

CABINET
3 MARCH 2016**PROPERTY ASSET STRATEGY – ENABLING ECONOMIC
DEVELOPMENT AND SERVICE DELIVERY FOR THE
COUNCIL**

Relevant Cabinet Member

Mr M L Bayliss

Relevant Officer

Director of Commercial and Change

Recommendation

- 1. The Cabinet Member with Responsibility for Transformation and Commissioning recommends that Cabinet:**
 - (a) approves the Property Asset Strategy 2016-2020 (the Strategy);**
 - (b) authorises the Director of Commercial and Change to execute the Strategy; and**
 - (c) delegates authority to approve individual business cases for specific development projects in accordance with paragraph 11 to the Cabinet Member with Responsibility for Transformation and Commissioning, in consultation with the Director of Commercial and Change.**

Background

2. The Council is well on its way to delivering the Open for Business ambitions in the Corporate Plan and is, with partners such as the Local Enterprise Partnership (LEP), delivering the ambitions in the Strategic Economic Plan. This includes 25,000 additional jobs which are supported by Game Changer Sites such as Worcester 6.
3. The Council wishes to further enhance its Better Use of Property programme by considering how cross-public sector land and property assets can support the local economy or generate income to help the Council and its partners to become more financially self-sufficient.
4. The Better Use of Property initiative arose as an initial property focused response to the corporate challenges of the Comprehensive Spending Review. It set ambitious targets for capital receipts and revenue cost reductions. The first phase has successfully delivered a range of significant financial and corporate benefits whilst also acting as a catalyst for promoting transformational service change. By April 2016, it will have delivered:
 - (a) Capital receipts approaching £29 million
 - (b) Revenue savings in excess of £2.5 million

- (c) Sold 99 freehold properties (against a target of 55)
- (d) Disposed of 33 leases (against a target of 33)
- (e) Avoided maintenance expenditure of nearly £5 million
- (f) Reduced office buildings down from 17 to 4
- (g) Released 60,000m2 of accommodation for sale or alternative use
- (h) Reduced energy consumption per m2 of accommodation of 22% and a reduction in carbon emissions of 24%.

Why is this Strategy important?

5. As part of the FutureFit update in November it was agreed that it was important for the Council to be far more self-sufficient by increasing local control, enabling us to make decisions and have influence on as much of our income as possible by 2020. The proportion of the Council budget funded by central Government has significantly reduced in recent years, with a subsequent movement away from reliance on central Government funding. The Council has made savings and efficiencies just short of £100 million since it commenced its Better Outcomes Lean Delivery (BOLD) programme in 2010. Being more efficient and effective in how we use our property assets supports the Council's vision to be more self-sufficient.

6. The closer collaborative working with other organisations brokered through Place Partnership gives the Council significant opportunities to develop and exploit all the work delivered by the Council's Property Services Team to date, whilst supporting the broader focus on property as an enabler of economic development in the county. The potential benefits offered by our Place Partnership are wide-ranging and extensive. They include the strategic opportunity to drive such issues as the wider regeneration and growth across the region through to cashable savings from the removal of overlap and duplication in the current structures of the shareholder partners. Some of the wider benefits will include:

- Creating opportunities for wider service integration (and the benefits that this will bring to the customer as well as the financial savings this can drive). An example of this might include helping to facilitate the Connecting Families project already underway in Redditch
- An extension of the 'One Town' or 'One Locality' reviews which seek to identify and deliver enhanced, more integrated 'end to end' services in an area for the benefit of the community, facilitated by the much better use of public sector assets
- Driving regeneration and growth through creating opportunities for private sector investment across the wider region, helping to develop local economies by freeing up underutilised public sector sites for more appropriate and prosperous development. Excellent examples of this already exist in towns such as Bromsgrove and Stourport and many others, including Worcester and Redditch which have the potential to benefit from this approach
- Forming an entity with sufficient scope, experience and critical mass to bring new partners to the table
- Leading the Government's 'One Public Estate' strategy working across the region with Local Enterprise Partnership(s) and other partners to deliver infrastructure and contribute to 'Open for Business'
- Significant reputational benefits (not least of which is Government's recognition and constant reference to our work) and for us, the contribution to a 'World Class Worcestershire'.

