5.16	£5.25	£5.35	£5.39	£5.46	£5.50
Headroom	(£1.53)	(£0.65)	(£0.22)	(£0.04)	£0.12	£0.13	£0.20	£0.23
NPV of revised costs DPCR5 @ 10%				£19.94				
<b>Re-profiled revised costs</b>				£5.26	£5.26	£5.26	£5.26	£5.26
NPV of Re-profiled costs DPCR5 @ 10%				£19.94				

- 7.31 ENW's cost forecast for 2010-11 is £5.26 million, resulting in positive headroom against the amended benchmark.

## Site Visit

- 7.32 The sites visited were Manchester, Warrington (Head Office) and Preston.
- 7.33 This was the only 'single-DNO' business visited with a very different business model to all others. The DNO is in some senses a 'head office' organisation that has sub-contracted its operational activities (primarily to United Utilities Electricity).
- 7.34 The Warrington premises comprised a rented modern office.



- 7.35 Internally, it was primarily open plan but with cellular offices for senior staff. Office layout and furniture was reasonable modern but the floor plates of the office, along with levels of storage and offices, created an office environment that was not as efficient as it might be. The positioning of meeting rooms resulted in the need for people to traverse open office areas to access the meeting areas.
- 7.36 Despite its shortcomings, there was a reluctance to alter the office arrangements as it was a leased building and seen as a temporary location. In overall terms, the building was high quality with executive features and in a pleasant location.
- 7.37 The office was in sharp contrast with the operational legacy sites visited. At Manchester, the DNO-related activities were undertaken on several floors in a shared high rise city centre building. The workspaces were open plan, well planned and utilised, although somewhat basic and dated in style. The site was the culmination of the rationalisation of activities on a number of sites.
- 7.38 At Preston, a lower rise but still large legacy office was visited. It was very dated with a 1960s feel and in need of investment.



- 7.39 The office areas in use were well planned and utilised, but with dated furniture and a great deal of on-floor clutter and storage.



- 7.40 However, there were extensive areas of empty ‘mothballed’ floorspace with few immediate opportunities for alternative use.

### **Conclusion**

- 7.41 The relatively good levels of space efficiency calculated on a desk basis were validated to a large extent on our site visits. At Manchester, for example, we observed intensively planned space, the use of modern furniture and we understand that sub-station sites are used as cost effective off site stores.
- 7.42 Although the Warrington (head office) premises were fairly well utilised when laid out in an open plan style, there existed a relatively large number of cellular offices. The high quality, high profile nature of the building is likely to have contributed towards the ‘poor’ cost metric when compared to benchmark levels.
- 7.43 A policy of archiving storage onto sub-station sites was in existence along with a desire to co-locate with partners to optimise the use of legacy sites across the region and reduce operating costs.
- 7.44 In relation to Preston, the relatively poor use of office space within the building is inconsistent with the overall picture of an efficiently used estate according to the benchmarking exercise.



## 8. Results – Scottish Power

### Estate Strategy / Working practices

8.1 Responses to Template 1, as provided to Drivers Jonas, are provided in the following tables.

#### 8.2 Estate Strategy

	Owning Group	SP
	DNO	North Wales, Merseyside and Cheshire / South Scotland  SP Manweb / SP Distribution
1.0	Estate Strategy	
1.1	Copy of estate strategy	The Estate Strategy Policy document was prepared by Scottish Power Corporate Real Estate. The copy provided is dated December 2007 and is scheduled to be reviewed within 3 years. The objectives of the policy document are to: (1) Define the governance process (2) Outline procedures, especially in relation to risk management (3) Provide a framework for auditing and monitoring policy compliance.
1.2	Quality of buildings	Mainly good description "but with some notable exceptions"
1.3	Future vision of estate	SP states it has already embarked on a property rationalisation process of the assets of Energy Networks to replace ageing properties needing capital investment with newer sites with lower running costs.
1.4	Three most desirable changes next 5 years	1. Complete West Depot Relocation Project. 2. Further environmental improvements including introducing energy efficient measures and technologies. 3. Implement the Dumfries relocation project.
1.5	Constraints to change	Current market conditions affect disposal values and therefore business cases for closure or relocations. SP's bespoke requirements are also expected to be more difficult to find with lower developer activity. Queensferry is also singled out as a historically problematic site making it difficult to dispose of and manage operational requirements.

#### 8.3 Drivers Jonas comment:

- The Estate Strategy document appears more a policy framework than strategic plan with clear actions, timelines etc. During discussions, however, greater clarity arose about the plans for specific buildings.
- In common with some other DNOs, the depressed property market was cited as one reason for the pace of change to the property portfolio.
- Again, in common with some other DNOs, the business stressed the rounds of cost cutting and rationalisation that took place following privatisation and the creation of the former Regional Electricity Companies. This process, lasting well over a decade, has allegedly driven out excesses such as surplus sites – our visits confirmed that this DNO and others are not sitting on large land banks and expansive property assets with significant alternative use value.

- SP notes that a number of sites will need capital investment, with Queensferry singled out due to the multitude of inherent problems and challenges..

#### 8.4 FM and Property Services

	Owning Group	SP
	DNO	North Wales, Merseyside and Cheshire / South Scotland SP Manweb / SP Distribution
<b>2.0</b>	<b>FM &amp; Property Services</b>	
2.1	Present management structure	The current FM contract was negotiated in 2002 and extended in 2007 & 2008. FM contract covers most standard services (including property management, maintenance, help desk, and cleaning). The Service Contract removed security due to service delivery problems.
2.2	Present procurement	All FM services are procured through Faceo except for the security contract which was placed and managed directly by SP Estates & Facilities.
2.3	Existence / application of service standards	SP has partnered with G2 Business Services to develop KPIs linked to SLAs. Trend analysis is then used to amend services to customer's requirements.
2.4	Ensuring cost effectiveness	SP subscribe to IPD benchmarking for FM and property costs. The FM contract will be tendered in April 2010.
2.5	Changes in the next 5 years	Main FM contract retender April 2010.

#### 8.5 Drivers Jonas comment:

- SP's FM and Property services are either outsourced, or SP relies on 'SP Estates & Facilities'. The DNO is content with the approach to FM procurement that approximates to 'total FM'.
- Use of G2 Business Services is a proactive step to improve develop KPIs – a copy of a typical report was provided in response to the supplementary questionnaire.

#### 8.6 Surplus Space

	Owning Group	SP
	DNO	North Wales, Merseyside and Cheshire / South Scotland SP Manweb / SP Distribution
<b>3.0</b>	<b>Surplus Space</b>	
3.1	Present surplus properties / space	Three sites identified, two depots and one office; all are freeholds. Two sites are forecast to be disposed of in 2009, and the most expensive at Falkirk (£213k p.a.) expected to be disposed of in 2012.
	Annual cost	£360k p.a.

Owning Group		SP
	DNO	North Wales, Merseyside and Cheshire / South Scotland SP Manweb / SP Distribution
3.2	Surplus properties / space forecast next 5 years	None
3.3	Management of surplus space / properties	Managed in-house; identified in advance with business; costs minimised through moth balling.

8.7 Drivers Jonas comment:

- After 2009 only one surplus site (Falkirk) is expected to remain at an annual cost of £213,000 p.a.

8.8 Working practices

Owning Group		SP
	DNO	North Wales, Merseyside and Cheshire / South Scotland SP Manweb / SP Distribution
4.0	<b>Working practices</b>	
4.1	Policy on flexible working	SP HR has a policy of well-being / work/life (not provided). There is no specific policy for property but hot desking is used; office staff tend to work normal office hours and there is no shift working.
4.2	Policy of filing and storage	SP has off-site industrial unit but no specific policy.
4.3	Adoption of space standards	No specific policy on density, office size etc.; each site is considered on its own merits.
4.4	Steps taken to optimise space	Some hot-desking; site-by-site

8.9 Drivers Jonas comment:

- It is assumed that SP's HR policy on well-being and work/life balance will have practical implications for accommodation even if a specific property flexible policy does not exist.
- The absence of clear policies in some areas has not precluded the efficient use of space – see comments on Site visits.

8.10 Business Strategy / Operating Model

Owning Group		SP
	DNO	North Wales, Merseyside and Cheshire / South Scotland SP Manweb / SP Distribution

	Owning Group SP	
	DNO	North Wales, Merseyside and Cheshire / South Scotland SP Manweb / SP Distribution
5.0	<b>Business Strategy / Operating Model</b>	
5.1	Provide a copy of the Business Plan	"As per BPQ submission"
5.2	Three most important business changes and how they will impact on Property / FM	1. "Statutory / regulatory changes" 2. "Working environment" 3. "Environmental standards"
5.3	Key features of Business Model with focus on 3rd parties	"No plans to further outsource additional operations"

8.11 Drivers Jonas comment:

- Very little detail was provided by Scottish Power.

8.12 Accounting Issues

	Owning Group SP	
	DNO	North Wales, Merseyside and Cheshire / South Scotland SP Manweb / SP Distribution
6.0	<b>Accounting Issues</b>	
6.1	Accounting policies with material affect on property costs	None
6.2	Related-party transaction costs	All costs (except Rating) are related-party transactions charged by Scottish Power UK Ltd to SP Distribution and SP Manweb.
6.3	Inclusion of notional charges in data Template 2	SP states there are no notional costs in the Property Cost Template.

8.13 Drivers Jonas comment:

- All property and FM costs (except for rating) are related-party transactions.
- SP states no notional costs are included in the Template returns – this would not necessarily preclude Scottish Power UK corporate costs which we

understand Ofgem would normally seek to preclude, but we have not pursued this point with SP.

#### 8.14 Any Other Comments

None provided.

### SP Distribution - Data Benchmarking

#### 8.15 Key Inputs 07-08

DNO	Total Cost (£)	Total Space (m <sup>2</sup> )	Office (m <sup>2</sup> )	Depot (m <sup>2</sup> )	Total FTE Office	Total Wkstn Office
SP Distribution	£3,725,000	34,659	20,332	14,327	1,240	1,377

8.16 Input notes provided by SP Distribution:

- "Telephony costs provided in the original data submission were not included in the analysis as they were not aligned with IPD cost codes".

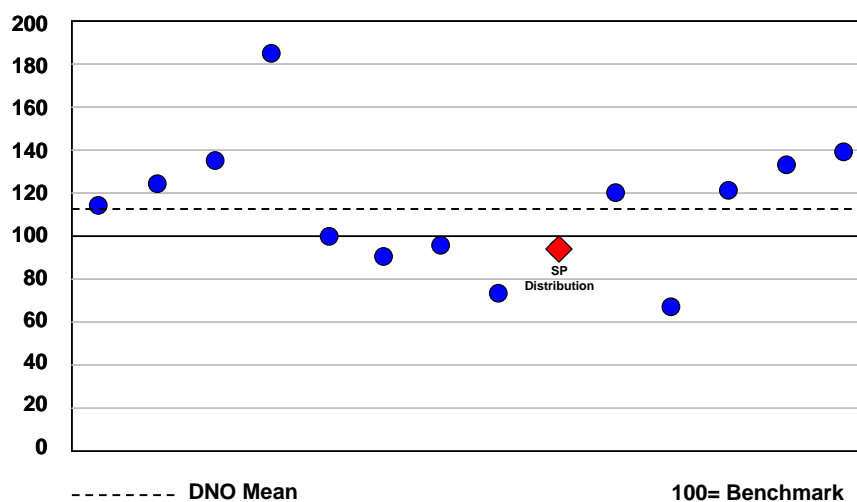
#### 8.17 Overall Benchmark Score

8.18 The Overall Benchmark Score is provided below:

Overall score	Cost score	Space score
95	113	73

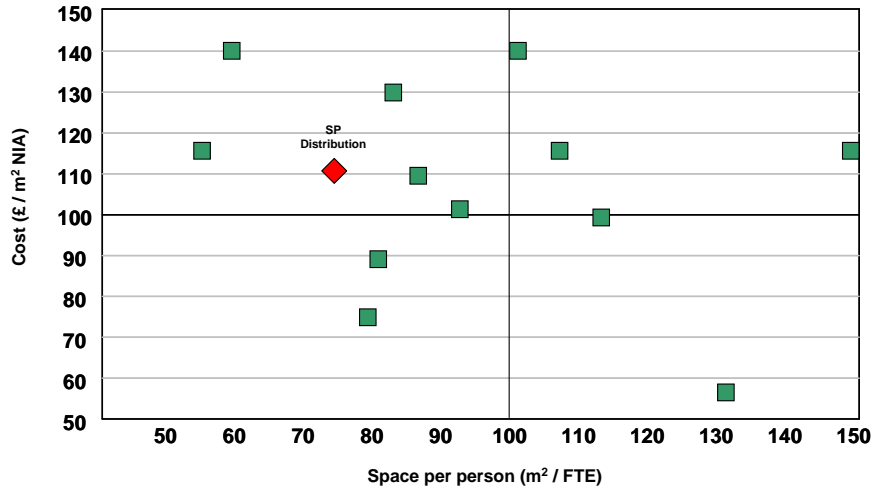
- Overall SP Distribution is performing 5% worse than the IPD benchmark.
- Efficiency for the portfolio as a whole is being principally driven by cost efficiency.
- Costs for the SP Distribution portfolio are 13% better than the IPD benchmark. However, the space efficiency is significantly below benchmark (27%) and this is impacting on the overall performance.

8.19 The performance of SP Distribution relative to other DNOs is shown below:



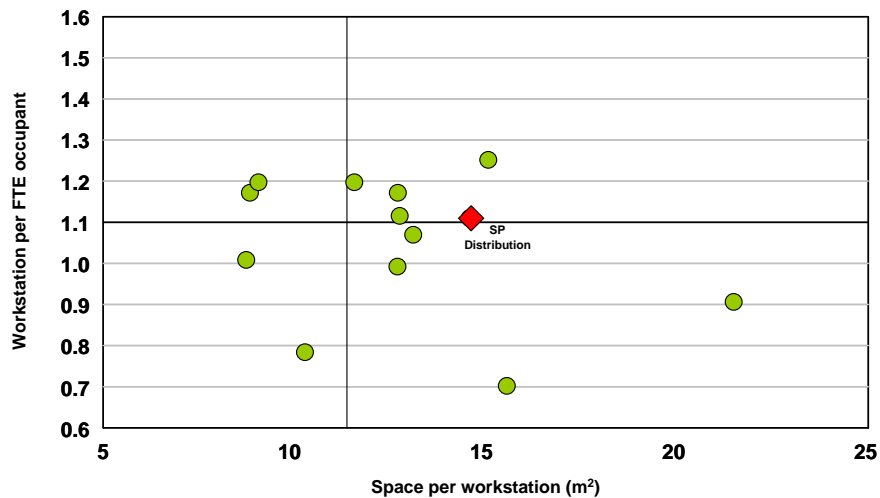
8.20 The graph above shows that SP Distribution's Overall Score is currently performing slightly above the IPD benchmark with a score of 95.

**8.21 Cost and Space Efficiency**



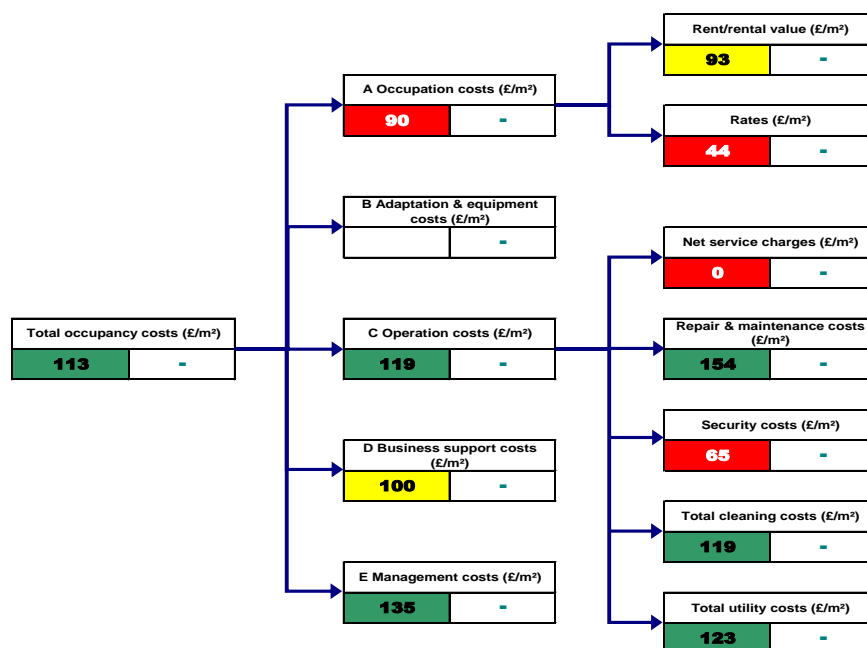
8.22 As already noted, SP Distribution's Cost (£/m<sup>2</sup>) is better than benchmark, but Space per person (m<sup>2</sup>/FTE) worse than benchmark.

**8.23 Workstation Benchmark**



8.24 The chart shows that SP Distribution's workstations occupy more space than the benchmark, but has broadly the same number of Workstations per FTE than the benchmark.

## 8.25 Full Cost Scorecard



### 8.26 Comment:

- SP's overall Total Occupancy Costs are 13% better than benchmark, with most cost categories exceeding benchmark.

## 7 year forecast

8.27 SP Distribution's baseline costs for 2007-8 total £3.725 million. Over the next 7 years it expects costs to increase by £1.16 million due to the following:

- Rent:
  - Year 2 - New Alderston rent review increase of £55k (10%) applied
  - Year 4 - Cambuslang rent free period ends - £500k rent begins; Stranraer rent review increase of £2k (10%) applied.
  - Year 6 - Avondale rent review increase of £21k (10%) applied
- External maintenance:
  - Year 1 and year 6 - £35k dilapidation costs at Avondale
  - Year 2 and year 7 - £100k dilapidations for New Alderston

8.28 SP Distribution also made the following observation:

8.29 "We have taken a view that further consolidation of our operational property portfolio is unlikely given the need to respond operationally to customer requirements. In parallel, current market conditions obviously limit further potential sale opportunities, even if we had them, and availability of capital to fund these is clearly very tight.

8.30 In these circumstances, it seems likely that we will have to manage our current portfolio as it ages. We therefore believe that it is likely that costs may rise to ensure that our buildings are kept structurally sound as we may not have the ability to spend sums of Capital on them".

8.31 SP Distribution's Template 3 does not reflect any changes in office based FTEs, so its benchmark costs remain unchanged.

Scottish Power Distribution	Current year actual / budget / forecast	Forecast Year1	Forecast Year2	Forecast Year3	Forecast Year4	Forecast Year5	Forecast Year6	Forecast Year7
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Baseline costs used for Benchmarking	£3.73	£3.73	£3.73	£3.73	£3.73	£3.73	£3.73	£3.73
<b>Cost increases</b>								
- rent	n/a	£0.00	£0.06	£0.06	£0.56	£0.56	£0.58	£0.64
- external maintenance	n/a	£0.06	£0.16	£0.09	£0.13	£0.18	£0.26	£0.38
- grounds maintenance	n/a	£0.02	£0.03	£0.05	£0.07	£0.09	£0.11	£0.13
- energy	n/a	£0.10	£0.10	£0.05	£0.02	£0.02	£0.02	£0.02
Adjustments	£0.00	£0.17	£0.34	£0.24	£0.78	£0.84	£0.96	£1.16
<b>Revised costs</b>	<b>£3.73</b>	<b>£3.90</b>	<b>£4.07</b>	<b>£3.97</b>	<b>£4.50</b>	<b>£4.57</b>	<b>£4.69</b>	<b>£4.89</b>
Benchmark costs	£3.53	£3.53	£3.53	£3.53	£3.53	£3.53	£3.53	£3.53
Headroom	(£0.19)	(£0.37)	(£0.54)	(£0.44)	(£0.97)	(£1.03)	(£1.15)	(£1.35)
NPV of revised costs DPCR5 @ 10%				£16.99				
<b>Re-profiled revised costs</b>				£4.48	£4.48	£4.48	£4.48	£4.48
NPV of Re-profiled costs DPCR5 @ 10%				£16.99				

8.32 The analysis above indicates that SP's costs steadily increase over the DPCR5 period. The re-profiled 2010-11 cost allocation is £0.95 million higher than benchmark costs would suggest.

### Site Visits

8.33 The sites visited were Kirkintilloch and Telferton.

8.34 The DNO revealed a fairly consistent and quality approach to office accommodation demonstrating a strategy of ongoing investment and upgrading although, like many DNOs, not backed up by a formal policy or estate strategy.

8.35 Kirkintilloch was a high quality, legacy head office style building in a rural location on the edge of the town.



8.36 The office accommodation was of high quality with a ground floor staff rest room (self catering / vending only). The site also had extensive landscaped grounds.

8.37 There was an impressive control room, which large desks accommodating multiple plasma screens and well spaced out.

8.38 At ground floor level there were some empty areas with opportunities for more intensive use if the need arose.



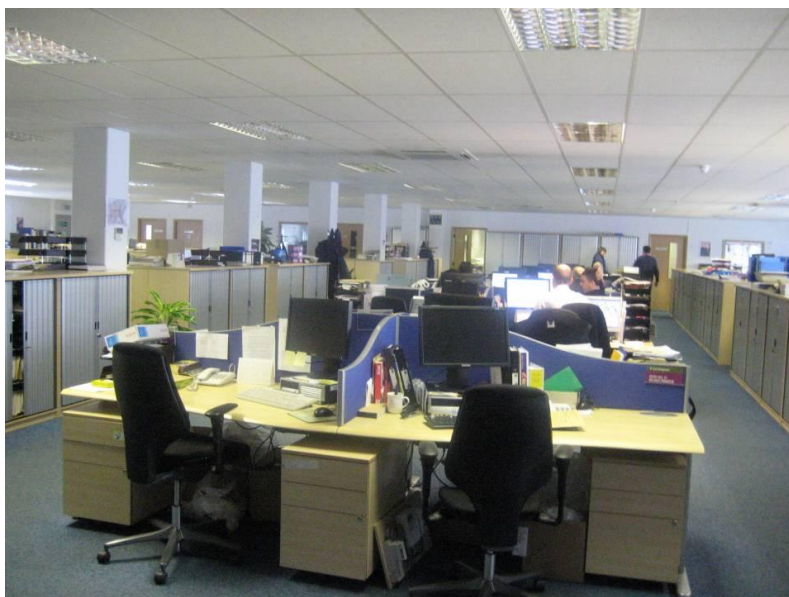


8.39 The Telferton site, on the fringe of Edinburgh, was also noteworthy but from a different perspective. This was a depot site with extensive yardage and warehousing, the latter being used partly as a filing archive. The area was industrial in nature.

8.40 The most significant aspect of this site was the office accommodation, which took the form of a large open pre-fabricated portakabin building.



8.41 Inside, it was well planned and utilised, with a good standard of furniture and fit-out. This provided further evidence of the DNO's approach to supplying good quality modern office furniture and working environments.



- 8.42 Although no formal flexible working or workplace strategy documentation was submitted, there is clearly a programme of office modernisation that has been implemented for some time.

### SP Manweb - Data Benchmarking

#### 8.43 Key Inputs 07-08

DNO	Total Cost (£)	Total Space (m <sup>2</sup> )	Office (m <sup>2</sup> )	Depot (m <sup>2</sup> )	Total FTE Office	Total Wkstn Office
SP Manweb	£2,526,000	45,248	16,963	28,285	844	772

#### 8.44 Input notes provided by SP Manweb:

- “Queensferry, the largest site is spread over a number of buildings. Due to its size it has a significant impact upon the overall DNO result. It has been noted that at on the site some of the costs, including security, are recovered from the internal and external tenants on site, therefore the actual cost to SPM are lower.
- Telephony costs provided in the original data submission were not included in the analysis as they were not aligned with IPD cost codes”.

