

STAFFORDSHIRE STRATEGIC PROPERTY REVIEW

Submitted by: Head of Assets

Portfolio: Planning, Regeneration and Town Centres development

Ward(s) affected: Non-specific

Purpose of the Report

To review the Staffordshire Strategic Property Review Report and consider the implications for the Borough Council and local stakeholders.

Recommendation

That the report is accepted and that the programme and project management arrangements established regarding the opportunities within the borough are noted.

Reasons

- To enable the project's key conclusions to be assimilated into the Council's Asset Management Strategy.
- To assist in identifying underutilised assets across public sector partners and to promote collaborative working that will achieve more comprehensive disposal / development opportunities.
- To promote discussion amongst key partners about the necessary steps to take forward the Newcastle-specific opportunities.

1. Background

1.1 Staffordshire County Council invited all District Councils across the County, along with Stoke on Trent City Council, and other public bodies including the NHS and the Police, to participate in a project to review the public sector estate. The project had two main objectives which are as follows:

- Comprehensive identification of the Public Sector Estate across Staffordshire.
- Analysis of the information to promote the most efficient/effective use of the combined assets.

1.2 Consultants Mouchel were engaged to co-ordinate/manage the project, paid for from funding provided by the West Midlands Regional Improvement and Efficiency Partnership. The executive summary to this report is set out below:

Context

Alongside people and technology, property represents one of the highest cost inputs for the public sector. Staffordshire County Council (SCC) alone has £1.5 billion of property assets along with all the attendant operating costs. Through property rationalisation, Staffordshire County Council and its public sector partners in the districts, health, fire, police and others have much to gain both in terms of reduced property costs but also higher productivity and improved services that result from integrating service provision and property use.

Much of the county estate is out-dated and services are undergoing broad transformation. An approach is needed that delivers change in the portfolio in line with the requirements of

service transformation and provides a flexible, future proofed estate based on shared public sector use. Property must be organised so it facilitates rather than hinders service transformation.

This strategic property review engaged a wide group of public sector partners and these can and should be widened, both in terms of the number of partners and their depth of their engagement, as the strategic property plan develops.

Stakeholders share many common priorities around improving social cohesion, care and health, creating a safe and attractive environment, promoting regeneration and economic success, focusing on people and communities and being well-managed.

Strategic Property Review Objectives

The primary objectives of this review were the generation of specific rationalisation opportunities and the development of closer property collaboration across the public sector in Staffordshire to deliver better buildings and financial savings for the public purse. Workshops and one-to-one interviews were adopted as the primary engagement method.

All ideas are assumed to be good ones unless proven otherwise but to provide a focus of effort, opportunities have been given an initial categorisation; either 'very good', 'good' or 'moderate' depending on their suggested benefits case, degree of constraints, dependencies and risks and their alignment with corporate priorities. Over 100 opportunities have been identified with 39 categorised as 'very good'. 25 of these have been developed in outline terms to provide an indicative financial case as a precursor to individual detailed business cases. Further work will be required to develop indicative figures for all opportunities captured.

The Size of the Prize

Financial modelling for the 25 opportunities, assumed to be delivered over a five year period, suggests the cost and benefit ranges below. This demonstrates a significant potential upside and considers only 25% of the total number of opportunities identified to date.

The investment and return profile will of course be dependent on which opportunities are taken forward, when they are implemented and variations in the actual costs and benefits, compared to the assumptions modelled. In particular, there are two assets whose proposed disposal should yield relatively high capital receipts (£ 17 million). The overall cost/benefit profile modelled could clearly be sensitive to any variations in respect of these disposals.

Sensitivity analysis on required investment and capital receipts suggests the range above. While the timing of the cost inputs can be controlled by scheduling the delivery of the opportunities, the timing of the resulting capital receipts will be less readily controlled and will be subject to market conditions. Further sensitivity has therefore been applied to the timing of capital receipts resulting in the year on year range shown below. This demonstrates a likely need for initial capital investment in year 1 in order to benefit from capital receipts and revenue savings in subsequent years.

Key Themes

In addition to the specific rationalisation opportunities, some key themes have emerged. These relate primarily to the mechanisms for future multi-agency collaboration and property sharing and the consolidation and improvement of property management information (MI).

Local Strategic Property Forums

Strategic property planning must integrate the requirements of the service directorates and ideally do this across a wide base of public sector organisations. Local Strategic Property

Forums, with representation from as many public sector organisations as possible, provide a good model for achieving this integration.

Two 'tiers' may be appropriate with a county-wide group establishing overarching principles and cross cutting work streams and more local district groups developing and delivering the specific plans and opportunities whilst engaging a greater diversity of local stakeholders.

At the county level, for example, the principles to be agreed would include the setting of public sector rent levels (perhaps at discounts to commercial rents), simplified standard lease and licence terms for property sharing, delivery of a portal for booking shared accommodation, consolidation of property management information and systems, etc. At a local or district level, the forums will have an important role in, for example, managing the release of planned disposals to optimise the value returned.

Management Information and Systems

All of the above relies on high quality management information to inform the strategic planning process.

Further improvements in the quantum and quality of property data is required as well as the systems on which it is managed. Convergence, or at least compatibility, of systems across the partner organisations will greatly assist the work of the property forums and facilitate greater asset sharing.