7. The development of a new Property Asset Strategy and approval by Cabinet is an important step that the Council aims to do things differently utilising its assets more proactively for the benefit of the community.

Strategic Drivers

8. An analysis of service needs has identified a number of themes that will need to be addressed which can be summarised as follows:

- (a) **Rationalisation:** Further rationalisation of services and associated property
- (b) **Growth:** Some service areas will also experience growth. An example is the acquisition of property to support independent living for post-16 children. In this case the Council has used its ability to leverage its property estate, borrow money and deploy resources from Place Partnership to not only improve outcomes for younger people, but save revenue spend in later years
- (c) **Integrated working:** The complexity of shared arrangements for the use of property is likely to increase as fewer public sector buildings are used more intensively and across organisational boundaries
- (d) **Maintaining long-term ownership of operational assets:** Where the Council currently owns suitable property and a commissioned service needs access to such specialist facilities, there is a strong argument for the ownership of this to be retained by the Council and made available to the service provider for use in connection with the delivery of that service
- (e) **Unlocking Value of Reused Assets and taking a more commercial approach:** All assets have an open market value. It is logical that any business case supporting the reuse of a redundant asset should reflect its opportunity cost. Failure to do so will distort the true cost of the service provision and lock in the investment, at least for the duration of the service contract.

Vision & Strategic Goals

9. In developing this Strategy, the vision for the estate will be to **support our services well, help shape the local economy and generate income for the Council with a well-managed and dynamic corporate core**. In order to deliver this vision the general principles to be applied to the management of its estate will involve partnering as the norm using commercial principles with investment linked to specific outcomes. There needs to be clear and identifiable benefits linked to corporate priorities that equate to, or exceed, the level of investment being made.

10. The strategic goals for the estate will be to:

- (a) Manage the property assets to ensure optimal efficiency of usage and effectiveness of support for the (front line) services being delivered from them
- (b) Influence and enable cross-public sector service re-design and integration through effective challenge and innovative adaptation of the accommodation
- (c) Achieve the maximisation of value from redundant assets and/or consider how they can support the local economy
- (d) Exploiting opportunities for generating revenue income from the estate to support our self-sufficiency agenda.

11. The goals will be building on the beacon role that the Council has locally and nationally achieved in terms of asset rationalisation and service transformation, through a combination of:

- (a) Becoming **more proactive in the redevelopment of redundant assets**. The Council will develop and adopt alternative disposal strategies for redundant assets that can lever in greater financial benefits or deliver additional priority service objectives. This could see the Council:
 - i. Acting as developer for the redevelopment of some of the public sector redundant assets
 - ii. Becoming a more proactive landlord with an expanding and dynamic investment estate
 - iii. Developing new relationships and partnerships with other public and private sector organisations
 - iv. Developing different vehicles for the delivery of these objectives e.g. Asset back vehicles, LLPs etc. Lessons need to be learnt from other public and private sector organisations to ensure that investment opportunities are exploited as much as possible

- (b) Developing the **One Public Estate/One Public Service approach to locality reviews** at scale and pace. By committing to being a key partner in locality reviews this will require:
 - i. Reshaping some priorities and timescales to maximise joint opportunities
 - ii. Working closely with the LEP to deliver appropriate infrastructure to support regeneration
 - iii. Recognising that other Council services have a role to play in regenerating areas and ensuring that the Council is "joined up" in terms of policies
 - iv. Involving central Government, NHS, District, Voluntary & Community Sector and private sector partners

- (c) Developing **new leadership and governance** through our Property Management Joint Venture Place Partnership.