#### 8.45 Overall Benchmark Score

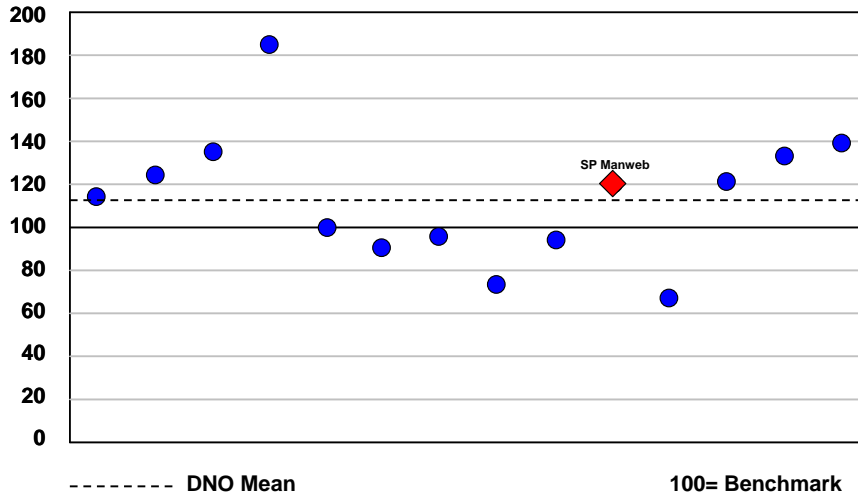
8.46 The Overall Benchmark Score is provided below:

Overall score	Cost score	Space score
119	141	59

- Overall SP Manweb is performing 19% better than the IPD benchmark.
- Cost efficiency for the portfolio is the key driver of the above benchmark performance.

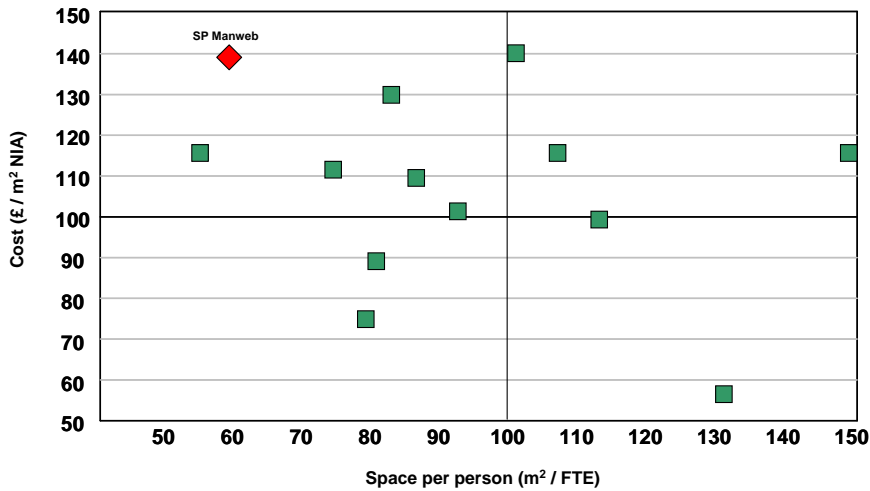
- Although costs are well below IPD benchmark, space efficiency within the portfolio is considerably below the benchmark (by 41%) and this is impacting upon performance.

8.47 The performance of SP Manweb relative to other DNOs is shown below:



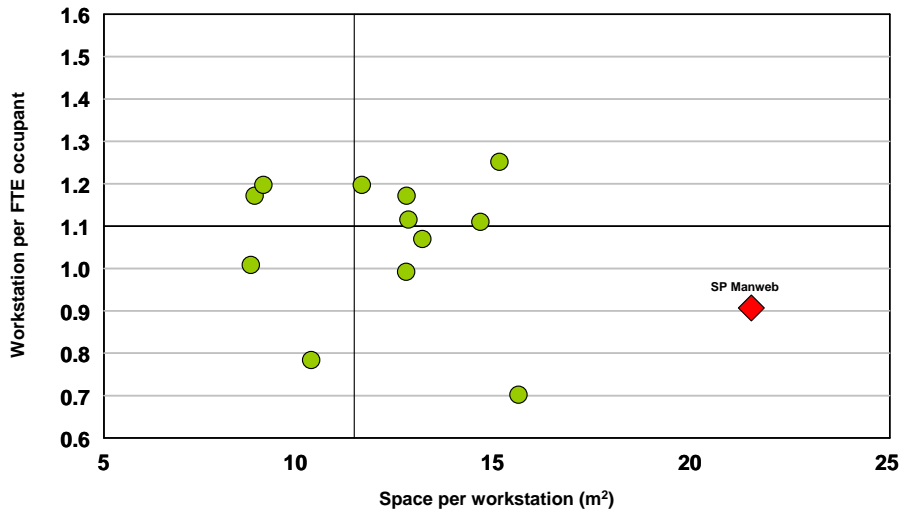
8.48 The graph above shows that SP Manweb’s Overall Score is currently performing above the IPD benchmark with a score of 119.

8.49 Cost and Space Efficiency



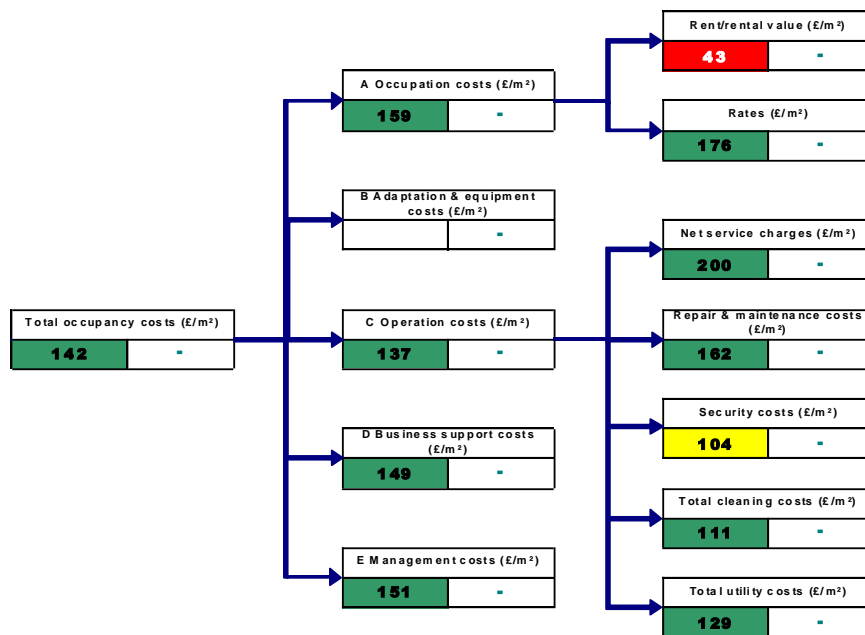
8.50 As already noted, SP Manweb’s Cost (£/m²) is better than benchmark, but Space per person (m²/FTE) worse than benchmark.

8.51 Workstation Benchmark



8.52 The chart shows that SP Manweb’s workstations occupy significantly more space than the benchmark, but has fewer Workstations per FTE than the benchmark.

8.53 Full Cost Scorecard



8.54 Comment:

- Total Occupancy Costs are 42% better than IPD’s benchmark, with all cost categories better than benchmark.

## 7 year forecast

- 8.55 Baseline costs for SP Manweb total £2.53 million.
- 8.56 Over the next 7 years it expects costs to increase by £0.48 million due to the following:
- Small above-inflation increases in rent at Chester, Mona and Middlewich
  - In common with SP Distribution, increases in external maintenance (£0.25 million) and grounds maintenance (£0.19 million)

Scottish Power Manweb	Current year actual / budget /	Forecast Year1	Forecast Year2	Forecast Year3	Forecast Year4	Forecast Year5	Forecast Year6	Forecast Year7
		DPCR5						
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Baseline costs used for Benchmarking	£2.53	£2.53	£2.53	£2.53	£2.53	£2.53	£2.53	£2.53
<u>Cost increases</u>								
- rent	n/a	£0.01	£0.01	£0.01	£0.01	£0.01	£0.02	£0.02
- external maintenance	n/a	£0.03	£0.06	£0.09	£0.13	£0.17	£0.21	£0.25
- grounds maintenance	n/a	£0.02	£0.04	£0.07	£0.09	£0.12	£0.15	£0.19
- energy	n/a	£0.10	£0.10	£0.05	£0.02	£0.02	£0.02	£0.02
Adjustments	£0.00	£0.16	£0.21	£0.21	£0.25	£0.32	£0.40	£0.48
<b>Revised costs</b>	<b>£2.53</b>	<b>£2.68</b>	<b>£2.73</b>	<b>£2.74</b>	<b>£2.77</b>	<b>£2.85</b>	<b>£2.92</b>	<b>£3.00</b>
Benchmark costs	£3.01	£3.01	£3.01	£3.01	£3.01	£3.01	£3.01	£3.01
Headroom	£0.49	£0.33	£0.28	£0.28	£0.24	£0.17	£0.09	£0.01
NPV of revised costs DPCR5 @ 10%				£10.78				
<b>Re-profiled revised costs</b>				£2.84	£2.84	£2.84	£2.84	£2.84
NPV of Re-profiled costs DPCR5 @ 10%				£10.78				

- 8.57 As with SP Distribution, costs are forecast to steadily increase during DPCR5. The smoothed cost forecast is £2.84 million for 2010-11, which is £0.17 million below benchmark costs.

## Site Visits

- 8.58 The sites visited were Queensferry and Middlewich.
- 8.59 Queensferry was a very large but very challenging legacy site.



- 8.60 Its challenges include poor access, a range of large listed warehouses, site contamination (being a former ammunitions factory) and bad neighbours including a sewerage plant. On the site was a very extensive former retail business distribution warehouse now let to a third party. Whether the tenant exercises an opportunity to vacate the site will impact heavily on the DNOs future plans for the location.



- 8.61 In general, there were extensive unused yard and internal storage areas. Within some warehouses, offices have been constructed. The DNO office presence is very small.
- 8.62 In many respects, this site is 'mothballed' to reduce costs until a clearer strategy can be determined. A range of options have been actively considered including an intensification of use but the site's inherent disadvantages are a real limiting factor.
- 8.63 The Middlewich site was considered a more functional and efficient depot site. It comprises a relatively standard workshop with integral office accommodation and a yard area within a relatively modern industrial estate.



- 8.64 Although small in scale, this site emerged as a result of a rationalisation of three sites. It appears to be a busy, well organised site that is efficiently planned and well utilised. The office space was of a good standard with a small emergency planning room and an adjoining meeting / training room.

### Concluding Comments

- 8.65 The calculated space per workstation (implying a generous allocation of space per FTE) was not borne out by the site visits where, at Kirkintilloch and Telferton, the office areas were generally well used. The application of a storage policy, the deployment of space planning expertise within the business and the use of internal rents to bring about discipline around the use of space all combined to create a good quality working environment where space was regarded as a valuable commodity and treated accordingly.

- 8.66 An example of the effective use of low cost semi-permanent accommodation fitted out as an effective office environment was found at Telferton. The space created was significantly less costly than a benchmark office in Edinburgh.
- 8.67 The measured efficiency of space could be improved further by the greater use of flexible working practices enabled by the use of mobile technology.
- 8.68 In common with SP Distribution, SP Manweb is characterised by cost effective accommodation that is relatively poorly utilised.
- 8.69 In the case of SP Manweb, the Queensferry site will be a significant contributor to the relatively poor utilisation performance. As mentioned, a range of options are being considered for the site but the future of the business at this location is being driven to some extent by the decision of a third part.
- 8.70 In the short term, the business has very limited scope to improve utilisation of the site due to its inherent locational and 'environmental' deficiencies.
- 8.71 SP Manweb has demonstrated, at its Middlewich location, how an efficient and effective depot and associated office can be created and operated in a modern industrial estate setting following the rationalisation of operations in less efficient sites.



## 9. Results – Scottish and Southern Electric

### Estate Strategy / Working practices

9.1 Responses to Template 1, as provided to Drivers Jonas, are provided in the following tables.

#### 9.2 Estate Strategy

	Owning Group	SSE
	DNO	North Scotland / Southern England SSE Hydro / SSE Southern
1.0	Estate Strategy	
1.1	Copy of estate strategy	No separate Estate Strategy provided. A short summary of aims is provided in T1. The SSE Property Services team provides services throughout the SSE Group of Companies.
1.2	Quality of buildings	Generally sound but some need updating. Some issues exist around lack of investment over last 10-15 years. A refurbishment programme exists (no details provided). Recent acquisitions appear to be Freeholds and meet SSE corporate objectives.
1.3	Future vision of estate	Fit-for-purpose; Safe; Sustainable.
1.4	Three most desirable changes next 5 years	1. Safety 2. Sustainability 3. Complete upgrade / modernisation programme at operational depots
1.5	Constraints to change	None mentioned, though all investment decisions are based on Business Cases

9.3 Drivers Jonas comment:

- No documented Estate Strategy exist. The rationale provided for the absence of such a document was the need for flexibility, which might be prejudiced if a strategy were to be prepared.
- The (unwritten) strategy reflects the years of under-investment in accommodation and aspires to redress the balance with a focus on depots.
- The ability to make a case for investment did not appear to be unduly restricted by short termism, a constraint referred to by some other DNOs – the implication is that a case will stand or fall on its own merits and the DNO is prepared to take a long term view.
- Recent acquisitions appear to be mainly freeholds.

#### 9.4 FM and Property Services

	Owning Group	SSE
	DNO	North Scotland / Southern England SSE Hydro / SSE Southern



	Owning Group	SSE
	DNO	North Scotland / Southern England SSE Hydro / SSE Southern
<b>2.0</b>	<b>FM &amp; Property Services</b>	
2.1	Present management structure	The SSE Property Services Team supports the wider SSE Group and delivers services throughout SSE include SSE's DNO entities.
2.2	Present procurement	The in-house property team provides professional and technical support. Outsourced services are procured through competitive tender and / or a series of framework contracts through SSE's procurement department.
2.3	Existence / application of service standards	Some service standards referred to, e.g. Capex Budget Key performance indicator and corporate targets on energy efficiency and water consumption. For outsourced services, "contractual terms include performance criteria as appropriate".
2.4	Ensuring cost effectiveness	Property consultants go through a competitive procurement but no mention is made of FM.
2.5	Changes in the next 5 years	The in-house Property Group is new (2007) - there are no plans to change this structure.

9.5 Drivers Jonas comment:

- Property and FM services are managed by SSE's Property Services Team who provides support to the wider SSE Group.

9.6 Surplus Space

	Owning Group	SSE
	DNO	North Scotland / Southern England SSE Hydro / SSE Southern
<b>3.0</b>	<b>Surplus Space</b>	
3.1	Present surplus properties / space	Two sites are identified described as "vested in SSE Services plc". Both are scheduled to be disposed of in 2009.
	Annual cost	£97k p.a.
3.2	Surplus properties / space forecast next 5 years	One site forecast to become surplus in 2009 and disposed of by 2010. Cost £160k p.a. again "vested in SSE Services plc".
3.3	Management of surplus space / properties	A record of space planning and capacity is maintained through the 'Recharge Model'; reviewed annually or whenever a major change in occupation takes place.

9.7 Drivers Jonas comment:

- SSE Property Services appears to be responsible for the management of surplus sites, with costs charged to SSE Services.

9.8 Working practices

Owning Group		SSE
DNO		North Scotland / Southern England SSE Hydro / SSE Southern
4.0	<b>Working practices</b>	
4.1	Policy on flexible working	No policy in place. Some evidence of flexible working in practice.
4.2	Policy of filing and storage	"Legal or statutory documents have to be retained for set periods of time thus necessitating storage facilities to be situated within our buildings". Where possible documents are scanned (though unclear which ones); various Business Improvement initiatives intend to extend electronic storage of documents.
4.3	Adoption of space standards	Future space planning in offices will be based on 7.5 m <sup>2</sup> per person; no further reference to quality of space etc.
4.4	Steps taken to optimise space	Emphasis on Recharge Model & CAD used to monitor space usage. New furniture contracts include a space planning service.

9.9 Drivers Jonas comment:

- Some documents are electronically scanned and this is expected to be extended in the future.
- The future space standard in offices of 7.5m<sup>2</sup> is 58% lower than IPD's average benchmark of around 11.9m<sup>2</sup> but is within the span of space metrics that might be applied when procuring new accommodation that is to be densely occupied, such as a contact centre or equivalent.
- SSE's 'Recharge Model' appears to be a key driver in optimising space.

9.10 Business Strategy / Operating Model

Owning Group		SSE
DNO		North Scotland / Southern England SSE Hydro / SSE Southern
5.0	<b>Business Strategy / Operating Model</b>	
5.1	Provide a copy of the Business Plan	No separate document provided; a summary of the Business Plan is provided in Template 1. The main message appears to be maintaining a resilient and interruption-free power supply.
5.2	Three most important business	1. Safe working environment for all staff. 2. Increase sustainability

Owning Group		SSE
DNO		North Scotland / Southern England SSE Hydro / SSE Southern
	changes and how they will impact on Property / FM	3. Modernisation programme at operational depots
5.3	Key features of Business Model with focus on 3rd parties	"A key feature of our business model across SSE is that we in-source services as much as possible". The main areas where third parties are used is in the delivery of the DNO's Capex programme. Very few properties are rented, most owned by SSE.

#### 9.11 Drivers Jonas comment:

- SSE is notable that its stated business model is to in-source "as much as possible", although outsourced FM contracts do exist as noted in the reply under FM and Property Services section.
- The preference for self delivery is assumed to reflect the culture of the business and the values held by senior management.
- SSE's preference for in-sourcing extends to its preferred property tenure, which is to acquire freeholds. This is on contrast to the policy adopted by some other DNOs which is to opt for leasehold accommodation where possible on the basis that it provides operational flexibility.

#### 9.12 Accounting Issues

Owning Group		SSE
DNO		North Scotland / Southern England SSE Hydro / SSE Southern
6.0	<b>Accounting Issues</b>	
6.1	Accounting policies with material affect on property costs	None
6.2	Related-party transaction costs	Costs are recharged via Recharge Model. Rental costs reflect 'market-based' charges. Group Charges are made for other costs, e.g. cleaning and security.
6.3	Inclusion of notional charges in data Template 2	SSE refer to its answer in 6.2

#### 9.13 Drivers Jonas comment:

- On the basis that SSE prefers freeholds, it seems likely that notional charges are included as part of the Recharge Model;

- It is also possible that SSE central overheads are included in group FM charges for costs such as security and cleaning.

#### 9.14 Any Other Comments

No other comments provided.

### SSE Hydro - Data Benchmarking

#### 9.15 Key Inputs 07-08

DNO	Total Cost (£)	Total Space (m <sup>2</sup> )	Office (m <sup>2</sup> )	Depot (m <sup>2</sup> )	Total FTE Office	Total Wkstn Office
SSE Hydro	£2,301,000	6,589	5,547	1,042	373	437

#### 9.16 Input notes provided by SSE Hydro:

- “SSE Hydro was unable to provide internal space breakdown in order to identify Office and Depot space for analysis. For this reason, and after discussion with the property management team, the property use coding was used as the reference for space classification.
- Staff numbers in Inveralmond House and Ashgrove Road required further investigation after consultation with the DNO and staff numbers were consequently changed.
- Costs that had only been allocated to Inveralmond House (effectively estate level) were allocated to Inveralmond House, Ashgrove Road, Henderson Road, Carolina Port and Crannog Lane properties after discussion with the DNO. This method was applied to the following cost lines: Security, Cleaning, Catering, Couriers & External Distribution and Reprographics”.

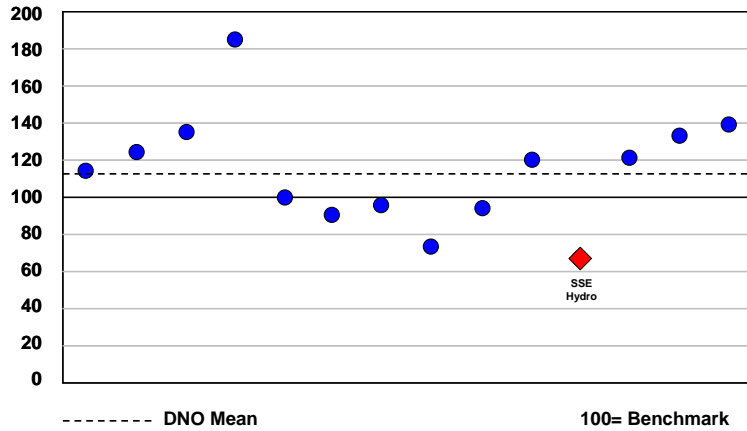
#### 9.17 Overall Benchmark Score

9.18 The Overall Benchmark Score is provided below:

Overall score	Cost score	Space score
67	75	80

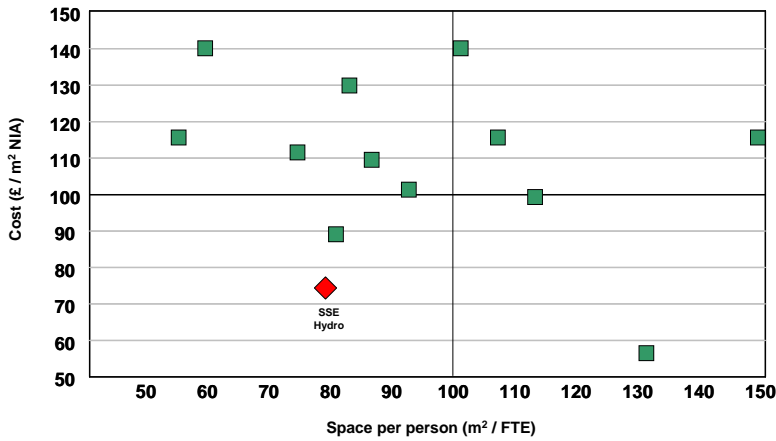
- Overall SSE Hydro is performing 33% below the IPD benchmark.
- Efficiency for the portfolio as a whole is being principally driven more by space efficiency rather than cost although both are performing below the benchmark.
- Both cost and space efficiency scores for the SSE Hydro portfolio are below the IPD benchmark.

9.19 The performance of SSE Hydro relative to other DNOs is shown below:



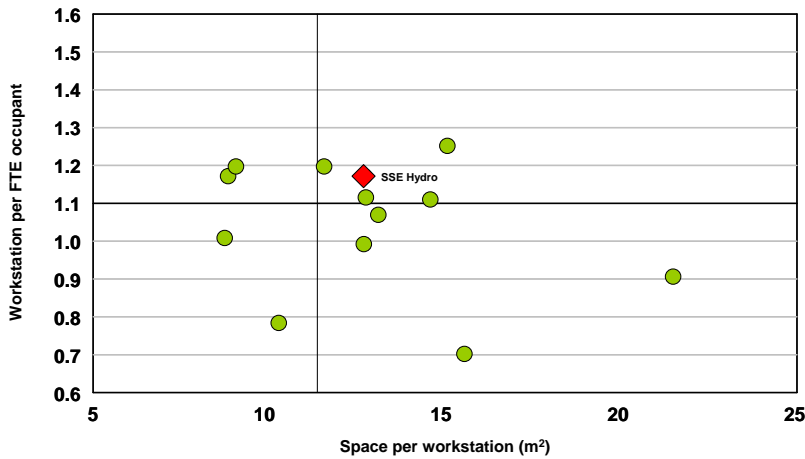
9.20 The graph above shows that SSE Hydro's Overall Score is currently significantly below the IPD benchmark with a score of 67.

