

**Mr S. McGinness**

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Dear Mr. McGinness,

I am writing on request of the Public Accounts Committee (PAC) to set out the Government Property Unit's (GPU) response to three recommendations put forward in the 53rd PAC report of session 2016-17, published on 28th April, 2017. This report followed the hearing on HMRC's estate transformation, at which I appeared as one of the key witnesses.

Firstly, you asked that ***“Before committing itself to establishing a new agency, the GPU should set out clearly why it thinks centralising the management of the government estate will improve quality and efficiency”***<sup>1</sup>.

As I set out in my evidence provided to the Committee, we believe that having a centralised ownership and management model for key asset classes, such as offices, will allow Government to leverage the collective power of its covenant when negotiating leases, partnerships with developers, and other commercial property transactions. It is our view that as the Government's overall estate shrinks, departments will increasingly be unable to generate further efficiencies independently. There is substantial independent evidence from the global public and private sectors that centralising an organisation's estate is the most effective way to drive savings from it. If this centralised ownership model is not adopted, then the ability to make the best timely consolidated decisions for Government may be lost and much time, effort and cost may be wasted.

The Outline Business Case of December 2016 indicates the benefits of establishing an agency are likely to be in the region of hundreds and millions of pounds over a ten year period. We have developed a professionally developed financial model in which to test this and refine the tools required to establish an agency and to firm up the deliverable benefits as a test of viability. An example of additional benefits demonstrated is that modelling analysis has indicated that there are savings opportunities relating to leases which may be immaterial to individual departments, but worth pursuing at a consolidated Governmental level.

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<sup>1</sup> [53 PAC Report of Session 2016-17 - Conclusions and Recommendations](#)



You also asked us to detail: ***“The proposed aim, role and responsibilities of the new organisation, including what authority the agency will have over government departments.”***

The proposed aim of the agency is to help drive better strategic oversight and management of the estate, replicate best practice in efficient property usage and provide greater incentives for departments to rationalise the space they occupy. The agency would be responsible for the ownership of offices, warehouses and some other non-specialist properties, leaving departments to become intelligent clients, rather than holding all their property risk.

Finally, you asked us to: ***“Set out the rationale for having regional hubs and mini-hubs and for determining their locations, explaining how we are taking into account the impacts on local economies when deciding how the government estate should be configured.”*** and: ***“Confirm as soon as possible the planned locations of regional hubs and mini-hubs.”***

The hubs concept is rooted in departmental plans to consolidate workforce locations and offices. In the final business case for hubs, it was agreed that a hybrid model of larger strategic hubs, mini-hubs and touch-down spaces would allow for more efficient sourcing of strategic hubs. It was also agreed that mini-hubs would be in smaller towns and cities where there is need for a presence, but where there are fewer civil servants. To date, we have confirmed 3 strategic hub locations based on departmental demand, including Croydon, Bristol and Canary Wharf in East London saving the taxpayer tens of millions of pounds per annum.

The local economic impact of relocations is considered in the selection process. The analysis looks at three types of impacts (direct, indirect and induced), where a significant number of staff will move in a geographical area. Considerations in the analysis are changes in employment, economic value and salary.

To ensure the best deals for the taxpayer, the GPA are working in confidence with commercial advisors and hubs are announced as soon as negotiations are complete. We expect to confirm around 7 further locations by the end of 2017. All locations are expected to be confirmed by 2023. HMRC have already confirmed the locations of their 13 regional centres which are integral to the first phase of the hubs programme.

As this response covers a number of complex issues, we would be happy to provide more information when further progress has been made with HM Treasury on both the formation of the GPA and the Government Hubs Programme.



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Yours sincerely

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