12. During Spring 2016 Place Partnership will work with the Council to explore alternative disposal strategies, to maximise capital returns and potentially to generate rental income for the County Council. This can be achieved through a number of ways and in brief the options will include the following:

- (a) Dividing large disposal sites into individual building plots for sale

- (b) Development of surplus sites for Housing, Extra Care or other opportunities. A new model for identifying value will be an important part of a more holistic approach which could see opportunities for housing across the county providing long-term sustainable downstream improvements in demand for social care services. This will require us to develop a more enriched approach to investment appraisal used in other authorities such as Essex County Council. For example, can our assets be more innovatively used to drive housing growth, reduce long-term social care costs by developing opportunities for extra care housing and/or supported living, and increasing council tax collection? To do this will require us to invest in the capacity and capability of skilled land development expertise, improve our appraisal process and overall approach

- (c) Developing redundant sites for other public sector uses.

Expected Benefits

13. An estimate of the minimum that the Council should expect to achieve over the period 2016-2020 from capital receipts is £10m. This does not however, estimate the opportunities for savings and/or economic development from the utilisation of those assets.

14. It is clear that there are multiple options for the Council to participate in extracting greater value from the disposal of its surplus assets. However, one size does not fit all. The right model will be dependent on the complexity of the asset, requirements for timing of receipts, professional inputs and the availability of capital. Decisions will be made on a case by case on the basis of robust business cases exploring a wide range of options.

15. Lessons will be learnt from other public and private sector organisations to ensure that investment opportunities are exploited as much as possible.

New Leadership & Governance

16. Place Partnership is an innovative commercial partnership of 6 public bodies to form a single strategic property and asset management company. It will deliver a substantial proportion of the Strategy subject to capacity and a growing range of capabilities. To complement this new venture the Council has created a new client team and governance structure to ensure that not only are the services being delivered to the right standard but also to ensure the strategic objectives of this Strategy are owned and driven, complementing the drive within Place Partnership. This new governance model will be implemented progressively through 2015-16.

Summary

17. The next phase of the Better Use of Property (BuP) programme will be based on the needs of the Council's evolving Operating Model reflecting the objectives of the Council as a "Strategic Commissioner". While the Strategy should focus primarily on meeting those needs, it can also help to shape the Council's operating model by reference to the wider public estate that the Partners within Place Partnership will have available to it. Partnering wherever possible with other public sector organisations has been a key part of the current phase of the BuP programme and will remain a key goal for 2016-20.

Legal, Financial, HR and Public Health Implications

18. Any legal, financial, HR or Public Health implications arising from this Strategy will be addressed as part of the programme of work on those specific areas. The Council's risk management processes include a focus on specific legal, financial and HR risks arising from its work. These risks and the action to address them are detailed in risk registers held across the organisation.

Privacy Impact Assessment

19. There are no privacy implications arising from this report.

Equality and Diversity Implications

20. Any Equality and Diversity implications arising from the performance reported here will be addressed as part of the programme of work on those specific areas.

21. As individual projects develop, each will be screened for equality relevance and, where appropriate, more detailed assessment will be undertaken. As the Strategy advocates a locality/service-led approach, the Strategy will embrace the importance of inclusive, accessible environments for both customers and staff who have one or more of the Protected Characteristics defined in the Equality Act.

22. It is Council practice to consider the equality relevance and impact of individual proposals with reference to the 3 aims of the Public Sector Equality Duty as has recently been done on examples such as Stourport Civic Centre development and relocation of day opportunities for people who have a learning disability.

Next Steps

23. The Council will discuss its Strategy with a wide range of partners and work closely with Place Partnership on reviewing its own property estate and that of partners. This will result in identifying early opportunities for development or rationalisation of assets for which business case(s) will be developed.

Supporting Information

- Appendix: Property Asset Strategy 2016-2020 – available electronically and at County Hall Reception

Contact Points

County Council Contact Points

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Specific Contact Points for this report

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Background Papers

In the opinion of the proper officer (in this case the Director of Commercial and Change) the following are the background papers relating to the subject matter of this report:

Agenda and background papers for the meeting of the Cabinet held on 18 December 2014