9.21 Cost and Space Efficiency



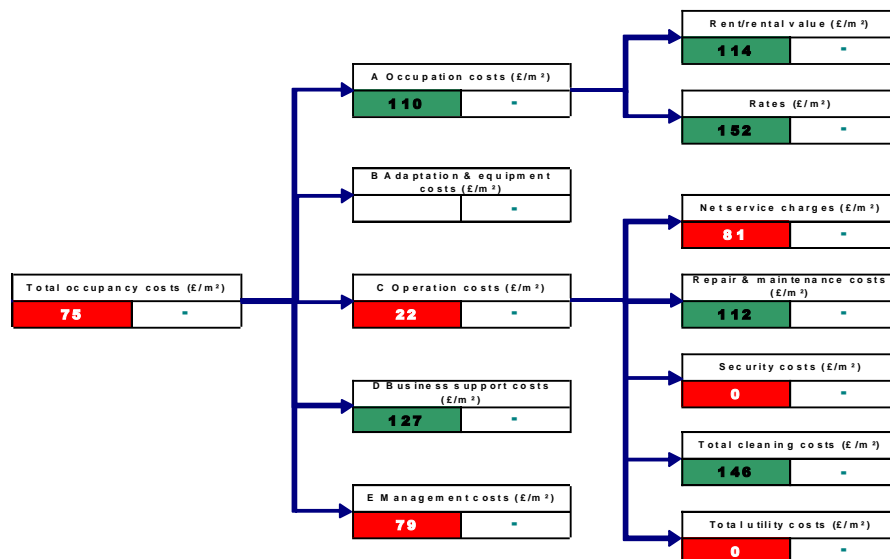
9.22 As already noted, SSE Hydro's Cost (£/m²) and Space per person (m²/FTE) are worse than benchmark.

9.23 Workstation Benchmark



9.24 The chart shows that SSE Hydro has slightly more workstations than benchmark, and that these workstations occupy marginally more space than the benchmark.

9.25 Full Cost Scorecard



9.26 Comment:

- SSE Hydro's Total Occupancy Costs are 25% higher than benchmark, most notably in terms of Operation Costs.

7 year forecast

9.27 SSE Hydro's baseline costs for 2007-8 total £2.30 million. Its Template 3 return showed no change in costs or office FTEs.

SSE Hydro	Current year actual / budget / forecast	Forecast Year1	Forecast Year2	Forecast Year3	Forecast Year4	Forecast Year5	Forecast Year6	Forecast Year7
	DPCR5							
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Baseline costs used for Benchmarking	£2.30	£2.30	£2.30	£2.30	£2.30	£2.30	£2.30	£2.30
Adjustments	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
<b>Revised costs</b>	<b>£2.30</b>	<b>£2.30</b>	<b>£2.30</b>	<b>£2.30</b>	<b>£2.30</b>	<b>£2.30</b>	<b>£2.30</b>	<b>£2.30</b>
Benchmark costs	£1.54	£1.54	£1.54	£1.54	£1.54	£1.54	£1.54	£1.54
Headroom	(£0.76)	(£0.76)	(£0.76)	(£0.76)	(£0.76)	(£0.76)	(£0.76)	(£0.76)
NPV of revised costs DPCR5 @ 10%				£8.72				
Re-profiled revised costs				£2.30	£2.30	£2.30	£2.30	£2.30
NPV of Re-profiled costs DPCR5 @ 10%				£8.72				

9.28 SSE Hydro's re-profiled costs for 2010-11 remain at £2.30 million. This is £0.76 million worse than benchmark.

Site Visits

9.29 The sites visited were Perth and Dundee.

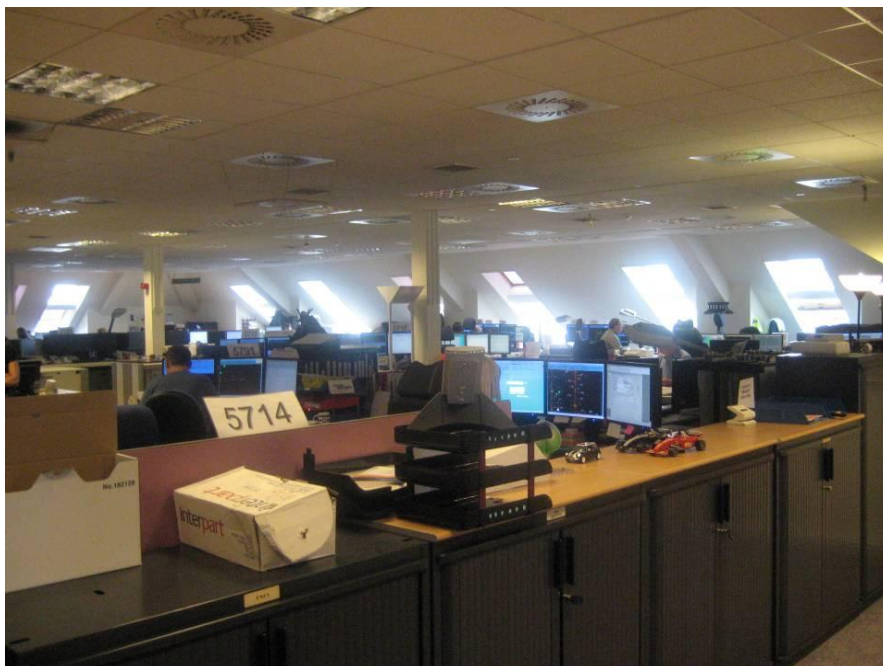
9.30 The Perth site was a very large and impressive head office on the outskirts of the town.




- 9.31 The DNO accommodation occupies a relatively small part of the wider organisation's presence on site which included a significant call centre building.
- 9.32 In general, the Perth office was open in nature, well planned and well utilised. Top management had modest offices accessible from the main open plan office areas. Office areas were fairly cluttered with quite high levels of on-site storage. The common areas, such as the staff restaurant / café, were contemporary in style and included touch down space for mobile workers.
- 9.33 The DNO accommodation was on its own floor and was perhaps the least intensively planned and utilised space.



- 9.34 This may reflect the fact that it occupied an entire floor and needed to be separate from other businesses on site for regulatory purposes.
- 9.35 The control centre was relatively insignificant, compared with many other DNOs in terms of its size and presence and was located within the open plan office.



- 9.36 The control centre was, therefore, an efficient function (with reference to space utilisation) in the light of some control centres visited operated by other DNOs.
- 9.37 The Perth accommodation was generally well planned internally with little evidence of a profligate use of space. Indeed policies such as that regarding the availability of senior management offices as meeting rooms helped to create a 'single status' working environment.
- 9.38 The Dundee depot site was in sharp contrast to the headquarters building, and more akin to the Hayes depot (SSE Southern).

- 
- 9.39 It was located in quite an isolated and low grade industrial area. The office space was small and tight but very well utilised and planned.
- 9.40 Plans were being formulated to combined this depot with another in a new location that would allow the business to better serve its customer base.
- 9.41 Following years of under-investment, fresh investment in depot sites is now seen as a priority. The DNO does not, however, see much more potential to rationalise depots beyond example cited due to the imperative of meeting KPI targets.



## SSE Southern - Data Benchmarking

### 9.42 Key Inputs 07-08

DNO	Total Cost (£)	Total Space (m <sup>2</sup> )	Office (m <sup>2</sup> )	Depot (m <sup>2</sup> )	Total FTE Office	Total Wkstn Office
SSE Southern	£3,096,000	31,646	4,999	26,647	398	-

### 9.43 Input notes provided by SSE Southern:

- "No Internal space or costs figures were provided for the Thatcham Warehouse/Depot, so the property was excluded from analysis.
- The space figure for Inveralmond House was excluded from the analysis so as to not double count it, as only a rent recharge is levied to SSE Southern for the use of the property.
- SSE Southern were unable to provide internal space breakdown in order to identify Office and Depot space for analysis. For this reason, and after discussion with the property management team, the property use coding was used as the reference for space classification".

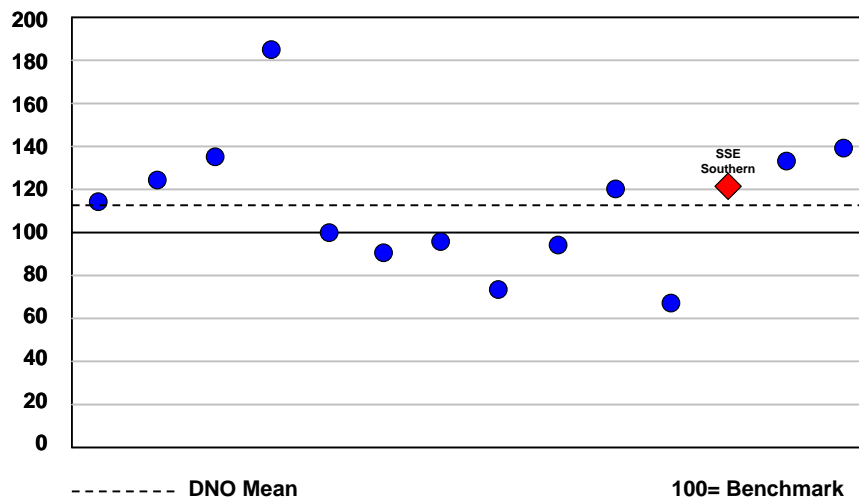
### 9.44 Overall Benchmark Score

#### 9.45 The Overall Benchmark Score is provided below:

Overall score	Cost score	Space score
121	108	88

- Overall SSE Southern is performing 21% better than the IPD benchmark.
- Efficiency for the portfolio as a whole is being principally driven by cost efficiency.
- Space efficiency for the SSE Southern portfolio is only marginally below the IPD mean benchmark range (90-110).

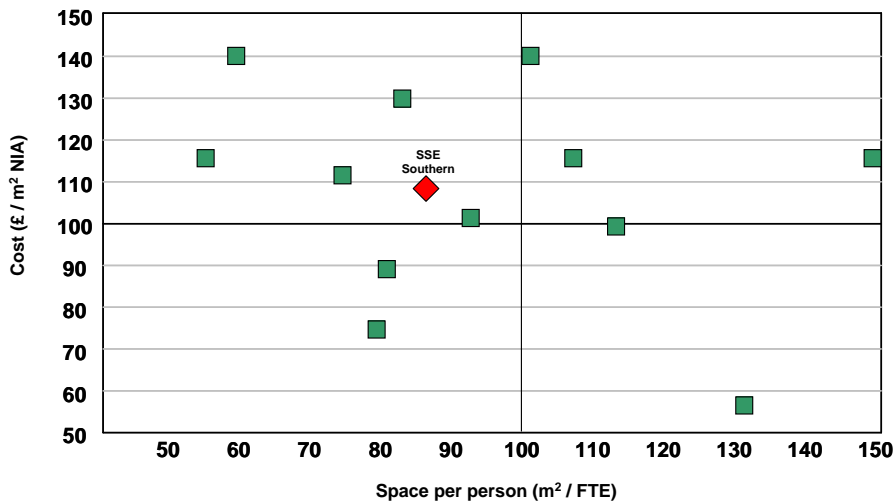
#### 9.46 The performance of SSE Southern relative to other DNOs is shown below:



9.47 The graph above shows that SSE Southern’s Overall Score is currently performing better than the IPD benchmark with a score of 121.

**9.48 Cost and Space Efficiency**

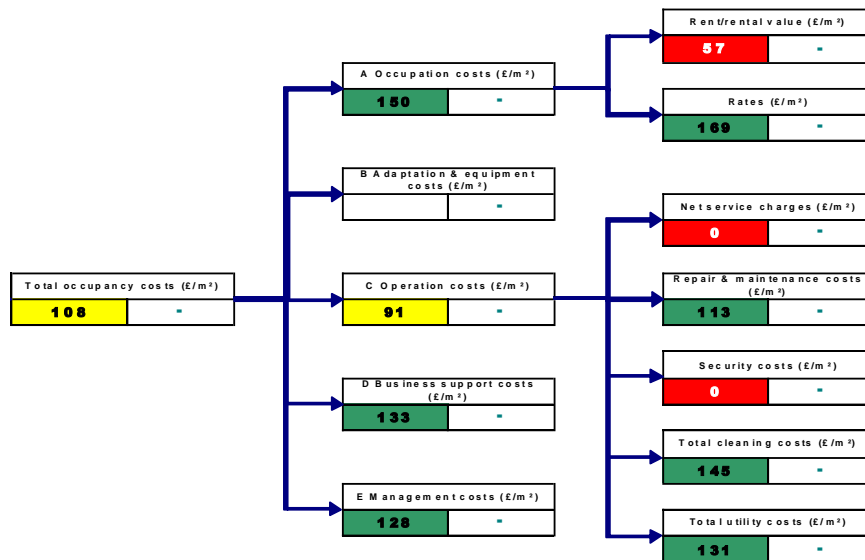
9.49 As already noted, SSE Southern’s Cost (£/m<sup>2</sup>) is better than benchmark, but Space per person (m<sup>2</sup>/FTE) worse than benchmark.



**9.50 Workstation Benchmark**

9.51 SSE Southern were unable to provide any workstation data so we have been unable to prepare a benchmark.

**9.52 Full Cost Scorecard**



9.53 Comment:

- SSE Southern’s Total Occupancy Cost is 8% better than benchmark.

## 7 year forecast

- 9.54 Baseline costs for 2007-8 total £3.10 million. This excludes notional freehold rents of £1.0 million.
- 9.55 No changes are forecast in terms of FTE or costs over the seven-year period.

SSE - Southern	Current year actual / budget / forecast	Forecast Year1	Forecast Year2	Forecast Year3	Forecast Year4	Forecast Year5	Forecast Year6	Forecast Year7
	DPCR5							
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Baseline costs used for Benchmarking	£3.10	£3.10	£3.10	£3.10	£3.10	£3.10	£3.10	£3.10
Adjustments	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
<b>Revised costs</b>	<b>£3.10</b>	<b>£3.10</b>	<b>£3.10</b>	<b>£3.10</b>	<b>£3.10</b>	<b>£3.10</b>	<b>£3.10</b>	<b>£3.10</b>
Benchmark costs	£3.75	£3.75	£3.75	£3.75	£3.75	£3.75	£3.75	£3.75
Headroom	£0.65	£0.65	£0.65	£0.65	£0.65	£0.65	£0.65	£0.65
NPV of revised costs DPCR5 @ 10%				£11.74				
<b>Re-profiled revised costs</b>				£3.10	£3.10	£3.10	£3.10	£3.10
NPV of Re-profiled costs DPCR5 @ 10%				£11.74				

- 9.56 Re-profiled costs for 2010-11 remain at £3.10 million, with £0.65 million positive headroom against the expected benchmark.

## Site Visits

- 9.57 The sites visited were Hayes and Reading.
- 9.58 The Hayes depot site was in a relatively low quality urban industrial area.



- 9.59 The office accommodation was very basic and tired but deliberately so to achieve, we were advised, a “functional, but no frills” working environment.
- 9.60 The Reading site was primarily a major head office which had benefited from significant investment in modernising the office accommodation.



- 9.61 The office accommodation was all open plan, modern, well planned and well utilised. The typical furniture footprint was quite generous by reason of adjoining storage surfaces. In addition, there was a fair amount of on-site storage and clutter. The staff canteen / breakout area was appealing with a contemporary feel – it doubled as a meeting space.

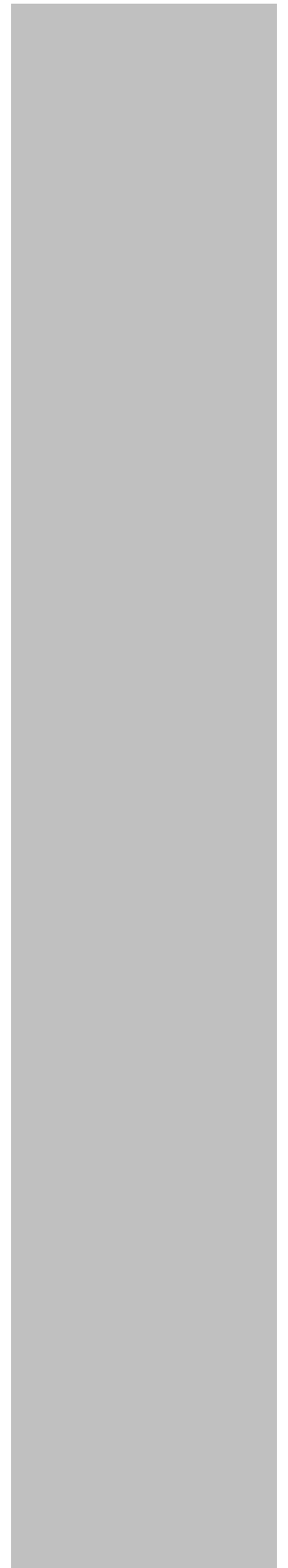


- 9.62 In terms of location, the site could be termed ‘fringe of city centre’.

### **Concluding Comments**

- 9.63 SSE did not provide any formal policies or guidelines around flexible working or workplace strategy. We were advised that the organisation was not a ‘fan’ of mobile and home working other than in exceptional circumstances. For example, those working in more remote areas might be candidates for home-working.
- 9.64 Despite the lack of documented strategy, there are nevertheless clear intentions to upgrade accommodation in a systematic way, linked to CAPEX bids, with depot sites being the priority.
- 9.65 Although the DNO does not apply space standards, discourages home working, does not use hot desking and uses a range of furniture systems and storage solutions, it operates centralised room booking for meeting rooms and has implemented an internal charging system. The combination of these initiatives has resulted in space efficiency levels that are poorer than benchmark levels.
- 9.66 The DNO acknowledged that the internal charging system did not actively incentivise users to optimise on their use of space but it did create greater transparency over the cost of doing business.
- 9.67 Our site visits to Perth and Dundee indicated that space was generally well utilised – at Dundee, it could be argued that the building was being used too efficiently to the point where its effectiveness might be hampered.

- 9.68 At both SSE Southern sites visited, the furniture systems were varied and generally comprised larger workstations than would be the norm. It is suspected that this has contributed to the relatively poor space utilisation figures.



## 10. Results – Western Power Distribution

### Estate Strategy / Working practices

10.1 Responses to Template 1, as provided to Drivers Jonas, are provided in the following tables.

#### 10.2 Estate Strategy

	Owning Group	WPD
	DNO	South Wales / South West England WPD SWales / WPD SWest
1.0	<b>Estate Strategy</b>	
1.1	Copy of estate strategy	A policy document AM1/4 'Relating to Distribution Network Asset Management' has been provided, approved November 2008. At the end of this document is a three page section described as 'Property Strategy', but appears to be a listing of property addresses with no further information (e.g. area / cost / tenure data is not provided).
1.2	Quality of buildings	Most buildings date from 1960s to 1980s. The quality is described as "poor" but "adequate and fit for purpose."
1.3	Future vision of estate	A single statement is provided - "To improve the quality and functionality of the Estate"
1.4	Three most desirable changes next 5 years	1. Reduce carbon emissions. 2. Relocation of Pool Depot. 3. Relocation of Church Village Depot.
1.5	Constraints to change	For carbon emissions, the main constrain is financial but WPD hopes that funds will be found in the next review period. The ability to relocate is also limited by finances, in particular opportunities for increased development value.

10.3 Drivers Jonas comment:

- The Asset Management policy is not what might be expected in terms of an estate strategy. The DNO did, however, have a clear view of its priorities and action to be taken at key sites.
- In common with other DNOs, the existence of (or lack of) development gain opportunities is a key constraint to relocating sites.

#### 10.4 FM and Property Services

	Owning Group	WPD
	DNO	South Wales / South West England WPD SWales / WPD SWest
<b>2.0</b>	<b>FM &amp; Property Services</b>	
2.1	Present management structure	WPD describes its estate as containing 'simple buildings and services' which renders an FM team unnecessary - FM is managed by the Property Team.
2.2	Present procurement	In house procurement team (no details on FM contracts)
2.3	Existence / application of service standards	Specific to individual contracts.
2.4	Ensuring cost effectiveness	"All services are market tested by tender."
2.5	Changes in the next 5 years	"None envisaged."

#### 10.5 Drivers Jonas comment:

- The response was unclear as to the degree of outsourcing but we assume most FM services are delivered by third parties. The supplementary questionnaire provided some clarification.

#### 10.6 Surplus Space

	Owning Group	WPD
	DNO	South Wales / South West England WPD SWales / WPD SWest
<b>3.0</b>	<b>Surplus Space</b>	
3.1	Present surplus properties / space	None
	Annual cost	None
3.2	Surplus properties / space forecast next 5 years	One site is forecast to become surplus in 2009 due to a sub tenant exercising a break in the lease. The property is expected to be disposed of in 2011 with annual running costs of £305k p.a.
3.3	Management of surplus space / properties	Advisers used where surplus space exists

#### 10.7 Drivers Jonas comment:

- No current surplus space, but one building due to be surplus in 2009 and disposed of in 2011.

## 10.8 Working practices

	Owning Group	WPD
	DNO	South Wales / South West England WPD SWales / WPD SWest
<b>4.0</b>	<b>Working practices</b>	
4.1	Policy on flexible working	No policy provided. WPD refers to a number of home-based workers call centre support staff operate an informal hot-desking system.
4.2	Policy of filing and storage	Paperless where possible. Long term storage archive contracted with Hays where economical.
4.3	Adoption of space standards	Space standards are not applied to legacy stock but on new build the ratio is between 9-11m <sup>2</sup> per person.
4.4	Steps taken to optimise space	External space planners are used.

## 10.9 Drivers Jonas comment:

- Space standards on new build 9 – 11 m<sup>2</sup> compares with IPD's average of around 11.9 m<sup>2</sup>. The DNO's standard also appears to reflect the fact that the precise utilisation rate depends very much on the size and configuration of any new premises but also the furniture and storage systems used. For comparison, the government target for new office accommodation is 10 m<sup>2</sup> per FTE.

## 10.10 Business Strategy / Operating Model

	Owning Group	WPD
	DNO	South Wales / South West England WPD SWales / WPD SWest
<b>5.0</b>	<b>Business Strategy / Operating Model</b>	
5.1	Provide a copy of the Business Plan	The Template return notes "Attached" - we assume this is the same Asset Policy noted in WPD's reply on Estate Strategy.
5.2	Three most important business changes and how they will impact on Property / FM	1. Increased number of refurbishments due to need to reduce carbon emissions 2. "Introduction of green generation" 3. Relocations as economy improves



	Owning Group	WPD
	DNO	South Wales / South West England WPD SWales / WPD SWest
5.3	Key features of Business Model with focus on 3rd parties	Services are retained in-house where these are core to business delivery. In the case of property this translates to using specialist knowledge from appropriate consultants when needed.

10.11 Drivers Jonas comment:

- Two out of the three business changes are linked to 'green' issues.

10.12 Accounting Issues

	Owning Group	WPD
	DNO	South Wales / South West England WPD SWales / WPD SWest
6.0	<b>Accounting Issues</b>	
6.1	Accounting policies with material affect on property costs	FRS12 only
6.2	Related-party transaction costs	N/a
6.3	Inclusion of notional charges in data Template 2	N/a

10.13 Drivers Jonas comment:

- The only accounting policy affecting costs is cited as FRS12. This standard applies to 'Onerous Contracts' and normally applies where a building is vacant. At the moment WPD has not disclosed any current surplus space but this could affect the building (at Aztec West) expected to become vacant in 2009.

10.14 Any Other Comments

None provided.

## WPD SWales - Data Benchmarking

### 10.15 Key Inputs 07-08

DNO	Total Cost (£)	Total Space (m <sup>2</sup> )	Office (m <sup>2</sup> )	Depot (m <sup>2</sup> )	Total FTE Office	Total Wkstn Office
WPD SWales	£2,093,592	15,920	6,471	9,449	459	488

### 10.16 Input notes provided by WPD SWales:

- “Original waste disposal figures included a significant amount of spoil waste that affected overall results for the DNO relative to IPD benchmarks. Therefore, waste disposal figures are based on a percentage of waste bills attributable to building waste under instruction from WPD.
- Property management figures were split between the SWales and SWest DNOs under consultation with WPD, and were apportioned across sites according to NIA”.

