# Taxman's Mapeley deal was a step in the right direction

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**This week, shadow chancellor Oliver Letwin has been promising to cut £35bn in public spending if the Conservatives win the next general election. At the same time, a leak suggests that the Treasury's adviser Sir Peter Gershon has said that 80,000 government jobs can go. In both cases, the cuts would be made through 'efficiency' savings – and as property forms such a huge cost for the public sector, it is likely to form a key part of both sets of plans.**

By Giles Barrie

Despite Mike Slade's fervent wishes, Letwin is unlikely to be in a position to deliver on his promise before 2009, so Sir Peter's promises are far more relevant. And it is against this backdrop that a confidential assessment of the Inland Revenue's £2bn STEPS property outsourcing deal, carried out by spending watchdog the National Audit Office, will be published before Easter. If the NAO, the scourge of all civil servants, concludes that these deals are good value, then more will pour forth. This would be particularly crucial for local authorities, which are already under pressure to relieve their finances by raising Council Tax for residents, businesses or both.

The good news is that the NAO is set to say that STEPS is good value, and that the government was right to pick Soros-backed Mapeley to run it. The NAO is also expected to say that government departments and agencies should ensure the bidder they select is 'robust' enough to handle these properties by ensuring there is clear blue water, but not an ocean, between competitors. It is also likely to say that once the contract is in place, the department needs to be better organised in its management of the procedure.

Most important of all, though, it is expected to stick to its value for money brief by not condemning the offshore structure set up by Mapeley. It is likely to say this was neither good nor bad value for the taxpayer.

Ministers would be wrong to allow offshore transactions to be repeated if only for the mixed messages it sends out on tax avoidance. But armed with the NAO's other conclusions and with the words of Gershon ringing around Whitehall, they should press ahead with further large outsourcing deals.

**Goodman's REIT dilemma**

Government outsourcing is largely restricted to office properties, but if it's retail you are keen to invest in one of the best plays over the last four years has been Everard Goodman's Tops Estates. Natalie Stevenson's profile of the Yorkshire-born developer on p71 is an illuminating insight into a man who has built a rock-solid business.

But while Tops' net asset value and share price growth are solid, its 1.3% dividend yield may look less appealing in an era of real estate investment trusts (REITs). Investors in the tax-transparent vehicles promised by Gordon Brown are likely to pick their winners according to dividend yield, setting Goodman a tough task. However, Brown may demand such a high payment for conversion to REIT status that it will not be worthwhile for many firms like Tops.

REITs are an exciting prospect, but the industry has to do this deal on its own terms and realise they will not transform the sector overnight.