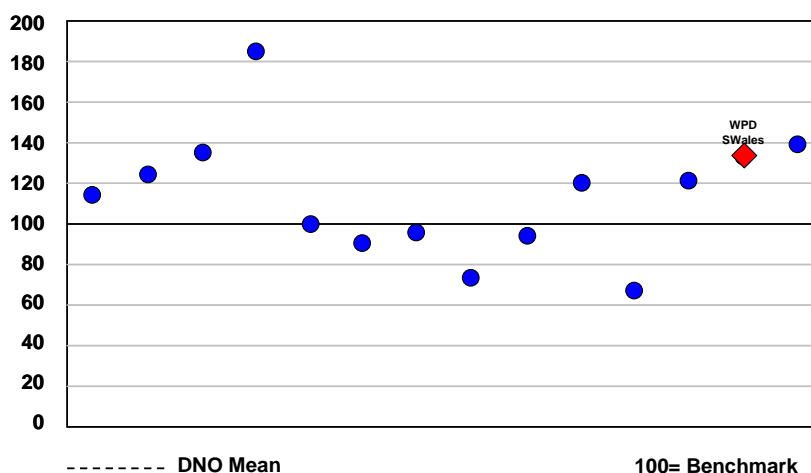
### 10.17 Overall Benchmark Score

Overall score	Cost score	Space score
132	130	84

### 10.18 The Overall Benchmark Score is provided below:

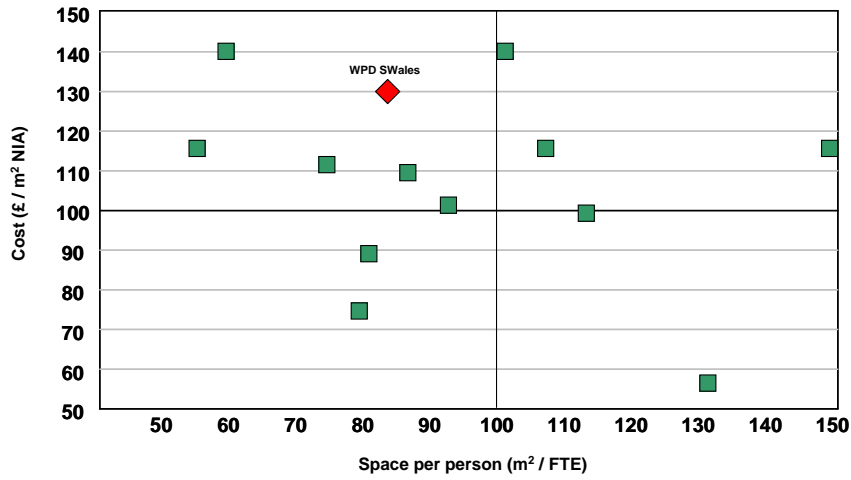
- Overall WPD SWales is performing 32% better than the IPD benchmark.
- Efficiency for the portfolio as a whole is being principally driven by cost efficiency.
- The space efficiency score for the WPD SWales portfolio is 16% below the IPD benchmark, only marginally below the IPD mean range (scores of between 90-110).

### 10.19 The performance of WPD SWales relative to other DNOs is shown below:



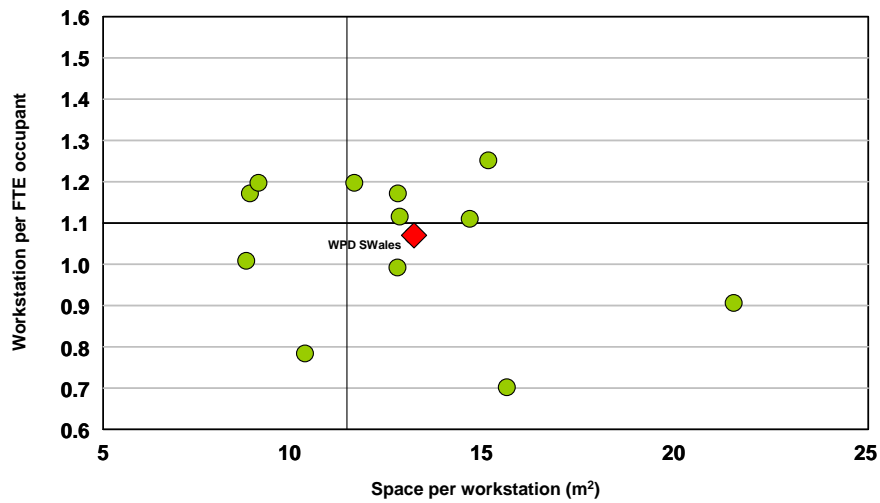
### 10.20 The graph above shows that WPD SWales's Overall Score is currently performing better than the IPD benchmark with a score of 132.

### 10.21 Cost and Space Efficiency



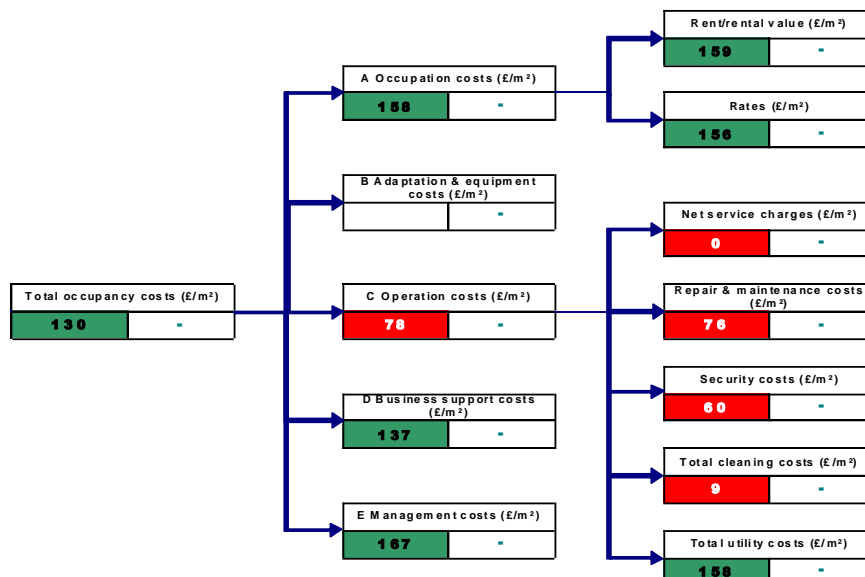
10.22 As already noted, WPD SWales's Cost (£/m²) is better than benchmark, but Space per person (m²/FTE) worse than benchmark.

### 10.23 Workstation Benchmark



10.24 The chart shows that WPD SWales workstations occupy more space than the benchmark, but there are slightly fewer Workstations per FTE than the benchmark

## 10.25 Full Cost Scorecard



### 10.26 Comment:

- WPD SWales' Total Occupancy Cost is 30% better than benchmark. Occupation costs, Business Support costs and Estate management costs are better than benchmark. Cleaning, service charges and repair costs are worse than benchmark.

## 7 year forecast

10.27 WPD SWales baseline costs are £2.09 million for 2007-8. Its Template 3 indicates no change in costs or office based FTEs.

Western Power Distribution South Wales	Current year actual / budget / forecast	Forecast Year1	Forecast Year2	Forecast Year3	Forecast Year4	Forecast Year5	Forecast Year6	Forecast Year7
	DPCR5							
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Baseline costs used for Benchmarking	£2.09	£2.09	£2.09	£2.09	£2.09	£2.09	£2.09	£2.09
Adjustments	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
<b>Revised costs</b>	<b>£2.09</b>	<b>£2.09</b>	<b>£2.09</b>	<b>£2.09</b>	<b>£2.09</b>	<b>£2.09</b>	<b>£2.09</b>	<b>£2.09</b>
Benchmark costs	£2.77	£2.77	£2.77	£2.77	£2.77	£2.77	£2.77	£2.77
Headroom	£0.68	£0.68	£0.68	£0.68	£0.68	£0.68	£0.68	£0.68
NPV of revised costs DPCR5 @ 10%				£7.94				
<b>Re-profiled revised costs</b>				£2.09	£2.09	£2.09	£2.09	£2.09
NPV of Re-profiled costs DPCR5 @ 10%				£7.94				

10.28 The re-profiled cost forecast for 2010-11 remains at £2.09 million with headroom of £0.68 million over the expected benchmark.

## Site Visits

10.29 The sites visited were Cwmbran and Rumney.

10.30 The Rumney site is a former warehouse in a relatively unattractive, edge of town industrial area.



10.31 The ground floor area was mainly given over to a new, high density centralised storage facility.



- 10.32 The upper floor housed the main office accommodation which included a small call centre function and a control centre. Large footprint furniture was used in some areas and the control centre operators used expansive individual desks to accommodate multiple screens – one workstations had 16 monitors present.



- 10.33 The office areas were all open and efficiently planned and appeared to be extensively utilised. The ground floor presented the main areas of under-utilised space, but this was in the process of being converted for storage purposes

10.34 Cwmbran represented a more typical rural depot site being a mix of warehouse, yard area and office accommodation.



10.35 The site was well used and the office accommodation was open, well planned and utilised although with fairly dated furniture and a fair degree of storage and office clutter.



### WPD SWest - Data Benchmarking

10.36 Key Inputs 07-08

DNO	Total Cost (£)	Total Space (m <sup>2</sup> )	Office (m <sup>2</sup> )	Depot (m <sup>2</sup> )	Total FTE Office	Total Wkstn Office
WPD SWest	£3,473,076	43,117	11,647	31,470	810	908

10.37 Input notes provided by WPD SWest:

- “Original waste disposal figures included a significant amount of spoil waste that affected overall results for the DNO relative to IPD benchmarks. Therefore, waste disposal figures are based on a percentage of waste bills attributable to building waste under instruction from WPD.



- Property management figures were split between the SWales and SWest DNOs under consultation with WPD, and were apportioned across sites according to NIA”.

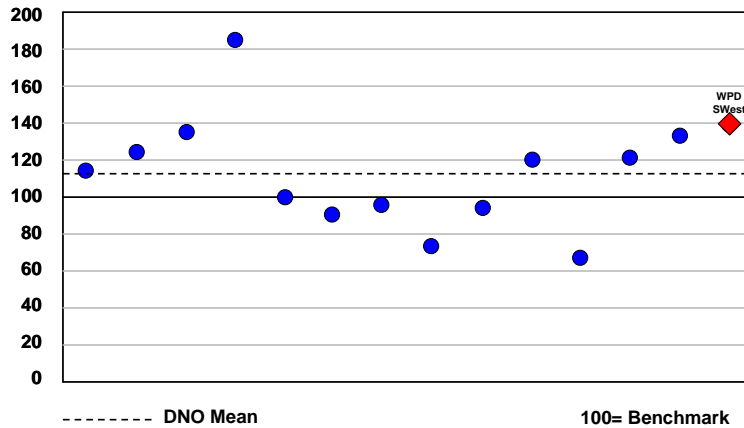
**10.38 Overall Benchmark Score**

10.39 The Overall Benchmark Score is provided below:

Overall score	Cost score	Space score
138	131	83

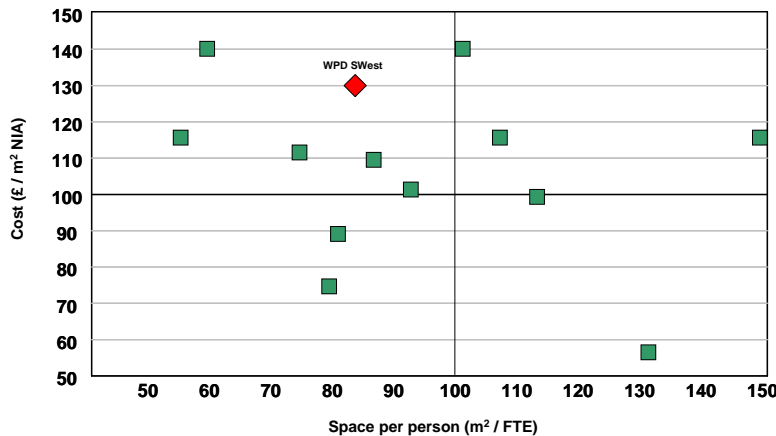
- Overall WPD SWest is performing 38% better than the IPD benchmark.
- The efficiency for the portfolio as a whole is being principally driven by cost rather than space.
- The space score for the WPD SWest portfolio are 17% below the IPD benchmark which impacts upon the overall efficiency score.

10.40 The performance of WPD SWest relative to other DNOs is shown below:



10.41 The graph above shows that WPD SWest's Overall Score is currently performing better than the IPD benchmark with a score of 138

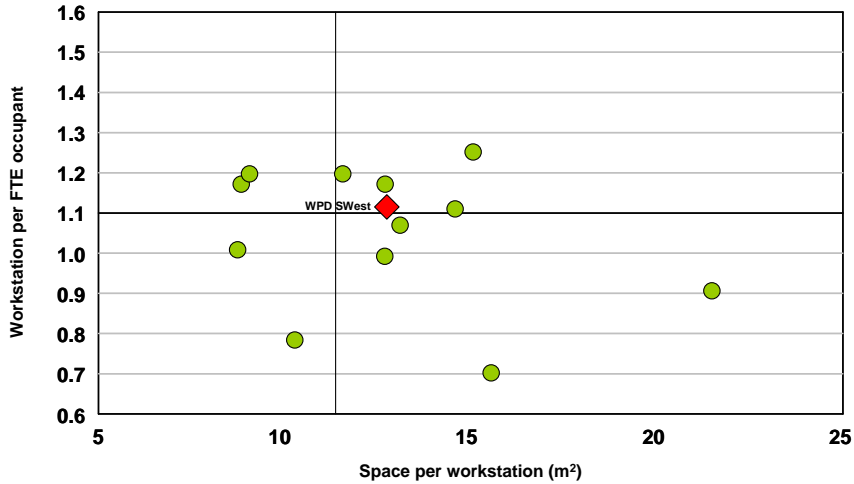
**10.42 Cost and Space Efficiency**





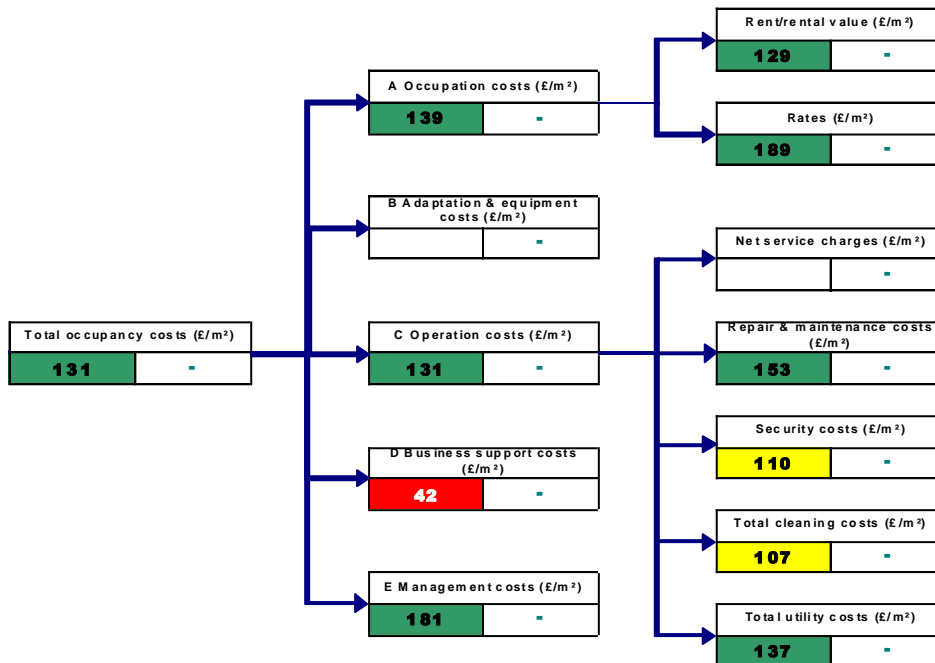
10.43 As already noted, WPD SWest's Cost (£/m<sup>2</sup>) is better than benchmark, but Space per person (m<sup>2</sup>/FTE) worse than benchmark.

10.44 Workstation Benchmark



10.45 The chart shows that WPD SWest workstations occupy more space than the benchmark, but has a similar number of Workstations per FTE as the benchmark.

10.46 Full Cost Scorecard



10.47 Comment:

- WPD SWest's Total Occupancy Costs are 31% better than benchmark with almost all cost categories exceeding IPD's benchmark.
- WPD also noted that South West's courier presently include those of South Wales.

## 7 year forecast

- 10.48 WPD SWest's baseline costs for 2007-8 total £3.47 million. Its Template 3 return does not include any changes in costs or office based FTEs.

Western Power Distribution South West	Current year actual / budget / forecast	Forecast Year1	Forecast Year2	Forecast Year3	Forecast Year4	Forecast Year5	Forecast Year6	Forecast Year7
	DPCR5							
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Baseline costs used for Benchmarking	£3.47	£3.47	£3.47	£3.47	£3.47	£3.47	£3.47	£3.47
Adjustments	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
<b>Revised costs</b>	<b>£3.47</b>	<b>£3.47</b>	<b>£3.47</b>	<b>£3.47</b>	<b>£3.47</b>	<b>£3.47</b>	<b>£3.47</b>	<b>£3.47</b>
Benchmark costs	£4.78	£4.78	£4.78	£4.78	£4.78	£4.78	£4.78	£4.78
Headroom	£1.31	£1.31	£1.31	£1.31	£1.31	£1.31	£1.31	£1.31
NPV of revised costs DPCR5 @ 10%				£13.17				
<b>Re-profiled revised costs</b>				<b>£3.47</b>	<b>£3.47</b>	<b>£3.47</b>	<b>£3.47</b>	<b>£3.47</b>
NPV of Re-profiled costs DPCR5 @ 10%				£13.17				

- 10.49 The re-profiled cost forecast for 2010-11 remains at £3.47 million, reflecting positive headroom of £1.31 million compared to the expected benchmark.

## Site Visits

- 10.50 The sites visited were Bristol and Exeter.
- 10.51 The Avonbank site was a very large mixed use legacy site in a fairly central and well established industrial estate in the city of Bristol. However, over the years, parts of the site have been sold off leaving a much smaller footprint, deep within the site. The previous main office building is now a Police headquarters and what were warehouse premises have now been converted successfully into office accommodation. The DNO presence also results from a relocation from more expensive business park offices on the outskirts of Bristol, Aztec West.
- 10.52 The retained site is primarily office, acting as a head office for the DNO but also includes warehouse space, vehicle maintenance garaging, yard storage and car parking.



- 10.53 The office accommodation has an impressive but functional reception, a small executive area, and larger open office areas to the rear.



- 10.54 The main office was of open plan nature, with some cellular offices around an inner wall. The workspace was intensively planned and utilised, but the style of furniture provided a fairly generous individual footprint comprising dark wood cubicles with overhead storage effectively creating high partitions.



- 10.55 There appeared to be excessive on-floor storage and the overall impression was of open plan space that didn't quite function as intended.
- 10.56 The DNO confirmed that it had pursued an aggressive strategy over time to rationalise sites and use its premises efficiently. There were no formal flexible working policies or workplace strategies submitted, although in common with most DNOs, there is clearly an unwritten objective around ensuring the workplace is maintained and space is optimised.
- 10.57 The Exeter premises comprised an edge of town warehouse with integral offices.



- 10.58 The office accommodation was open, well planned and utilised efficiently. Some areas were furnished with the ‘cubicles’ referred to above. The office areas felt a little dated and were somewhat cluttered.
- 10.59 The most significant feature of the site was the large, intensively stocked warehouse. Stacking of pallets was automated and the operation appeared to be very efficient in terms of space and labour.



- 10.60 This was the largest and apparently most efficient warehouse viewed across the DNOs.

### **Concluding Comments**

- 10.61 Major initiatives have been undertaken in the past to rationalise the estate, relocate to more cost effective premises and convert former depot buildings into functional office space. The conversion at Avonbank is a very good example of the reuse of a former industrial building to create a headquarters building.
- 10.62 There no doubt exists pockets of space within office buildings that could be used more efficiently to drive up the measured performance against the benchmark. However, unless any space that is freed up as a result of, for example, using more space efficient furniture systems, can be disposed of or put to another productive use, we share the view expressed that the incentive to ‘invest to save’ can be minimal.
- 10.63 Cellular office accommodation can also be inefficient in the use of space when compared with open plan accommodation. We did not visit the property at Haverfordwest but we were advised that the office element is largely cellular in nature.
- 10.64 Furthermore, we were advised that the business case to convert the space into more modern flexible accommodation is difficult to make in view of the challenge associated with quantifying or realising benefits – unless systems permit the capture of productivity and other ‘softer’ benefits (which we don’t believe is the case), we acknowledge the difficulty in developing a robust case to invest in such instances.
- 10.65 It is clear that the continued use of ‘legacy’ sites in a more efficient and effective way is a driver for the business. Since the legacy sites are frequently in industrial locations (Cardiff, Cwmbran and Exeter), the business achieves cost advantages and this appears to be reflected in the benchmarking findings.
- 10.66 The counter argument for ‘making do’ with older office space, dated furniture systems or converted facilities is that they often offer less opportunities to be efficient in space terms. Again, this would appear to be reflected in the measured space efficiency of the office estate.

- 10.67 It is difficult to determine a correct balance but there is no doubt that the imaginative reuse of an industrial building (e.g. Avonbank) can deliver cost and space benefits simultaneously.
- 10.68 The practice of reusing premises has resulted in a former retail business warehouse in Exeter being used as the main distribution warehouse for both WP South West and WP South Wales. In terms of optimising travel distances for both regions, Exeter would not appear to be the ideal situation. Clearly, however, the potential burden of vacating a substantial building must be weighed against the potential logistics and distributional benefits arising out of a more 'central' location.

## 11. Supplementary Questionnaire

### Introduction

- 11.1 Towards the end of the cycle of site visits, we felt it would be useful to circulate a supplementary questionnaire to DNOs to build on some issues arising during our visits. On this occasion, we constructed the questionnaire such that it could be answered, to a very large extent, through 'Yes/No' responses.
- 11.2 The questionnaire probed areas such as the performance monitoring of space, techniques to improve the use of space and various issues surrounding the procurement of FM services.

### Findings

- 11.3 We have reproduced the key questions below and summarised the responses provided. One DNO failed to provide a response to the supplementary questionnaire.

### FM Services

- 11.4 Are FM services procured primarily service by service (as opposed to being bundled)?**
- 11.5 The responses were fairly evenly split between those who procured on a bundled basis and those who procured services individually. This suggests the DNOs have quite distinct views as to what outsourcing arrangement provides best overall value for money. One DNO inherited a business model upon takeover that comprised the bundling of services – however, it deliberately 'disentangled' this arrangement and now procures services line by line.
- 11.6 Does the DNO manage the delivery of services internally (as opposed to the management being outsourced to a third party such as the FM provider)?**
- 11.7 The responses were evenly split. Having said that, one respondent who confirmed that service delivery was not managed internally also confirmed that its Property Team provided an assurance role on the service provider. There was, as expected, some correlation between organisations that bundled FM service provision and a 'looser' control over the management of service delivery.
- 11.8 Does the FM provider provide performance reports against KPIs or similar? If the answer is 'YES', please provide a sample report.**
- 11.9 Perhaps surprisingly, half of the respondents confirmed that there was no regular performance reporting against KPIs or similar. One respondent who provided a positive response advised that "...service levels are checked locally by office managers". It is possible that this does not correspond with the provision of performance reports against KPIs.
- 11.10 Are FM contract typically entered into centrally through a procurement or estates function (as opposed to being procured 'locally' at building level)?**
- 11.11 In all instances, procurement was carried out centrally.
- 11.12 Does the DNO operate a Help Desk relating to FM services?**

- 11.13 Only one respondent provided a positive response. However, two other respondents claimed that a wider support team covering all UK business activity provided a Help Desk.
- 11.14 Is room booking operated on a central basis i.e. through a central FM Help Desk?**
- 11.15 Room booking was typically arranged via the company intranet rather than through a central FM Help Desk. This perhaps reflects the tendency to retain in-house services that can frequently be found ‘bundled’ into FM contracts, and the proportion of DNOs that procure service line by line.
- 11.16 For what period are FM contracts typically entered into? Please specify: 1-3 years, 4-5 years, in excess of 5 years.**
- 11.17 A spread of responses was provided. One DNO advised that the norm was 1-3 years, two DNOs stated that 3 years was the norm whereas only two DNOs advised that the norm was 4-5 years. This appears to coincide with the culture of short termism noted in relation to investment decision-making within some DNOs. FM contracts entered into as partnerships (as opposed to traditional client-provider contracts) can often be found to extend to 5-7 years.

#### **Space Management**

- 11.18 Does the DNO operate a clear desk policy?**
- 11.19 Half of respondents claimed to operate a clear desk policy. In some instances, we noted a degree of personalisation of workstations despite the existence of clear desk policies.
- 11.20 Are specific workstations typically allocated to individuals?**
- 11.21 All DNOs, with one exception, confirmed that desks are allocated to individuals. Those DNOs with a clear desk policy are therefore not always in a position to make best use of space if workstations are also assigned to individuals.
- 11.22 Does the DNO operate a system of booking workstations in advance of need? If this policy just applies to a small number of hot desks, please answer ‘NO’.**
- 11.23 One DNO operates a system (Desk Diaries) that allows a degree of advance booking of workstations. Given that the system is paper-based, it relies to a large extent on the individual being present in the relevant building to personally pre-book a workstation. Its widespread use and potential to make best use of space overall were noted on site visits.
- 11.24 No other DNO uses any such system, although hot desk areas may have been established.
- 11.25 Are time utilisation studies undertaken to determine the extent to which workstations are used during the working day? If the answer is ‘YES’, please provide a sample of the output.**
- 11.26 No such studies are undertaken. For businesses where many personnel can spend a great deal of time ‘on site’, it would appear important to understand more fully the actual use being made of premises over time.
- 11.27 Is the extent of space occupied by the DNO measured and monitored on a regular basis? If the answer is ‘YES’, please indicate the mechanisms used.**

- 11.28 All DNOs provided a positive response to this question. It is clear that DNOs have different views about what “measured and monitored on a regular basis means” in practice. Examples were cited of space plans being prepared and quarterly portfolio reviews fulfilling this objective.

#### **Building Reports**

- 11.29 Do you (or does your FM provider) create regular building performance reports that monitor occupier satisfaction, measure space utilisation and measure total cost of occupancy?**

- 11.30 One DNO (Central Networks) appeared to have developed its thinking and approach in this area. In general, however, occupier satisfaction was rarely measured and space utilisation was not the subject of regular reporting. Although the majority of DNOs stated that there existed regular performance reports on total costs of occupancy, evidence was not always provided.

#### **Business Model**

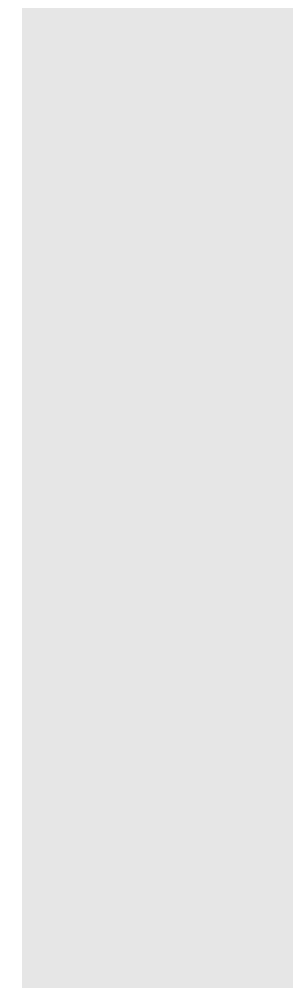
- 11.31 The final element of the supplementary questionnaire addressed the extent to which certain activities were outsourced or provided in-house.
- 11.32 The results confirmed our emerging views during the site visits that the business model adopted can impact significantly on the space requirements of the business.
- 11.33 For example, almost as many DNOs directly delivered their Contracting/Works functions as outsourced these activities. Clearly, this business function is a major user of both accommodation and depots (sites and storage).
- 11.34 Similarly, the logistics function is delivered in quite different ways with, once again, an almost equal split among DNOs of the preferred business model.
- 11.35 In relation to vehicle maintenance, a range of models appear to be in place although outsourcing seems to be the preferred model. One DNO that delivers this function with its own resources has a tendency to self deliver services that others may have outsourced – the culture is strongly in favour of control.
- 11.36 Interestingly, some owning companies have allowed their DNOs to operate different business models within the same overarching corporate organisation.
- 11.37 It seems that the organisational culture, the style of leadership and the values of senior management can have an indirect impact on the space requirements of the business via the business model selected.



## 12. Results – Consolidated

### Introduction

- 12.1 This section consolidates DNO analysis. Results of Template analysis is provided side-by-side to enable a comparison in responses.
- 12.2 Benchmarking analysis is also shown, with charts identifying all DNOs.

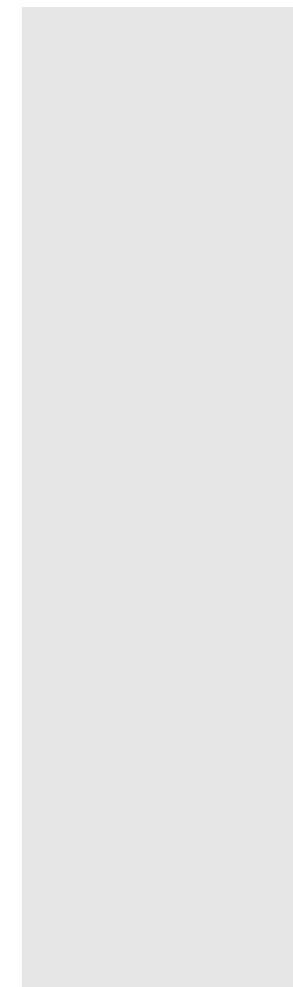


## Estate Strategy / Working practices

### 12.3 Estate Strategy - documented

CE	CN	EDFE	ENW	SP	SSE	WPD
North East England / Yorkshire	East Midlands / West Midlands	London / East England / South East England	North West	North Wales, Merseyside and Cheshire / South Scotland	North Scotland / Southern England	South Wales / South West England
No separate document but details of activity in Template response: (a) Capital investment programme (b) Energy efficiency (c) Condition surveys (d) FM reprocurement (e) Non-operational properties Critical Property Unit (CPU) Plan	No separate document exists for CN as the estate is managed by the UK Shared Services (Business Services) part of EON property. Property decisions are made to the benefit of the wider EON UK business. IPD is used by Business Services to benchmark main office sites. Business Services has also commissioned a "thorough review of the main depot sites to establish site use and fitness for purpose".	The Estate Strategy is currently being developed and has not yet been adopted. A slide summary was provided entitled 'Networks Property Strategy' dated Feb-09. Included under 'solutions underway' is: (a) Customer Operations Accommodation Review (b) Kent Area Study (c) London Property Strategy (d) Lodge Road & Bengeworth Road vacation. Further identified 'Opportunities' identified as (1) Reduce London footprint (2) Investigate new ways of working (3) Hemel & Croydon reviews (4) Cluster office upgrades.	There is no single Estate Strategy document, instead reference to a range of other documents that drives planning for the Estate. A summary of the main points is contained in the Template return. Significant points include: (1) To lease wherever possible to allow flexibility and align to regulatory review periods (2) Leases to balance relocation flexibility with longer term tenure at key sites (3) Share depot sites with sub-contractors (4) Use less commercially valuable legacy sites to provide cost effective reserve and contingency accommodation (5) For 'Centres of Excellence' the intention is to move to low cost leased commercial accommodation.	The Estate Strategy Policy document was prepared by Scottish Power Corporate Real Estate. The copy provided is dated December 2007 and is scheduled to be reviewed within 3 years. The objectives of the policy document are to: (1) Define the governance process (2) Outline procedures, especially in relation to risk management (3) Provide a framework for auditing and monitoring policy compliance.	No separate Estate Strategy provided. A short summary of aims is provided in T1. The SSE Property Services team provides services throughout the SSE Group of Companies.	A policy document AM1/4 'Relating to Distribution Network Asset Management' has been provided, approved November 2008. At the end of this document is a three page section described as 'Property Strategy', but appears to be a simple listing of property addresses with no further information (e.g. area / cost / tenure data is not provided).

- Few DNOs have a recognisable Estate Strategy, and some DNOs have wider Asset Management Plans or Policy documents instead.
- Although in draft format, EDF's Property Strategy slides sets out clear actions and objectives for the estate with a strong demonstrable link to the main business.
- CN's property is controlled by EON who take decisions based on the wider benefit of the EON Group. There is a potential risk (but no evidence seen) that these decisions will not be for the sole benefit of CN as a DNO. Conversely, we would expect CN to benefit from better economies of scale in purchasing power.



## 12.4 Estate Strategy - Quality of Buildings

CE	CN	EDFE	ENW	SP	SSE	WPD
North East England / Yorkshire	East Midlands / West Midlands	London / East England / South East England	North West	North Wales, Merseyside and Cheshire / South Scotland	North Scotland / Southern England	South Wales / South West England
Most buildings date from the 1960-70s and reflect standards of the time. Upgrades have been limited by years of RPI-X settlements and Ofgem price reductions. Most of the assets with any value have been sold; those left have little commercial value, or the business risk is to high to be disposed of, or exit costs are too high.	Properties in the West are well situated but some showing age and significant investment will be needed to maintain their fitness for purpose (e.g. Tipton and Stoke). Sites in the East have been built up over time and the subject of recent refurbishment investment so tend to be in better condition than the West.	All deemed fit for purpose. A limited number 'good quality', and most 'reasonable' quality. A minority are described as 'poor' quality requiring substantial investment.	The portfolio has good location fit but some Freehold depots are described as "beyond planned maintenance regimes due to physical obsolescence", e.g. 40-year old air conditioning units where spares are no longer available and use R22 gas which will not be available beyond Summer 2009. A substantial proportion of the estate is situated on or adjacent to operational land (waste water treatment works or substation sites) with basic accommodation at relatively low cost.	Mainly good description "but with some notable exceptions"	Generally sound but some need updating. Some issues exist around lack of investment over last 10-15 years. A refurbishment programme exists (but no details provided). Recent acquisitions appear to be Freeholds and meet SSE corporate objectives.	Most buildings date from 1960s to 1980s. The quality is described as "poor" but "adequate and fit for purpose."

- The quality of property stock varies across DNOs, and CE Networks and WPD appear to have the highest proportions of heritage stock.
- EDF and Scottish Power indicate their estate is in relatively better condition.
- A number of DNOs have actively disposed of more valuable sites in the past; others refer lack of investment.

## 12.5 Estate Strategy - Three most desirable changes next 5 years

CE	CN	EDFE	ENW	SP	SSE	WPD
North East England / Yorkshire	East Midlands / West Midlands	London / East England / South East England	North West	North Wales, Merseyside and Cheshire / South Scotland	North Scotland / Southern England	South Wales / South West England
1. Improve environmental efficiency though investment costs will exceed revenue savings.	1. Alliancing Business hosted in the estate	1. Develop training facilities	1. Increased direct to site working	1. Complete West Depot Relocation Project.	1. Safety	1. Reduce carbon emissions.
2. Review alignment to Business Model, though ability to change is very limited.	2. Investment at Stoke DC	2. Review & improve poorest sites	2. Increase remote & hot desking	2. Further environmental improvements including introducing energy efficient measures and technologies.	2. Sustainability	2. Relocation of Pool Depot.
3. Ideally reduce the number of back-office sites (3 within 10 miles of each other) but difficult due to exit costs & low commercial values.	3. Investment at Tipton site	3. Reduction in London property footprint	3. Offices strategically sited and low environment footprint	3. Implement the Dumfries relocation project.	3. Complete upgrade / modernisation programme at operational depots	3. Relocation of Church Village Depot.

- DNOs refer to a wide range of desirable changes. Some are quite generic, e.g. SSE’s “Safety”. Others are property or region specific.
- The most common themes are: (a) improvements in flexible working; (b) addressing sustainability issues (for which we understand incentives / penalties have been created by Ofgem); and (c) specific upgrade / investment objectives.

## 12.6 Estate Strategy - Constraints to change

CE	CN	EDFE	ENW	SP	SSE	WPD
North East England / Yorkshire	East Midlands / West Midlands	London / East England / South East England	North West	North Wales, Merseyside and Cheshire / South Scotland	North Scotland / Southern England	South Wales / South West England
Financial; Leaseholdings; High exit costs; Need to retain operational resilience; short time horizon for cost-benefit analysis.	Capital constraints limits the appetite to undertake refurbishment or replace property. A greater constraint is the availability of suitable Depots as these require open yards, stores and small offices, whereas the market tends to provide large offices or warehouses.	(1) Occupation standards (2) Sustainability ambitions (3) Capital funding (4) Geographical requirements - in particular being local to customer networks.	(1) Physical and planning restrictions associated with the Lake District (2) Economic climate where assets could have a market value lower than book value (3) In addition, DNOs retain only 23.5% of the property sale in the RAV.	Current market conditions affect disposal values and therefore business cases for closure or relocations. SP's bespoke requirements are also expected to be more difficult to find with lower developer activity. Queensferry is also singled out as a historically problematic site making it difficult to dispose of and manage operational requirements.	None mentioned, though all investment decisions are based on Business Cases	For carbon emissions, the main constrain is financial but WPD hopes that funds will be found in the next review period. The ability to relocate is also limited by finances, in particular opportunities for increased development value.

- The most common constraint referred to by DNOs is financial, made more difficult in the present economic conditions where potential development gains are presently unavailable to help subsidise capital investment.
- Another theme is the short payback period, mainly demanded by owners of DNOs. Over time this will mean that investment decisions with only long term benefits will not be made, so costs will remain higher than they perhaps should.

- The unusual characteristics of depots (e.g. large yards / small offices) is also highlighted as an issue.

## FM and Property Services

### 12.7 FM and Property - Present management structure

CE	CN	EDFE	ENW	SP	SSE	WPD
North East England / Yorkshire	East Midlands / West Midlands	London / East England / South East England	North West	North Wales, Merseyside and Cheshire / South Scotland	North Scotland / Southern England	South Wales / South West England
In-house team manage FM and Property.	FM Services (hard & soft) are managed by EON's Shared Services. The result is a hybrid of insource / outsourcing, e.g. FM Management is in-house, whilst most FM services (catering, cleaning, security and maintenance) are outsourced.	FM and Property Services are delivered by "in-house provider". EDF Energy Networks recently established a Property Team, and a copy of its Service Level Agreement (in a highly legalised form of wording) has been provided.	Two FM contracts originally with United Utilities Facilities but now transferred to Europa. (1) HQ held on a short-term lease (2) FM contract all other properties. Property Services managed in-house RICS staff member.	The current FM contract was negotiated in 2002 and extended in 2007 & 2008. FM contract covers most standard services (including property management, maintenance, help desk, and cleaning). The Service Contract removed security due to service delivery problems.	The SSE Property Services Team supports the wider SSE Group and delivers services throughout SSE include SSE's DNO entities.	WPD describes its estate as containing 'simple buildings and services' which renders an FM team unnecessary - FM is managed by the Property Team.

- Large owning companies tend to have centralised property and FM management teams, e.g. in the case of Central Networks where EON manage FM services.
- Conversely WPD describes its estate as containing 'simple buildings' and manages property and FM in house.

- ENW indicates in its response that its FM contracts have been reduced to just two contracts, one for the HQ and the other for all other standard services.

## 12.8 FM and Property - Present procurement

CE	CN	EDFE	ENW	SP	SSE	WPD
North East England / Yorkshire	East Midlands / West Midlands	London / East England / South East England	North West	North Wales, Merseyside and Cheshire / South Scotland	North Scotland / Southern England	South Wales / South West England
All services are delivered through third party contracts, normally over 3 years but subject to EU regulations as they apply to utilities. Security and cleaning has a single global contract; local maintenance with local service providers.	As above. One national pan-EON service provider is chosen for each service category.	Services are contracted through the 'Corporate Procurement' function in conjunction with the in-house service provider. "National contracts are established with many commodities bundled both nationally and regionally".	Existing contracts with UUFM after 2007 benchmarking; HQ contract awarded annually but 'main contract' expires March 2012. Costs are benchmarked with a review in March 2010.	All FM services are procured through Faceo except for the security contract which was placed and managed directly by SP Estates & Facilities.	The in-house property team provides professional and technical support. Outsourced services are procured through competitive tender and / or a series of framework contracts through SSE's procurement department.	In house procurement team (no details on FM contracts)

- All DNOs outsource 'commodity' FM services.
- Procurement policies vary from near single FM contracts covering most normal FM services (ENW and Scottish Power) through to FM contracts for single service lines.



## 12.9 FM and Property - Existence / application of service standards

CE	CN	EDFE	ENW	SP	SSE	WPD
North East England / Yorkshire	East Midlands / West Midlands	London / East England / South East England	North West	North Wales, Merseyside and Cheshire / South Scotland	North Scotland / Southern England	South Wales / South West England
Security and cleaning is output-based; other services (e.g. Hard Maintenance) audited	Each service provider has mixture of input and output specifications, though no detailed standards exist due to the diverse nature of businesses that outsourced providers service.	These are contained in the SLA, which takes the appearance of a legal contract even though between two EDF companies (EDF Energy plc to EDF Energy Networks Ltd).	SLA details provided separately. The SLA includes response times, fix terms, % first time fix.	SP has partnered with G2 Business Services to develop KPIs linked to SLAs. Trend analysis is then used to amend services to customer's requirements.	Some service standards referred to, e.g. Capex Budget Key performance indicator and corporate targets on energy efficiency and water consumption. For outsourced services, "contractual terms include performance criteria as appropriate".	Specific to individual contracts.

- All DNOs replied that Service Level Agreements are applied to contracts.
- The level of information provided by DNOs varies – EDF provided a copy of a highly legalised contract between EDF Energy plc and EDF Energy Networks Ltd.
- Of particular interest is that Scottish Power has partnered with G2 Business Services to develop KPIs linked to SLAs.

## 12.10 FM and Property - Ensuring cost effectiveness

CE	CN	EDFE	ENW	SP	SSE	WPD
North East England / Yorkshire	East Midlands / West Midlands	London / East England / South East England	North West	North Wales, Merseyside and Cheshire / South Scotland	North Scotland / Southern England	South Wales / South West England
Rolling programme of market testing, normally every three years. Price is the main determinant. Outsourcing is not always the cheaper option - management of FM services recently taken in-house achieving a 40% saving.	Services are tendered every 2-3 years. Between tendering IPD is used to benchmark property costs at main office sites.	Regular benchmarking undertaken with IPD against a Utility Sector Group and wider Blue Chip Sector Group.	Regular benchmarking & contract renewals	SP subscribe to IPD benchmarking for FM and property costs. The FM contract will be tendered in April 2010.	Property consultants go through a competitive procurement but no mention is made of FM.	"All services are market tested by tender."

- All DNOs undertake some form of external benchmarking.
- Two DNOs report they subscribe to IPD's benchmarking service.
- FM contracts are typically for 3 years, with Central Networks referring to 2 year contracts. Current thinking on FM procurement indicates that longer term partnerships gives the FM provider the chance to invest in the contract with a longer-term potential of lower FM costs.

### 12.11 FM and Property - Changes in the next 5 years

CE	CN	EDFE	ENW	SP	SSE	WPD
North East England / Yorkshire	East Midlands / West Midlands	London / East England / South East England	North West	North Wales, Merseyside and Cheshire / South Scotland	North Scotland / Southern England	South Wales / South West England
No significant changes envisaged; CE will review hard maintenance split to see if a national contractor provides better VFM, or use sister US company (but it faces much less onerous regulation).	CN recently aligned catering to a national service provider. EON will continue to review the possible benefit of a multi-service contract FM model but has no plans to change at present.	The in-house provider of FM & Property Services is in the process of reviewing its organisational structure; it is likely that it will transform into a delivery management structure with support and non-core activities being outsourced.	Benchmarking will be carried out in 2010 and full Market testing in 2012.	Main FM contract retender April 2010.	The in-house Property Group is new (2007) - there are no plans to change this structure.	"None envisaged."

The most common themes are:

- Some DNOs report 'no change'.
- Where change is expected, it often relates simply to re-tendering existing contracts.
- EDF is considering a more fundamental review of its organisation structure which may change the way non-core activities are managed.

## Surplus Space

### 12.12 Present surplus properties and Annual running costs

CE	CN	EDFE	ENW	SP	SSE	WPD
North East England / Yorkshire	East Midlands / West Midlands	London / East England / South East England	North West	North Wales, Merseyside and Cheshire / South Scotland	North Scotland / Southern England	South Wales / South West England
2 buildings identified, only one with significant running costs p.a. (£0.279m); restrictive user clauses in ground lease but forecast disposal date is 2009.	Six surplus properties exist, five being Freehold. Four sites are sublet at a profit, with some of the surplus space at larger operational sites being rented to NPower and the Worcestershire CC.	None	Three sites are listed and all part of larger premises. Total space is 2,069 m2 and costs very low.	Three sites identified, two depots and one office; all are freeholds. Two sites are forecast to be disposed of in 2009, and the most expensive at Falkirk (£213k p.a.) expected to be disposed of in 2012.	Two sites are identified described as "vested in SSE Services plc". Both are scheduled to be disposed of in 2009.	None
Total £0.280m p.a.	Sublet income exceeds cost to produce a net surplus of + £0.3m	None	Less than £25k p.a.	£360k p.a.	£97k p.a.	None

- EDF and WPD report no surplus space.
- ENW reported small surplus areas of space located in existing buildings, but the overall annual cost is low.
- Central Networks has succeeded in subletting internal space (within existing operational buildings) to NPower and Worcestershire CC.
- Overall surplus properties do not appear to be a material concern for DNOs.

### 12.13 Surplus properties / space forecast next 5 years & Management of surplus space / properties

Owning Company	CE	CN	EDFE	ENW	SP	SSE	WPD
DNO	North East England / Yorkshire	East Midlands / West Midlands	London / East England / South East England	North West	North Wales, Merseyside and Cheshire / South Scotland	North Scotland / Southern England	South Wales / South West England
Surplus properties / space forecast next 5 years	None	None	None	None	None	One site forecast to become surplus in 2009 and disposed of by 2011. Cost £160k p.a. again "vested in SSE"	One site is forecast to become surplus in 2009 due to a sub tenant exercising a break in the lease. The property is expected to be disposed of in 2011 with annual running costs of £305k p.a.
Management of surplus space / properties	No comment	Surplus properties are managed by EON Shared Services; CN understands that agents are appointed to sell or advise on development potential.	Surplus space is returned to Corporate Property Services	Active review but small space, tenure has shifted from Freehold to flexible Leasehold where possible.	Managed in-house; identified in advance with business; costs minimised through moth balling.	A record of space planning and capacity is maintained through the 'Recharge Model'; reviewed annually or whenever a major change in occupation takes place.	Advisers used where surplus space exists

- Only SSE and WPD predict that additional surplus space will crystallise in the next 5 years, and both expect to dispose of this space in 2011.
- Management of surplus space follows the FM and Property management structures – thus EON manages Central Networks surplus space, whereas WPD is largely in-house.

## Working practices

### 12.14 Policy on flexible working

CE	CN	EDFE	ENW	SP	SSE	WPD
North East England / Yorkshire	East Midlands / West Midlands	London / East England / South East England	North West	North Wales, Merseyside and Cheshire / South Scotland	North Scotland / Southern England	South Wales / South West England
No formal policy. Users can log onto any PC. CE has experimented with flexible working but not successful, and requires an IT-based record system. Management level tend to work flexibly but "we see no benefit in forcing on sections where it does not fit with their operating processes, culture or systems."	Flexible working supported is supported but there seems to be no separate policy. Workers are categorised as 'fixed' or 'mobile' workers; mobile workers are able to work at home or from nearest CN building.	EDF has an established policy on flexible working - "Work Life Solutions" - provided as a separate document. This covers issues such as: Home working, Job Sharing and Flexi-working (part office and part home).	No written policy provided but description of flexible working in practice given in Template response: (1) Most operational staff work out on site (2) Most support staff have laptops with wireless or remote access facilities (3) Some staff are home based (4) Most offices have hot desks (5) Some offices are used 24 hours.	SP HR has a policy of well-being / work/life (not provided). There is no specific policy for property but hot desking is used; office staff tend to work normal office hours and there is no shift working.	No policy in place. Some evidence of flexible working in practice.	No policy provided. WPD refers to a number of home-based workers call centre support staff operate an informal hot-desking system.

- EDF has the most complete documented policy on flexible working.
- All DNOs operate some degree of flexible working but it is unclear whether maximum benefits are being achieved.

### 12.15 Working Practices - Policy of filing and storage

CE	CN	EDFE	ENW	SP	SSE	WPD
North East England / Yorkshire	East Midlands / West Midlands	London / East England / South East England	North West	North Wales, Merseyside and Cheshire / South Scotland	North Scotland / Southern England	South Wales / South West England
No central policy. CE experimented with scanning but not deemed cost effective. Low frequency access documents are stored in space not suitable for office accommodation or offsite.	Filing is typically stored offsite and outsourced SP via automated system. Only limited "on time" items are stored locally.	"Minimal storage facilities are provided" with off-site archive facilities.	Offices hold working / live files. Working files offsite and majority held electronically such as geographical maps, asset records, inspection and maintenance history. Legal documents and Wayleave files held in single deed store. Investigating scanning Wayleaves and Customer correspondence but business case does not presently stand.	SP has off-site industrial unit but no specific policy.	"Legal or statutory documents have to be retained for set periods of time thus necessitating storage facilities to be situated within our buildings". Where possible documents are scanned (though unclear which ones); various Business Improvement initiatives intend to extend electronic storage of documents.	Paperless where possible. Long term storage archive contracted with Hays where economical.

Policies on filing and storage appear to vary significantly:

- Central Electric has been unable to justify scanning documents which will lead to some increase in office space requirement, though it notes documents accessed with low frequency are stored in accommodation not suitable for office staff.
- ENW appears to have successfully scanned maps, asset records and maintenance records.
- Other DNOs appear to attempt to restrict paper documents being on site for more time than necessary.

## 12.16 Adoption of space standards & Steps taken to optimise space

CE	CN	EDFE	ENW	SP	SSE	WPD
North East England / Yorkshire	East Midlands / West Midlands	London / East England / South East England	North West	North Wales, Merseyside and Cheshire / South Scotland	North Scotland / Southern England	South Wales / South West England
No formal policy; CE aims for a minimum of 6m <sup>2</sup> per staff where possible.	No formal policy exists; each site is assessed for 'fitness for purpose'.	Detailed space standards document provided; this sets a space standard of 9.29 m <sup>2</sup> for a typical office-based employee.	No formal policy provided; response describes "consistent standards applied."	No specific policy on density, office size etc.; each site is considered on its own merits.	Future space planning in offices will be based on 7.5 m <sup>2</sup> per person; no further reference to quality of space etc.	Space standards are not applied to legacy stock but on new build the ratio is between 9-11m <sup>2</sup> per person.
Target 6m <sup>2</sup> per staff. Utilisation is reviewed quarterly. Furniture is being standardised as replaced.	Established process via EON Shared Services combined with IPD benchmarking of main office sites. Also note that EON has commissioned a "thorough review of the main depot sites to establish site use and fitness for purpose".	Space has recently been reviewed, with an intention to reduce London footprint. A pilot scheme testing 'agile / flexible' work spaces is currently underway.	Various steps - (1) Minimal single offices; (2) Open plan with limited storage space (3) Kitchens rather than canteens open plan (4) Single desk size (5) "Tight footprint" (6) Increased use of hot desking.	Some hot-desking; site-by-site	Emphasis on Recharge Model & CAD used to monitor space usage. New furniture contracts include a space planning service.	External space planners are used.

- For most DNOs the term 'space standards' means amount of space per office worker with only limited references to the quality of space.
- IPD's average office space per FTE is around 11.9 m<sup>2</sup>. Here, DNOs are all lower and range from 6m<sup>2</sup> at Central Electric to (up to) 11m<sup>2</sup> at WPD.
- Many DNOs appear to review space used on a regular basis. SSE is charged FM and Property costs through a 'Recharge Model'.
- Exploring increased flexible working practices also features as strategy to further optimise space.



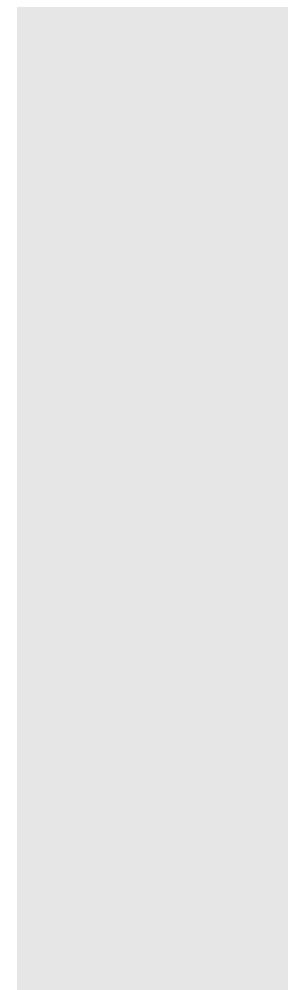
## Business Strategy / Operating Model

### 12.17 Provide a copy of the Business Plan

CE	CN	EDFE	ENW	SP	SSE	WPD
North East England / Yorkshire	East Midlands / West Midlands	London / East England / South East England	North West	North Wales, Merseyside and Cheshire / South Scotland	North Scotland / Southern England	South Wales / South West England
CE Operating Plan provided in submission. Property contributes to 6 key areas: (1) Finance (2) Safety (3) Resilience (4) IT (5) Operating Model (6) Carbon footprint. Of particular note is that "the operations directorate is currently undertaking a major review of its operating model that may fundamentally change how it organises, manages and deploys labour."	A copy of CN's Business Plan has been provided. An initiative known as 'Project Lean' is being developed and there is a keenness to convert outputs into cost savings. Additional investment is being requested of Ofgem which is linked to ongoing revenue efficiencies. The importance of DPCR5 is highlighted, as is Ofgem's benchmarking of CN's costs compared to other DNOs.	Not provided. Key points simply listed as (1) Safety (2) Costs (3) Training (4) Sustainability.	No separate document provided but main points summarised in response. This identifies an intention to maintain overall asset fault rates despite "an ageing asset base". ENW's policy is to provide services to customers "on a minimised whole-life cost basis".	"As per BPQ submission"	No separate document provided; a summary of the Business Plan is provided in Template 1. The main message appears to be maintaining a resilient and interruption-free power supply.	The Template return notes "Attached" - we assume this is the same Asset Policy noted in WPD's reply on Estate Strategy.

- Some DNOs provided a copy of their Business Plans; others chose to provide summaries.

- Here and elsewhere in the Template returns, System Resilience is a common business imperative, as is Safety.
- DNOs also refer here (and elsewhere) to regular efficiency reviews – e.g. Central Networks 'Project Lean'.



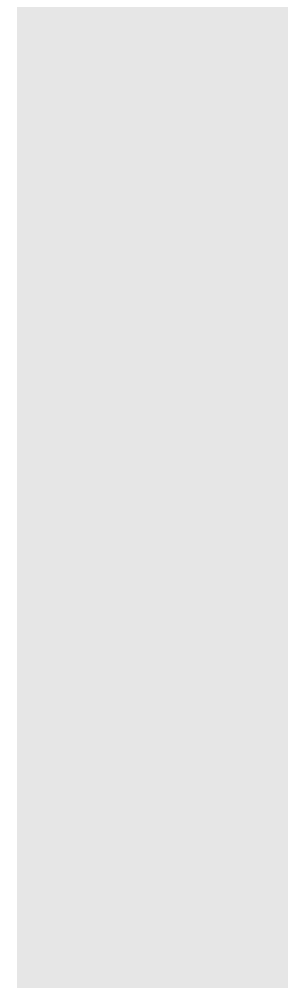
### 12.18 Business Model - Three most important business changes and how they will impact on Property / FM

CE	CN	EDFE	ENW	SP	SSE	WPD
North East England / Yorkshire	East Midlands / West Midlands	London / East England / South East England	North West	North Wales, Merseyside and Cheshire / South Scotland	North Scotland / Southern England	South Wales / South West England
1. Changes will be driven by economic climate and how this affects the wider business.	1. Alliances - CN cannot host the combined insource / contractor alliance envisaged	1. Develop training facility to support the business.	1. Various initiatives including: Direct to site working; Better supply chain; Further consolidation of FM.	1. "Statutory / regulatory changes"	1. Safeworking environment for all staff.	1. Increased number of refurbishments due to need to reduce carbon emissions
2. Outcome of DPCR5 is single most important determinant.	2. Carbon reduction targets, which will require changes in how buildings are used as well as physical alterations.	2. Review poor quality sites and sites with poor utilisation.	2. Increased DPCR5 work load and workforce renewal with increased support infrastructure and accommodation requirements.	2. "Working environment"	2. Increase sustainability	2. "Introduction of green generation"
3. Carbon reduction targets set by the CE business, linked to penalties / incentives offered by Ofgem.	3. 'Great Place to Work' a benchmarking review by Business Services to "see where investment or changes to buildings can improve productivity of staff."	3. Reduce the London property footprint.	3. Migration from current Contracting model to new delivery support for DPCR5 requiring contract staff locate into ENW / UU sites or potentially contract locations.	3. "Environmental standards"	3. Modernisation programme at operational depots	3. Relocations as economy improves

- A wide range of business changes were listed by DNOs.
- Common themes included the economic climate, reviewing poor quality sites and environmental issues.

Of particular interest is:

- Central Networks – reference to Business Alliancing, a form of collaborative working though no more details were provided.
- EDF – intention to develop training facilities, a key Ofgem concern expressed elsewhere by other DNOs (also referred to by ENW).
- Central Networks – intending to carry out a ‘Great Place to Work’ benchmarking review which will then help inform future investment; EDF specific objective to reduce London’s property footprint.



### 12.19 Business Model - Key features of Business Model with focus on 3rd parties

CE	CN	EDFE	ENW	SP	SSE	WPD
North East England / Yorkshire	East Midlands / West Midlands	London / East England / South East England	North West	North Wales, Merseyside and Cheshire / South Scotland	North Scotland / Southern England	South Wales / South West England
60% of CE's work programme is delivered through direct labour which drives the infrastructure required to support this level of staffing. A JV exists with Northumbrian water (called Vehicle Leasing Services) who use some of CE's garages and for whom a rental income is received.	Response missing	No significant changes planned, though some insourcing of critical skill set (engineers) expected though this will have de minimus impact of total FTE at each branch.	All network operations, maintenance and construction are delivered by UUES. The property estate and property leases provide accommodation for both ENW and UUES; FM services are provided by Europa for all ENW and UUES accommodation.	"No plans to further outsource additional operations"	"A key feature of our business model across SSE is that we insource services as much as possible". The main areas where third parties are used is in the delivery of the DNO's Capex programme. Very few properties are rented, most owned by SSE.	Services are retained in-house where these are core to business delivery. In the case of property this translates to using specialist knowledge from appropriate consultants when needed.

- The broad conclusion on third parties is that skill sets important to front line delivery of services to customers will be in-house (e.g. engineers).
- As noted in the FM and Property section, most non-core FM services are outsourced.
- SSE is notable as its preferred tenure arrangement is freehold; other DNOs have expressed a willingness to lease space (typically supporting office accommodation) so long as occupation at key sites is protected.

## Accounting Issues

### 12.20 Accounting policies with material affect on property costs

CE	CN	EDFE	ENW	SP	SSE	WPD
North East England / Yorkshire	East Midlands / West Midlands	London / East England / South East England	North West	North Wales, Merseyside and Cheshire / South Scotland	North Scotland / Southern England	South Wales / South West England
No accounting policies materially affect the treatment of buildings.	EON charges all costs to CN with a proportion capitalised based on the number of desks used for capital projects.	Construction / refurbishment costs capitalised per FRS15; other costs reported on a standard accruals basis.	ENW follows recognised accounting policies - e.g. IFRS / GAAP / IAS.	None	None	FRS12 only

- Generally Accepted Accounting Principles ('GAAP') and relevant standards are followed; none has a significant impact that might materially distort costs.
- Central Networks capitalises costs on a desk pro rata basis.
- WPD refers to FRS 12 which covers the accounting treatment of Onerous Contracts, though in fact no current surplus sites are listed.

## 12.21 Accounting Issues – Related-party transaction costs

CE	CN	EDFE	ENW	SP	SSE	WPD
North East England / Yorkshire	East Midlands / West Midlands	London / East England / South East England	North West	North Wales, Merseyside and Cheshire / South Scotland	North Scotland / Southern England	South Wales / South West England
At NEDL non-operational sites are leased from NEPL - costs have been completed to reflect actual costs and exclude any intra-group profits.	Described as being 'at cost' with no mark up or overhead added.	Property Services provides complete service for the property portfolio.	Very detailed response provided Ofgem guidance on related party transactions which ENW notes need to be "unwound". The net effect according to ENW is that costs reported for regulatory purposes are lower than would be reported in "traditional" formats, and that this may give rise to differences in the way it reports costs to Ofgem in its FBPQ submission.	All costs (except Rating) are related-party transactions charged by ScottishPower UK Ltd to SP Distribution and SP Manweb.	Costs are recharged via Recharge Model. Rental costs reflect 'market-based' charges. Group Charges are made for other costs, e.g. cleaning and security.	N/a

- ENW provided the most detailed response on related-party transactions for which guidance has been provided by Ofgem. ENW also reported costs would be lower than 'normal' accounting.
- Due to centralised FM and Property teams and contracts managed by owning companies, most DNOs have a heavy reliance on related-party transactions.

## 12.22 Accounting Issues - Inclusion of notional charges in data Template 2

CE	CN	EDFE	ENW	SP	SSE	WPD
North East England / Yorkshire	East Midlands / West Midlands	London / East England / South East England	North West	North Wales, Merseyside and Cheshire / South Scotland	North Scotland / Southern England	South Wales / South West England
None included	The Pegasus office is owned on a long leasehold by EON and notional rent charged to CN - these costs are included in the data Template.	"Properties owned by the related party are charged at market rent"	ENW reports it has removed costs (e.g. statutory depreciation charges) in order to exclude notional charges.	SP states there are no notional costs in the Property Cost Template.	SSE refer to its answer in 6.2	N/a

- Central Networks and EDF confirm that notional costs are included in figures reported in template 2.
- It also seems likely that notional costs reside in SSE as there is a reference that rental costs include 'market based charges'.
- Other DNOs specifically state that notional costs are excluded. However, where any centralised team recharges to other group companies there is always the risk that corporate overheads are included in the recharges.



### Any Other Comments

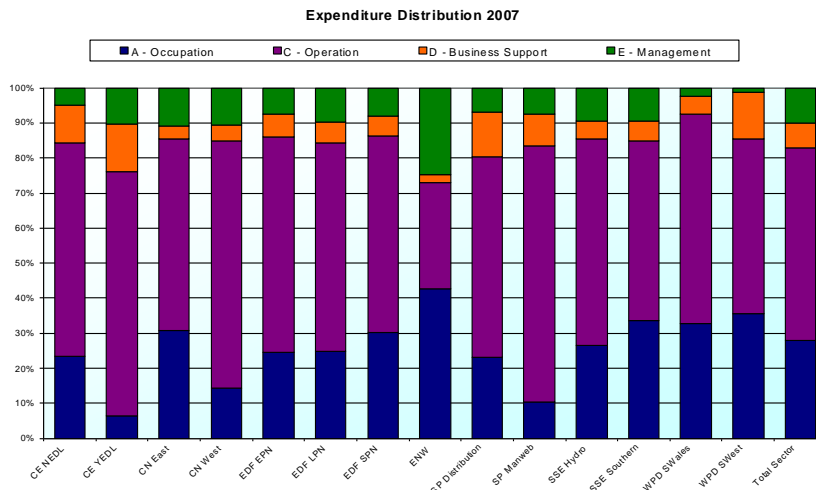
CE	CN	EDFE	ENW	SP	SSE	WPD
North East England / Yorkshire	East Midlands / West Midlands	London / East England / South East England	North West	North Wales, Merseyside and Cheshire / South Scotland	North Scotland / Southern England	South Wales / South West England
None	None	None	None	None	None	None

No additional comments were provided in Template 1 by any Owning Group.

## Data Analysis

### 12.23 Distribution of 2007-8 expenditure

12.24 The distribution of costs between IPD's four cost categories is shown below:

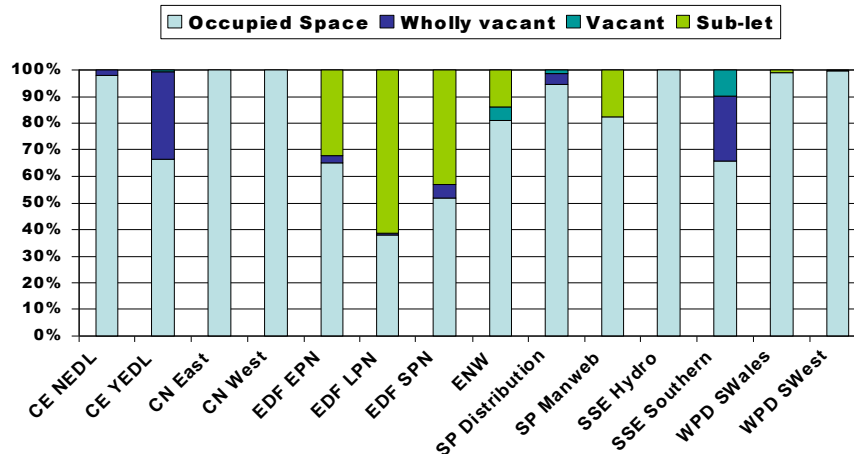


### 12.25 Comment:

- The average Total Sector profile is given at the far right.
- ENW has the highest relative proportion of Occupation costs and Management costs.
- CE YEDL has the lowest proportion of Accommodation costs, but relatively high Operational costs.
- We would normally expect preferred tenure arrangements to influence cost proportionality. For instance SSE has stated it prefers freehold assets, but its Occupation costs do not appear low as a consequence – this may however indicate the effect of the Recharge Model which charges market-based costs.

### 12.26 Space analysis

12.27 The following chart compares how space is utilised:

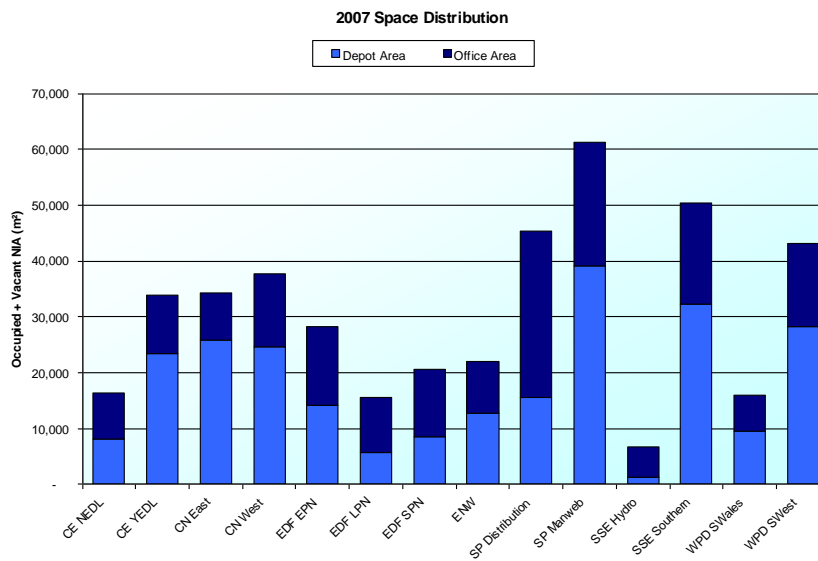


12.28 Comment:

- WPD reported the highest proportion of occupied space with no surplus space.
- EDF has the highest proportions of sublet space.
- CE YEDL and SSE Southern have the highest proportions of Wholly vacant space.

12.29 Depot and Office Area Split

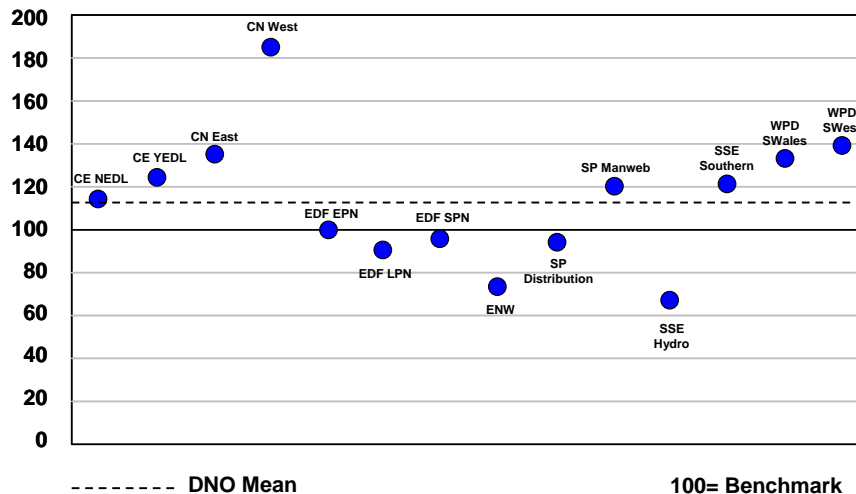
12.30 Total depot and office space is reflected below (in m<sup>2</sup>):



**Benchmarking**

12.31 Overall Benchmark Score

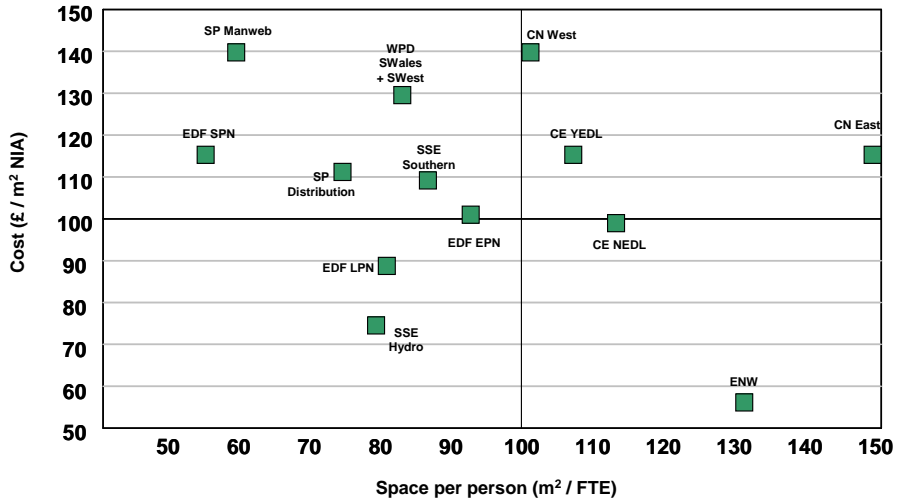
12.32 The performance of DNOs relative to each other is shown below. This is *the* critical benchmarking summary, combining the effects of the cost and space benchmarking review:



12.33 Comment:

- Ten DNOs show combined scores which are better than IPD's benchmark (i.e. scores above 100).
- Four DNOs show overall scores worse than benchmark; ENW and SSE Hydro are more than 20% worse than benchmark.

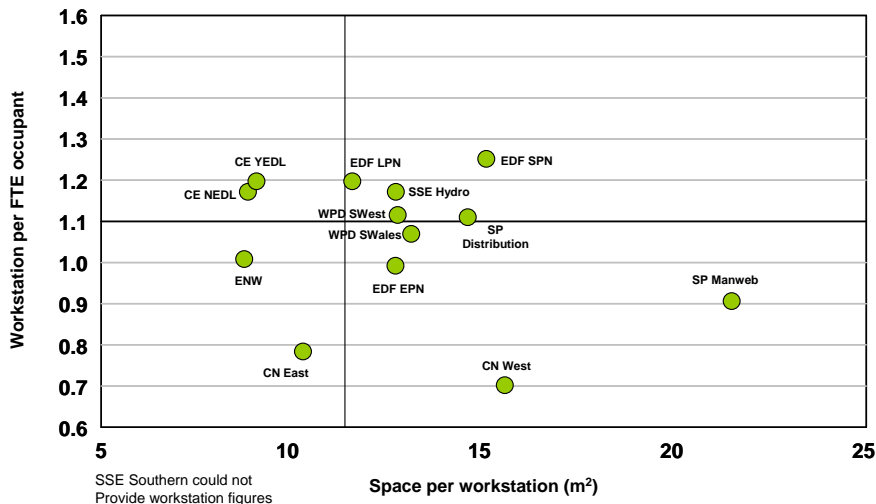
12.34 Cost and Space Efficiency



12.35 Comment:

- Scores are measured using IPD's benchmark of 100 – above 100 is good performance.
- The best quadrant to be in is top right, and conversely worst quadrant is bottom left.
- Despite all DNOs quoting target office space areas which are less than IPD's average of around 11.9m<sup>2</sup>, eight DNOs have space per FTE worse than the benchmark. This may be due to contingency space and unused control centres.

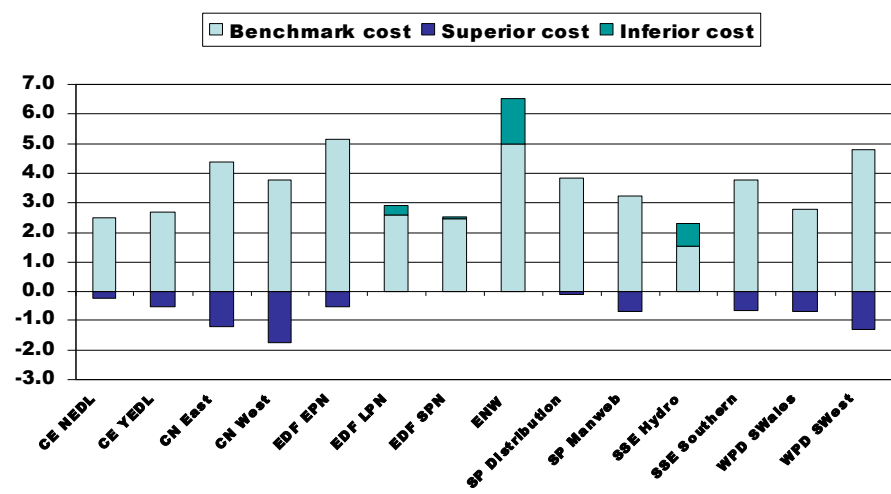
12.36 Workstation benchmark



12.37 Each axis measures actual Workstation to FTE ratios (left) or actual Space per workstation (horizontal).

12.38 The range of results is widespread – SP Manweb’s space per workstation is very high, whilst the gap in workstation to FTE ratio is marked (note CN West compared to EDF SPN).

**12.39 DNO Benchmark 2007-8 Conclusion**



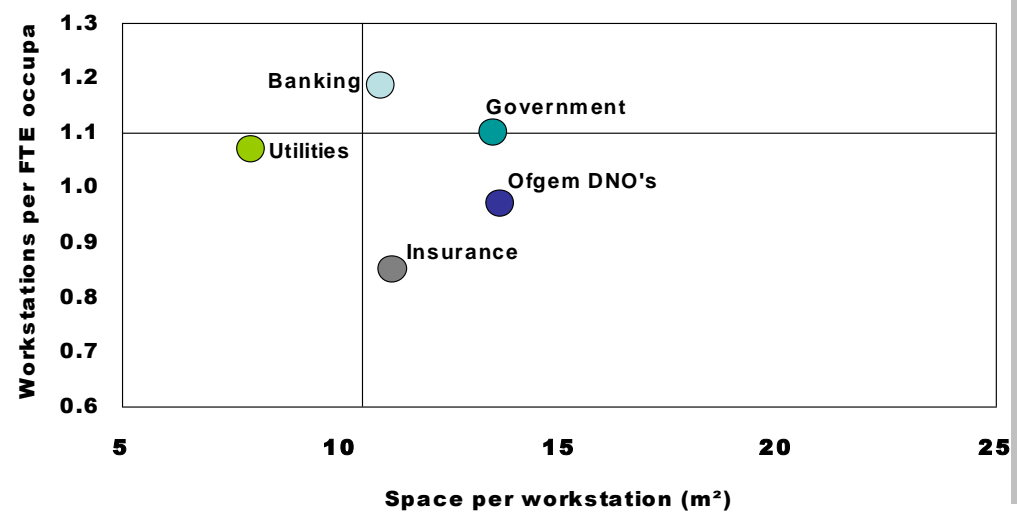
12.40 Converting the Overall Score benchmark scores into costs is summarised above. The degree of benchmark overspend is shown in green, and underspend in blue (beneath the benchmark column).

12.41 Three DNOs are shown with costs exceeding benchmark:

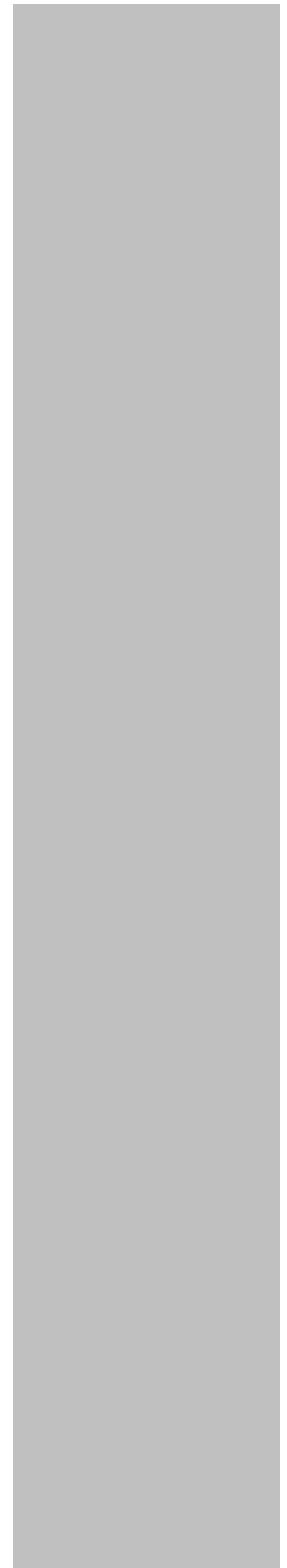
- ENW
- EDF LPN
- SSE Hydro

**12.42 Sector comparison**

12.43 The chart below compares DNO Workstation space and ratio of Workstations to FTE against other sectors and industries:



12.44 The best quadrant is bottom left and worst top right. Overall DNOs score well on Workstations per FTE but are poorer on Space per workstation. The most obvious reason is that DNOs require significant levels of contingency space to ensure emergencies can be promptly dealt with, but it would be sensible to understand if lessons can be learned from other sectors.



### DPCR Cost Forecast Summary

12.45 The following table summarises the calculated cost forecasts for DPCR 5 starting in 2010-11 (negative headroom figures represent forecasts in excess of benchmark):

DNO	2010-11 Forecast	Headroom v Revised Benchmark	Headroom / Forecast
CE NEDL	£2.44	£0.07	2.7%
CE YEDL	£2.23	£0.44	19.7%
CN East	£3.19	£1.18	36.8%
CN West	£2.03	£1.74	85.8%
EDF EPN	£5.55	(£0.01)	(0.2%)
EDF LPN	£3.56	(£0.41)	(11.4%)
EDF SPN	£2.90	(£0.18)	(6.2%)
ENW	£5.26	(£0.04)	(0.7%)
SP Distribution	£4.48	(£0.44)	(9.7%)
SP Manweb	£2.84	£0.28	9.7%
SSE Hydro	£2.30	(£0.76)	(33.0%)
SSE Southern	£3.10	£0.65	21.1%
WPD SWales	£2.09	£0.68	32.4%
WPD SWest	£3.47	£1.31	37.7%
<b>Total</b>	<b>£45.46</b>	<b>£4.51</b>	<b>9.9%</b>

Owning Company	2010-11 Forecast	Headroom v Revised Benchmark	Headroom / Forecast
Central Electric	£4.67	£0.50	10.8%
Central Networks	£5.22	£2.92	55.8%
EDF	£12.01	(£0.60)	(5.0%)
Electricity North West	£5.26	(£0.04)	(0.7%)
Scottish Power	£7.33	(£0.16)	(2.2%)
Scottish and Southern	£5.40	(£0.10)	(1.9%)
Western Power	£5.57	£1.99	35.7%
<b>Total</b>	<b>£45.46</b>	<b>£4.51</b>	<b>9.9%</b>

An important point to make is that the benefit of Ofgem's regulation can be quantified at £4.51 million, or just under 10% of benchmark costs.

## 13. Recommendations

- 13.1 Arising out of our review of data, site visits and meetings with personnel from the DNOs, we have collated a range of recommendations on best practice. This covers issues such as the preparation of estate strategies, the procurement and management of facilities services and workplace strategies.

### Estate Strategies

- 13.2 Prepare **written estate strategies** that incorporate the overarching drivers for the estate, perhaps related to sustainability, efficiency, optimum utilisation and supporting productivity. The strategies should also include an assessment of each property including its suitability for business needs (fitness for purpose). While not necessarily setting out a clear future for each property asset, the strategy should at least identify where further analysis needs to be carried out, such as appraising the options for the provision of a new office/depot in location X to replace two existing facilities at locations Y and Z.
- 13.3 **Ensure the business owns the estate strategy** rather than feels it is being imposed on it. Involvement of business units in the preparation of the strategy is key.
- 13.4 A **board member** should ideally take on the role of **property champion** with clear responsibilities and accountabilities around property assets.
- 13.5 Processes for **formally analysing and presenting options** for future investment in property (or its disposal) should be embedded in the organisation and used to support the implementation of the estate strategy.
- 13.6 **Accurate and timely data on metrics** that relate to running costs, space utilisation and the effectiveness of space should, as a minimum, be brought together to inform the preparation of an estate strategy.
- 13.7 The preparation of estate strategies should be **closely integrated with other formal resource planning cycles** such that, for example, capital investment (or realisation decisions) are made to best support the core business.
- 13.8 **Appropriate governance procedures** must be in place at central and local levels to ensure all actions and decisions regarding property assets are integrated and deliver best value for money.

### Facilities Management

- 13.9 Consideration should be given to developing **partnerships with FM service providers** whereby appropriate risks are transferred and the focus is on outputs rather than inputs – ion return for a longer contract period, say 5-7 years.
- 13.10 Performance should be monitored with the aid of **key performance indicators** – any KPIs used should be based on a risk assessment of service provision.
- 13.11 **Alternative FM procurement strategies** should be properly evaluated to determine what is best for the business – bundling of FM services, line by line service procurement and central/regional procurement models.



- 13.12 **Occupier satisfaction** with FM service provision should feature among the measures of performance, with appropriate checks and balances to ensure satisfaction is determined in an objective manner.

### Workplace Strategies

- 13.13 **Create and maintain workstation standards** - ideally a common standard for all staff with any variance driven by business need only. For example, a range of 10–12 sq metres per workstation for general office accommodation, 6-8 sq metres for call centre workspace and further ranges for specialist spaces like control centres.
- 13.14 **Create and maintain common furniture standards** for all staff with any variance driven by **business need only**. This should be linked to a furniture strategy that focuses on the most efficient desk shapes and formats. Specialist functions (e.g. control centre operations) may require non-standard desks.
- 13.15 **Create and maintain on-floor filing / storage standards** - ideally a common standard for all staff with any variance again driven by business need only. For example, an allocation of 1 linear metre personal storage per person and up to 2 linear metres of ‘team’ storage per person. All other hardcopy files and storage should be archived off-site or stored electronically.
- 13.16 **Maintain a clear desk policy** - while primarily aimed at tidiness and increasing the flexibility of space, it can also help improve personal organisation and productivity.
- 13.17 **Introduce desk-sharing arrangements for appropriate workstyles** - where staff are away from the office for reasonable periods of time because of the mobile and interactive nature of their jobs (e.g. engineers and senior management). Sharing ratios (desks to people) should vary depending on the business functions and work patterns.
- 13.18 **Introduce and maintain space booking systems** – for meeting rooms, specialist facilities and even workstations. This enables the utilisation of space to be monitored, enables fairness in use, helps ensure facilities are optimised in terms of numbers of people and use.
- 13.19 **Introduce a range of office work settings**, including informal meeting, break out spaces, short-stay touchdown zones, study booths etc. to improve the functionality, flexibility and effectiveness of the workplace (and take the strain from more formal meeting rooms, desks etc.). This also offers staff more choice to select work settings that best match the tasks they need to undertake.
- 13.20 **Introduce and maintain open-plan office environments** with an appropriate mix of enclosed spaces, ideally with no dedicated offices unless there is clear business need. Having bookable or drop-in offices for (any) staff to use as an alternative will help ensure that enclosed offices are available when needed, but are more widely available to staff generally.
- 13.21 **Introduce home and remote working policies** and supporting guidance and (mobile and remote) technologies, to provide staff with more choice and flexibility of where they work linked to business needs. This may help staff reduce unnecessary travel, free up space in the office and help staff improve their work-life balance. This policy can also help retain and attract staff).

- 13.22 Introduce **shared resource areas** - for printing, scanning, copying, shredding and waste management - and reduce the numbers of local printers on desks. Consider pin-code printing to reduce amount of unnecessary and uncollected printing.
- 13.23 **Introduce and maintain workspace protocols** – to help enable an effective and harmonious working environment, especially more open workspace and/or where there are shared desks and other work settings. These might address issues around noise, distraction, tidiness, visitor strategy, eating etc
- 13.24 **Consider the role of a local workspace manager or concierge**, especially for more dynamic, shared work environments, to help deal with bookings, adherence to protocols, workspace changes and high level technology support.
- 13.25 **Ensure that workspace changes are centrally co-ordinated and managed**, with suitable agreed approval processes to ensure that inappropriate or over-reactive changes are not made. Ensure that, as teams reduce their space requirement, they 'give back' space when no longer needed. Workspace should be centrally not locally 'owned' in this sense.
- 13.26 **Consider adopting internal charging models for workspace** (if not already in place) – so that team or department costs are directly related to the amount of space they use. This should encourage efficiency and innovation (to deliver more with less) and enable a 'value' to be associated with accommodation.
- 13.27 **Ensure that interior design is taken into account when refurbishing workspace**. This can often make a considerable difference to the 'look and feel' of the workspace and the user experience. The cost of incorporating a modern, flexible work setting may be no more than that associated with a traditional (uninspiring) fit out. Such an approach will also help staff to value their workspace and support drives for tidiness etc.

### Summary

- 13.28 The above recommendations on good practice should form part of a suite of operational guidance that helps with the strategic and operational management of the estate. In some instances, the recommendations may require organisational changes, a review of roles and responsibilities or the implementation of new processes and procedures.

## Appendix 1 –Template 1: Estate Strategy



### Ofgem - Assessment of Distribution Operators' Property Costs in relation to DPCR5

#### INSTRUCTIONS FOR COMPLETING

**Introduction**

The contents and structure of this request for information is based on Ofgem's Scope of Services provided to Drivers Jonas.

Specifically, we are required to assess:

- effectiveness and efficiency of workspace deployment
- costs of work space (past 3 years / future 5 years)
- costs of FM services (past 3 years / future 5 years)
- mitigation of surplus property costs

In order to review these issues, we have split this Template into eight sections as described below.

Section	Title	Contents
1	Estate Strategy	Describes your portfolio, current standards and how you would like it to change
2	FM Services	Asks how these are managed and procured, and future changes
3	Surplus Properties	Lists out surplus properties, their cost impact, and mitigation strategy
4	Working practices	Identifies working practices and how these optimise the use of space
5	Business Strategy	Summarises the main business strategy and how this impacts on the Estates strategy
6	Accounting / Legal Issues	Explores whether costs in the Property Cost Template are affected by issues such as intra-group accounting, or use of notional charges
7	Any other comments	A chance to raise any other relevant issues
8	5 Year Forecasts	Based on the separate Property Cost Template

**General instructions on how to complete**

Within each Section are sub-questions and a text box for DNOs to provide an answer. At this stage we are looking for an *understanding* of the issues raised, and have tried to avoid (where) possible detailed facts and figures. We hope that most of the answers will be derived from your existing working knowledge of the estate.

The main exception to this is the five year cost forecast, where we have followed the same structure as the Property Cost Template which has been issued separately.

**Guidance notes** are provided for each sub-question, but please feel free to contact Drivers Jonas (see Front sheet for details) if you have any queries.



**Ofgem - Assessment of Distribution Operators' Property Costs in relation to DPCR5**

**SECTION 1 - ESTATE STRATEGY**

		Yes / No						
<p><b>1.1 - Please provide a copy of your current Estate Strategy - Y/N</b></p> <p><i>DNO comment here</i></p>    <p><small>Guidance - e.g. confirm how often the Estate Strategy is Reviewed; date of the current Estate Strategy (if not already provided)</small></p>		<input type="checkbox"/>						
<p><b>1.2 - Please describe the quality of buildings in your portfolio and extent they are 'fit for purpose'</b></p> <p><i>DNO comment</i></p>    <p><small>Guidance - unless this is covered in the Estate Strategy, please describe the range of building quality and their fitness for purpose. For instance, they may all be good quality and very fit for purpose, or could vary with some being rather poor with others much better. We simply want a description that paints a picture of what the estate looks like</small></p>		<input type="checkbox"/>						
<p><b>1.3 - What is your future vision for the estate?</b></p> <p><i>DNO comment</i></p>    <p><small>Guidance - unless this is covered in the Estate Strategy, please describe the future shape of the estate, location, and style / function of buildings</small></p>		<input type="checkbox"/>						
<p><b>1.4 - What are the three most important changes you will / would like to make over the next five years?</b></p> <table border="1" style="width: 100%;"> <tr> <td style="width: 10%;"><b>1st</b></td> <td></td> </tr> <tr> <td><b>2nd</b></td> <td></td> </tr> <tr> <td><b>3rd</b></td> <td></td> </tr> </table> <p><small>Guidance - please rank this in order of importance and describe the effect, e.g. lower running costs? Improved productivity? Please do not restrict changes only to those that can be delivered; also include aspirational changes even if they appear undeliverable at present. Changes might include rationalising space, refurbishment, acquisition, or disposal. Opportunities may arise from lease breaks / lease ends. Please extend the list of three if you would like to identify further changes</small></p>		<b>1st</b>		<b>2nd</b>		<b>3rd</b>		<input type="checkbox"/>
<b>1st</b>								
<b>2nd</b>								
<b>3rd</b>								
<p><b>1.5 - What constraints are there in the organisation's ability to make changes?</b></p> <p><i>DNO comment here</i></p>    		<input type="checkbox"/>						



**Ofgem - Assessment of Distribution Operators' Property Costs in relation to DPCR5**

**SECTION 2 - FM SERVICES**

**2.1 - Please describe how FM services are presently managed**  
*DNO comment here*

---

**Guidance - please explain if FM services are managed largely in-house, or through an external outsourcing contract**

**2.2 - Please describe FM services are presently procured**  
*DNO comment here*

---

**Guidance - e.g. the extent to which national contracts are used, or use of local contracts, or services bought-in from a related group company, or services bundled across buildings / regions?**

**2.3 - Please describe what service standards are applied to FM services**  
*DNO comment here*

---

**Guidance - e.g. FM service output specifications identifying qualitative factors such as regularity of cleaning, or quality of security**

**2.4 - Please describe how you ensure FM services remain cost effective**  
*DNO comment here*

---

**Guidance - e.g. regular external benchmarking**

**2.5 - Please describe any changes that will be made in FM-procurement / management in the next five years**  
*DNO comment here*

---

**Guidance - e.g. are any large FM contracts due for renewal? Or do you anticipate a policy change in the way FM is managed and / or procured?**



**Ofgem - Assessment of Distribution Operators' Property Costs in relation to DPCR5**

**SECTION 3 - SURPLUS PROPERTIES**

**3.1 - Please identify properties which are presently surplus**

Cost p.a. i.e. Rent/Rates/Running costs (approx)	Building name, location and Post Code	Type of building	NIA/ GIA (specify) - m2	Freehold / lease hold	Date when first surplus	Forecast disposal date	Reason for being surplus	FRS12 provision?	Other comment
<i>£ p.a.</i>		<i>depot / office etc.</i>	<i>m2</i>	<i>FH / LH</i>	<i>mm / yy</i>	<i>mm / yy</i>		<i>yes / no</i>	

Guidance - please provide details in descending order of cashflow cost per year (ignore FRS12 provisioning); FRS12 is an accounting standard that requires the future cost of onerous contracts / leases to be recognised on the balance sheet.

**3.2 - If you expect further buildings to become surplus over the next five years (and will be not disposed of), please identify these below**

Cost p.a. i.e. Rent/Rates/Running costs (approx)	Building name, location and Post Code	Type of building	NIA/ GIA (specify) - m2	Freehold / lease hold	Date expected to be surplus	Forecast disposal date	Reason for being surplus	FRS12 provision expected?	Other comment
<i>£ p.a.</i>		<i>depot / office etc.</i>	<i>m2</i>	<i>FH / LH</i>	<i>mm / yy</i>	<i>mm / yy</i>		<i>yes / no</i>	

Guidance - please provide details in descending order of cashflow cost per year (ignore FRS12 provisioning)

**3.3 - How does your organisation manage surplus properties?**

*DNO comment here*

Guidance - e.g. how do you seek to minimise costs? Do you use outside advisers or manage in-house?



**Ofgem - Assessment of Distribution Operators' Property Costs in relation to DPCR5**

**SECTION 4 - WORKING PRACTICES**

**4.1 - What is your policy on flexible working?**

*DNO comment here*

Guidance - if you have a written policy or guidance, please provide this and restrict comments above to any other information felt to be relevant. If there is no written policy, please refer to your organisation's approach to issues such as home working and desk sharing.

**4.2 - What is your policy on filing and storage?**

*DNO comment here*

Guidance - filing and storage can materially affect use of space if material is kept on site instead of offsite. Please describe how documents are filed / stored so we can better understand what impact this may have on your organisation's space requirements. If you have a written policy or internal guidance, please provide this and limit comments here to any other relevant issues

**4.3 - Please describe any space standards that have formally been adopted?**

*DNO comment here*

Guidance - these might include m2 per FTE or equivalent headcount measure. If you do not have a policy on space standards but intend to introduce a policy over the next three years, please provide details of how this will be developed, communicated and actioned

**4.4 - What steps are taken to optimise the use of space?**

*DNO comment here*

Guidance - this may cross-refer to the Estate strategy, but Ofgem wishes to understand how DNOs ensure their use of space is efficient and reflects, amongst other factors, current thinking on working practices, use of system furniture, co-ordinated approach with IT etc. Please also refer to ways in which ongoing space utilisation is measured.



**Ofgem - Assessment of Distribution Operators'  
Property Costs in relation to DPCR5**

**SECTION 5 - BUSINESS STRATEGY**

<p>5.1 - Please provide a copy of your organisation's Business Strategy - Y/N</p> <p><i>DNO comment here</i></p>          	
<p><small>Guidance - it will be very helpful to see a copy of your organisation's Business Strategy to better understand how this is used to influence the Estate Strategy. If a copy can be provided, please use the comments box to explain how the Estate Strategy supports the future vision of the Business. If a copy of the Business Strategy is not available, please describe as best you can the most important Business drivers and how these affect the Estate Strategy</small></p>	

<p>5.2 - What are the three most important business changes you expect to see, and how will they impact on your estate / FM strategy?</p>	
1st	
2nd	
3rd	
<p><small>Guidance - please rank this in order of importance and describe the effect, e.g. anticipated future changes in technology? Consolidation amongst DNOs?</small></p>	





**Ofgem - Assessment of Distribution Operators' Property Costs in relation to DPCR5**

**SECTION 6 - ACCOUNTING / LEGAL ISSUES**

6.1 - Please describe any accounting policies that have a material affect on the treatment of building costs

*DNO comment here*

Guidance - examples will include treatment of surplus space where future costs could already be provided on the balance sheet in an FRS12 provision

6.2 - Please describe if any costs in the Property Cost Template are related-party transactions

*DNO comment here*

Guidance - examples will include intra-group charges for space and services, or other types of transfer pricing. Ofgem requires that these costs do not include any group overheads.

6.3 - Please describe if any costs in the Property Cost Template equate to notional charges, particularly in the case of Freehold properties

*DNO comment here*

Guidance - some organisations will apply a notional charge to freehold properties to reflect the fact that these buildings are not 'free' to use. Where similar charges apply, please identify the building and basis of calculation.



**Ofgem - Assessment of Distribution Operators'  
Property Costs in relation to DPCR5**

**SECTION 7 - ANY OTHER RELEVANT ISSUES**

7.1 - Please include any other relevant information here

*DNO comment here*

## Appendix 2 - Template 2: Data

### REQUEST FOR INFORMATION TEMPLATE - Property and FM costs

<b>Name of DNO</b>	<input style="width: 65%;" type="text"/>
<b>Accounting period for this data return #</b>	<input style="width: 65%;" type="text"/>
<b>Name of person completing the Template</b>	<input style="width: 65%;" type="text"/>
<b>Position in DNO</b>	<input style="width: 65%;" type="text"/>
<b>Contact telephone number</b>	<input style="width: 65%;" type="text"/>
<b>Contact e-mail address</b>	<input style="width: 65%;" type="text"/>
<b>Date submitted to Drivers Jonas</b>	<input style="width: 65%;" type="text"/>

# - each return covers one year, so three separate returns will be required



#### Template Instructions

Follow the simple steps below to complete the data template

**1**

#### Enter "A Allocated (property-level)" data

Enter data relating to each individual property (or defined segment of the estate, e.g. cost centre) in each of the sheets in this template [Definitions](#) (see below). Definitions and guiding principles are available (see links right). **It is important that each "live" property (i.e. not disposed at end of period at which data is captured) is represented on each relevant sheet.** [Guiding principles](#) [Accounting principals](#)

[Property details](#)

Descriptive data for all analysed properties - identify operational properties, acquisitions and disposals

[Space details](#)

Enter a breakdown of the areas of each building, as well as the number of occupants and workstations

[Financial data](#)

Annual revenue costs, capital expenditure, capital value and the total business costs and income

[Other data](#)

Energy consumption, water consumption and waste figures

[Title interests](#)

The legal title (leasehold, freehold or other) on which each building is held by the company

[Sub-tenancies](#)

Details of all sub-lettings to external organisations

[Activity data](#)

Details of all activities undertaken during the year, such as rent reviews, rating appeals or projects

**2**

#### Enter "C Estate total (estate-level)" data

Enter "total" figures for the whole estate submitted for analysis (e.g. total UK estate) on the "Estate-level summary" sheet (see below). This should include all costs, space, properties submitted under 1 above. You may also enter "Forecast data in column E" to enable analysis of future results.

[Estate-level summary](#)

Total figures for the estate/organisation/business under analysis

**3**

#### Verify the data using "D Validation checks"

Using the validation checks built into the **Estate-level summary** sheet you can check the integrity and consistency of data submitted. Please ensure that you have corrected as many issues as possible before submission to IPD.

For further guidance on definitions or data collection, please contact IPD Occupiers.

bnm



**Property details**

Descriptive, occupancy data

Must be unique and consistent										
Property reference	Building	Street	Locality	Town/City	Postcode	Acquisition date	Disposal date	Tenure	Property use	Operational type

**Space details**

Descriptive, space and workstation data

All properties							Occupancy details (Offices only)			
Property reference	Gross internal area	Net internal area	Occupied NIA	Sub-let NIA	Vacant NIA	Vacant marketable	Vacant unmarketable	Full time equivalent (FTE) staff	Office-based FTE staff	Number of workstations

Descriptive details (Offices only)															
Is the building used to capacity for >12hrs/day	Office Location	Building Condition	Year of construction	Year of last major refurb	Number of floors	Number of car park spaces	Is the building listed?	Air conditioned?	Double glazing?	24hr manned security?	Is a canteen located in building?	No of lifts in building	Air Conditioning type	Core operations hrs per week	FRI Lease

## Annual costs

Costs provided net of recoverable VAT and in accordance with ITOCC

Do not add annual records for properties sold during, or before, the financial year to which costs relate.

Property reference	A Real estate occupation costs			C Building operation				
	A1 Rent	A2 Unitary charges	A4 Taxes (rates)	C1 Services charge	C2 Insurance	C3 Internal repair and maintenance	C4 M&E repair and maintenance	C5 External & structural repair & maintenance
	C6 Minor improvements	C7 Internal moves / churn	C8 Reinstatement	C9 Security	C10 Cleaning	C11 Waste disposal	C12 Internal plants and flowers	C13 Grounds maintenance

C14 Water and sewerage	C15 Energy	C15a Electricity costs	C15b Gas costs	C15c Fuel & oil costs	C15d Other energy costs
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D Business support								
D1 Telephones	D2 Catering & vending	D3 Reception services	D4 Courier & external distribution services	D5 Post room and internal distribution services	D6 Reprographics	D7 Disaster recovery	D8 Transport	D9 Archiving

E Occupancy Management			Capital related costs		Reporting Period	
E1 Real estate management	E2 Facilities management	E3 Project Management	Total capital costs	Depreciation charge	Year	Month



**IPD data definitions\***

\* cost data fields are in accordance with the IPD International Total Occupancy Cost Code

(click to go)

Property details
Space details
Title interests
Sub tenancies
Financial data
Other data

Data Item Definition	Description
<b>Property details</b>	
Operational type	Is the property part of the operational estate? Please identify those operational properties ("Y") from those that are now deemed surplus (ie. For FRS12 accounting purposes), ("N").
Property reference	Unique reference which identifies the property on each schedule or spreadsheet submitted allowing information to be linked.
Property use	<p>Predominant use of building (based on proportion of net internal area). Options (<b>enter only the code in bold</b>):</p> <ul style="list-style-type: none"> <li><b>PUHQ</b> - HQ OFFICE</li> <li><b>PUCG</b> - CALL CENTRE</li> <li><b>PUDC</b> - IT/DATA CENTRE</li> <li><b>PUCF</b> - CLIENT-FACING OFFICE</li> <li><b>PUOF</b> - OTHER OFFICE</li> <li><b>PUSH</b> - SHOP/RETAIL</li> <li><b>PUPB</b> - BANK/A2</li> <li><b>PUPH</b> - PUBLIC HOUSE</li> <li><b>PURD</b> - RESEARCH &amp; DEVELOPMENT</li> <li><b>PUII</b> - INDUSTRIAL</li> <li><b>PUWH</b> - WAREHOUSE/STORAGE</li> <li><b>PUMX</b> - MIXED OFFICE/INDUSTRIAL (Office content &gt;30% NIA)</li> <li><b>PUDW</b> - RESIDENTIAL</li> <li><b>PUED</b> - EDUCATION/TRAININGRESTAURANT/CAFÉ/CANTEEN</li> <li><b>PUHO</b> - HOTEL</li> <li><b>PULE</b> - LEISURE</li> <li><b>PUCR</b> - CAR PARK/GARAGE</li> <li><b>PUDE</b> - DEVELOPMENT/LAND</li> <li><b>PUOT</b> - OTHER</li> <li><b>PUDS</b> - DEPARTMENT STORE</li> <li><b>PURW</b> - RETAIL WAREHOUSE</li> <li><b>PUKI</b> - KIOSK</li> <li><b>PUAT</b> - ATM</li> <li><b>PUSM</b> - SUPERMARKET</li> <li><b>PURS</b> - RADIO SITE/MAST</li> </ul>



### Estate-level data summary

This worksheet allows you to reconcile the sum of property-level data with the total expenditure, space and property numbers for your estate under analysis.

**A Property-level data** - shows the sum of information submitted throughout this template. If the property-level total equals the total estate spend, please copy figures into column C.

**C Estate-level data** allows you to enter aggregate data for the entire estate under analysis. The difference between A and C is therefore calculated as **B Unallocated**.

**D Validation checks** identify issues with the integrity and consistency of data. Errors will either be identified as a message in D or Orange shading in B (negative unallocated figure).

**E Forecast figures** if you wish us to analyse last years actual figures against forecast figures for the next financial year, please add data here. % change from actuals can be checked using column F

Insert data in unshaded fields only

A Total allocated (Property-level)	B Unallocated (C - A)	C Estate total (Estate-level)	D Validation checks (Please try to correct as many of these errors as possible)	E Forecast figures (next year)	F % Change (E Forecast - C Actual)
------------------------------------	-----------------------	-------------------------------	---	--------------------------------	------------------------------------

For definitions click on the category name

Property details					
<b>Number of properties</b>				<b>Data consistency checks:</b>	
Total properties	0				
Acquisitions (during year)	0				
Disposals (during year)	0				
Total properties (held at year end)	0			<b>Property details coding checks:</b>	
<b>Split of properties (including disposals)</b>					
Retail/Bank	0				
Offices	0				
Industrial/Warehouse	0				
Other	0				

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Insert data in unshaded fields only

A Total allocated (Property-level)	B Unallocated (C - A)	C Estate total (Estate-level)	D Validation checks (Please try to correct as many of these errors as possible)	E Forecast figures (next year)	F % Change (E Forecast - C Actual)
---------------------------------------	--------------------------	----------------------------------	--	--------------------------------	---------------------------------------

For definitions click on the category name

Space details					
<b>Net internal area (NIA m<sup>2</sup>)</b>				<b>Space details checks:</b>	
Gross internal area					
Net internal area					
Occupied NIA				Sum of Occupied, Vacant and Sub	
Sub-let NIA				Sum of marketable and unmarketable Vacant NIA	
Vacant NIA					
Vacant marketable					
Vacant unmarketable					
Net useable area (office properties only)				<b>Net usable space checks:</b>	
Enclosed rooms					
Open plan areas					
Local support				No breakdown of Net usable area	
Meeting space					
Catering					
Social					
Technical					
Resource					
Full time equivalent (FTE) staff				<b>Occupancy data checks:</b>	
Office-based FTE staff					
Number of work-stations					
Number of people moves					

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**A Total allocated (Property-level)**      **B Unallocated (C - A)**      **C Estate total (Estate-level)**      **D Validation checks (Please try to correct as many of these errors as possible)**      **E Forecast figures (next year)**      **F % Change (E Forecast - C Actual)**

For definitions click on the category name

Financial data						
<b>Occupancy costs</b>				<b>Occupancy cost checks:</b>		
A1 Rent				No data for A1 Rent (C Estate), if a		
A2 Unitary charges				No data for A2 Unitary charges (C		
A3 Acquisition disposal & removal				No data for A3 Acquisition disposa		
A4 Taxes (rates)				No data for A4 Taxes (rates) (C Es		
A5 Parking				No data for A5 Parking (C Estate),		
A6 Associated facilities				No data for A6 Associated facilities		
A7 Occasional space				No data for A7 Occasional space (		
A8 Marketing and promotion				No data for A8 Marketing and prom		
B1 Fit out and improvement				No data for B1 Fit out and improve		
B2 Furniture and equipment				No data for B2 Furniture and equip		
C1 Services charge				No data for C1 Services charge (C		
C2 Insurance				No data for C2 Insurance (C Estate		
C3 Internal repair and maintenance				No data for C3 Internal repair and		
C4 M&E repair and maintenance				No data for C4 M&E repair and ma		
C5 External & structural repair & maintenance				No data for C5 External & structura		
C6 Minor improvements				No data for C6 Minor improvement		
C7 Internal moves / churn				No data for C7 Internal moves / ch		
C8 Reinstatement				No data for C8 Reinstatement (C E		
C9 Security				No data for C9 Security (C Estate)		
C9a Security: Staff Costs						
C9b Security: Equipment Costs						
C10 Cleaning				No data for C10 Cleaning (C Estat		
C10a Cleaning: interior						
C10b Cleaning: exterior						



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	<b>A Total allocated (Property-level)</b>	<b>B Unallocated (C - A)</b>	<b>C Estate total (Estate-level)</b>	<b>D Validation checks (Please try to correct as many of these errors as possible)</b>	<b>E Forecast figures (next year)</b>	<b>F % Change (E Forecast - C Actual)</b>
<b>For definitions click on the category name</b>						
<b>Financial data</b>						
C11 Waste disposal				No data for C11 Waste disposal (C		
C11a General waste disposal						
C11b Toxic waste disposal						
C11c Confidential waste disposal						
C11d Sanitary waste disposal						
C11e Recycling costs						
C12 Internal plants and flowers				No data for C12 Internal plants and		
C13 Grounds maintenance				No data for C13 Grounds maintena		
C14 Water and sewerage				No data for C14 Water and sewerage		
C14a Water costs						
C14b Sewerage costs						
C15 Energy				No data for C15 Energy (C Estate)		
C15a Electricity costs						
C15b Gas costs						
C15c Fuel & oil costs						
C15d Other energy costs						
D1 Telephones				No data for D1 Telephones (C Est		
D2 Catering & vending				No data for D2 Catering & vending		
D2a Catering costs						
D2b Vending machine costs						
D2c Hospitality costs						
D3 Reception services				No data for D3 Reception services		
D4 Courier & external distribution services				No data for D4 Courier & external		
D5 Post room and internal distribution services				No data for D5 Post room and inte		
D5a Post room service costs						
D5b Internal distribution services costs						
D6 Reprographics				No data for D6 Reprographics (C E		
D6a Central reprographics						
D6b Distributed reprographics						
D7 Disaster recovery				No data for D7 Disaster recovery (		
D8 Transport				No data for D8 Transport (C Estate		

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	<b>A Total allocated (Property-level)</b>	<b>B Unallocated (C - A)</b>	<b>C Estate total (Estate-level)</b>	<b>D Validation checks (Please try to correct as many of these errors as possible)</b>	<b>E Forecast figures (next year)</b>	<b>F % Change (E Forecast - C Actual)</b>
<b>For definitions click on the category name</b>						
<b>Financial data</b>						
D9 Archiving				No data for D9 Archiving (C Estate		
D9a on-site costs						
D9b off-site costs						
E1 Real estate management				No data for E1 Real estate manage		
E1a In-house real estate costs						
E1b Real estate external fees						
E2 Facilities management				No data for E2 Facilities managem		
E2a In-house facilities costs						
E2b Facilities external fees						
E3 Project Management				No data for E3 Project Managemen		
E3a In-house capital projects costs						
E3b Capital projects external fees						
Total capital costs				No data for Total capital costs (C E		
Depreciation charge				No data for Depreciation charge (C		
Capital value						
Net (business) income						
Total net operating expenses						
Total property assets						
Total fixed tangible assets						
Total annual capital expenditure						
Rental Value						
Total repair (C3-6&C8)				Note: Data should only be entered		
Total cleaning (C10-13)				Note: Data should only be entered		
Total utility (C14-15)				Note: Data should only be entered		
Rent outgoings				Note: This field should be used to		
Rental income				Note: This field should be used to		

## Appendix 3 - Template 3: 7 Year Forecast

### Estate-level data summary

For definitions see IPD Property Cost Template	Current year actual / budget /	Forecast Year1	Forecast Year2	Forecast Year3
	<i>DNO insert year</i>	<i>DNO insert year</i>	<i>DNO insert year</i>	<i>DNO insert year</i>
<b>Property details</b>				
<b>Number of properties</b>				
Total properties				
Acquisitions (during year)				
Disposals (during year)				
Total properties (held at year end)				
<b>Split of properties (including disposals)</b>				
Retail/Bank (Use Classes A1/A2)				
Offices (Use Class B1)				
Industrial/Warehouse (Use Classes B2/B8)				
Other - please specify in Comments box				

For definitions see IPD Property Cost Template	Current year actual / budget /	Forecast Year1	Forecast Year2	Forecast Year3
	<i>DNO insert year</i>	<i>DNO insert year</i>	<i>DNO insert year</i>	<i>DNO insert year</i>
<b>Space details</b>				
<b>Internal areas (m<sup>2</sup>)</b>				
Gross internal area				
Net internal area				
Occupied NIA				
Sub-let NIA				
Vacant NIA				
Vacant marketable				
Vacant unmarketable				
Full time equivalent (FTE) staff				
Office-based FTE staff				
Number of work-stations				



For definitions see IPD Property Cost Template	Current year actual / budget /	Forecast Year1	Forecast Year2	Forecast Year3
	<i>DNO insert year</i>	<i>DNO insert year</i>	<i>DNO insert year</i>	<i>DNO insert year</i>
<b>Financial data</b>				
<b>Occupancy costs</b>				
A1 Rent				
A2 Unitary charges				
A3 Acquisition disposal & removal				
A4 Taxes (rates)				
A5 Parking				
A6 Associated facilities				
A7 Occasional space				
A8 Marketing and promotion				
B1 Fit out and improvement				
B2 Furniture and equipment				

For definitions see IPD Property Cost Template	Current year actual / budget /	Forecast Year1	Forecast Year2	Forecast Year3
	<i>DNO insert year</i>	<i>DNO insert year</i>	<i>DNO insert year</i>	<i>DNO insert year</i>
<b>Financial data</b>				
C1 Services charge				
C2 Insurance				
C3 Internal repair and maintenance				
C4 M&E repair and maintenance				
C5 External & structural repair & maintenance				
C6 Minor improvements				
C7 Internal moves / churn				
C8 Reinstatement				
C9 Security				
C9a Security: Staff Costs				
C9b Security: Equipment Costs				
C10 Cleaning				
C10a Cleaning: interior				
C10b Cleaning: exterior				

For definitions see IPD Property Cost Template	Current year actual / budget /	Forecast Year1	Forecast Year2	Forecast Year3
	<i>DNO insert year</i>	<i>DNO insert year</i>	<i>DNO insert year</i>	<i>DNO insert year</i>
Financial data				
C11 Waste disposal				
C11a General waste disposal				
C11b Toxic waste disposal				
C11c Confidential waste disposal				
C11d Sanitary waste disposal				
C11e Recycling costs				
C12 Internal plants and flowers				
C13 Grounds maintenance				
C14 Water and sewerage				
C14a Water costs				
C14b Sewerage costs				
C15 Energy				
C15a Electricity costs				
C15b Gas costs				
C15c Fuel & oil costs				
C15d Other energy costs				

For definitions see IPD Property Cost Template	Current year actual / budget /	Forecast Year1	Forecast Year2	Forecast Year3
	<i>DNO insert year</i>	<i>DNO insert year</i>	<i>DNO insert year</i>	<i>DNO insert year</i>
Financial data				
D1 Telephones				
D2 Catering & vending				
D2a Catering costs				
D2b Vending machine costs				
D2c Hospitality costs				
D3 Reception services				
D4 Courier & external distribution services				
D5 Post room and internal distribution services				
D5a Post room service costs				
D5b Internal distribution services costs				
D6 Reprographics				
D6a Central reprographics				
D6b Distributed reprographics				

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For definitions see IPD Property Cost Template	Current year actual / budget /	Forecast Year1	Forecast Year2	Forecast Year3
	<i>DNO insert year</i>	<i>DNO insert year</i>	<i>DNO insert year</i>	<i>DNO insert year</i>
<b>Financial data</b>				
D7 Disaster recovery				
D8 Transport				
D9 Archiving				
D9a on-site costs				
D9b off-site costs				
E1 Real estate management				
E1a In-house real estate costs				
E1b Real estate external fees				
E2 Facilities management				
E2a In-house facilities costs				
E2b Facilities external fees				
E3 Project Management				
E3a In-house capital projects costs				
E3b Capital projects external fees				

For definitions see IPD Property Cost Template	Current year actual / budget /	Forecast Year1	Forecast Year2	Forecast Year3
	<i>DNO insert year</i>	<i>DNO insert year</i>	<i>DNO insert year</i>	<i>DNO insert year</i>
<b>Financial data</b>				
Total capital costs				
Depreciation charge				
Capital value				
Net (business) income				
Total net operating expenses				
Rental income				
<b>Management staff FTE</b>				
E1 Real estate professional staff FTE				
E1 Real estate support staff FTE				
E2 Facilities professional staff FTE				
E2 Facilities support staff FTE				
E3 Project management professional staff FTE				
E3 Project management support staff FTE				

## Appendix 4 – List of sites visited

<b>DNO</b>	<b>Site</b>
EDF LPN	London – Bengeworth, Brixton
EDF LPN	Bexley Heath (255a Broadway)
EDF SPN	Maidstone Parkwood
EDF LPN/SPN/EPN Shared Building	Fore Hamlet, Ipswich
EDF EPN	Bury St Edmunds
SSE Southern	Hayes West London Depot
SSE Southern	Reading, 55 Vastern Road
CE NEDL	Manor House, Houghton Le Spring
CE NEDL	Shiremoor
CE NEDL	Lloyds Court Newcastle
CE YEDL	Gelder Road, Leeds

<b>DNO</b>	<b>Site</b>
CE YEDL	Castleford, Aketon Road
SP Manweb	Queensferry, Factory Road Sandcroft
SP Manweb	Middlewich, Dalton Way Cheshire
SP Distribution	Kirkintilloch, Strathkelvin House, Campsie Road
SP Distribution	Telferton Edinburgh
WP South West	Avonbank, Bristol Feeder Road
WP South West	Exeter, Osprey road
WP South Wales	Ty Coch depot Cwmbran
WP South Wales	Lamby Way call centre, Rumney
SSE Southern/Hydro	Inveralmond House, Perth
SSE Hydro	Depot, Carolina Port Dundee
CN West	Tipton, Toll End Road



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<b>DNO</b>	<b>Site</b>
CN East	Hinckley, Hammonds Way
CN East	Pegasus Business Park, Herald Way
ENW	Oakland House
ENW	Dalton House, Warrington
ENW	Hartington Road, Preston