Back Office Accommodation

Several of the identified opportunities relate to back office accommodation and this asset class is one where the vision of shared property is readily achievable and offers real efficiency benefits. In the short term tactical consolidation possibilities can provide a 10% reduction in office space with the longer term potential to develop multi-agency shared 'hub' offices in the principal county towns, supported by a network of 'touch down' facilities in public buildings such as libraries, to enhance agile working potential. The longer term prize is space reductions in office accommodation of up to 40% overall.

Service Asset Strategies

Direct engagement with service directorates has been limited within the constraints of this review although the 'Business Leads' from each organisation provided a channel to capture their stakeholder requirements.

Many service lines are undergoing transformation themselves and are not yet in a position to articulate firm property needs in many cases, but the development of Service Asset Strategies should form another integral element of ongoing work with the Local Strategic Property Forums serving as facilitators.

Future Property Operating Models

Across the county, the stakeholders operate individual property management organisations. The strategic forums will greatly improve collaboration and provide a platform for delivering shared property consolidation.

In time, a greater level of integration may be possible with more formalised partnerships, joint public property companies and the transfer of assets to a separate legal entity considered.

Delivery Framework

A large number of specific rationalisation opportunities and 'key theme' initiatives have been identified for consideration. The scale of the delivery framework required will depend on the number and rate at which these are taken forwards.

As the holder of the largest public sector property portfolio in the county, Staffordshire County Council is well placed to lead the implementation of the property rationalisation programme but it is important that as many of the other public sector partners play as full a role as possible.

Political and executive sponsorship and support for the programme will also be key to build and maintain momentum and overcome some of the challenges that will inevitably arise.

The partners should seek to simplify governance arrangements as far as practicable and some degree of delegated authority to a representative Programme Board would be beneficial. A three tier governance structure is proposed.

Corporate: *Providing the participating organisation's overarching authority for the programme and its strategic aims and objectives, agreeing collaboration principles, contributing programme funding/sites and providing robust challenge.*

Programme: *– a new governance layer introduced for the specific purpose of delivering the county-wide strategic property plan. This could use the existing programme architecture established within the county council's transformation programme and would need to be representative of the participating organisations. The principal work streams, sub-programmes and cross-cutting solutions would be developed at the 'programme' level.*

Sub-Programme/Project / Initiative: *– delivery and control of the individual elements or schemes within the programme. Many of the skills to deliver the programme exist within the partner organisations but additional resources are likely to be needed. A 'capacity' and 'capability' gap analysis should be undertaken when the firm scope of implementation is agreed.*

Conclusion

There is a very good potential for estate rationalisation across Staffordshire and the size of the prize is considerable. There appears to be good support for greater collaboration across the public sector partners and the delivery of the initial opportunities identified by this review will foster closer working and integration at the same time as enhancing the portfolio while delivering meaningful financial benefits. In tandem with the development of the initiatives from the 'Key Themes', the potential for further efficiency gains exists.

The strategic property review represents one element of an iterative and continual property planning process and is not exhaustive in terms of the potential that exists. In particular, the work of the proposed local strategic property forums can facilitate the generation of ongoing opportunities for property transformation across Staffordshire.

- 1.3 One of the primary aims of this review was the identification of specific rationalisation opportunities. The three that were identified within Newcastle Borough were: (a) the rationalisation of the office estate within the Newcastle area (members will be aware of the recent practical steps taken to facilitate co-location of key public sector partners at the Civic Offices, along with the Customer Service Centres at the Guild Hall and Kidsgrove Town Hall); (b) Newcastle Town Centre redevelopment (the former Sainsbury's and the civic offices sites) and; (c) Knutton Urban village (site of former Knutton Recreation Centre and adjacent land/buildings).
- 1.4 The Economic Development and Enterprise Overview and Scrutiny Committee received a report on this matter in June 2012 and made no substantive comments.

2. **Issues**

- 2.1 This project provided an opportunity for the Council to engage in a comprehensive process to review the majority of publicly owned land in the Borough which will enable:
- a proper review of the potential for public sector organisations to co-locate to both, share the cost burden of accommodation and to encourage joined up service delivery.
 - The identification and release of assets for each partner to rationalise their respective land and property portfolios.
- 2.2 The release of assets has the potential to provide capital funds to maintain/modernise the public sector estate, to contribute towards capital programme funding requirements or , alternatively, to promote partner-led regeneration initiatives.
- 2.3 In terms of the Newcastle-specific opportunities it should be noted that programme and project management level arrangements have been established to follow the broad principles set out in the executive summary. So a Corporate Property programme board has been established (comprising senior property officers from the two local authorities) to maintain the overview of the overall programme for the borough. Whilst at a project level, arrangements have been put in place to steer the implementation of the three opportunities highlighted at paragraph 1.3. It is intended that the latter groups would report progress into Cabinet at key decision milestones once the necessary technical evidence has been prepared.

3. **Proposal**

- 3.1 To accept the report and to note the programme and project management arrangements established regarding the opportunities within the borough.

4. **Outcomes Linked to Sustainable Community Strategy and Corporate Priorities**

- Shared use of public assets (sustainability)
- Partner led regeneration (Borough of opportunity)
- Rationalisation of assets (achieving excellence)

5. **Legal and Statutory Implications**

Not applicable.

6. **Equality Impact Assessment**

There are no implications.

7. **Financial and Resource Implications**

- 7.1 No significant implications arising directly from this report. There will be some 'in-kind' officer and member support to take forward any Newcastle-specific opportunities. There are likely to be both capital costs and receipts to be derived in due course depending on the preferred approach to disposal; ultimately there should be cashable efficiencies across the public sector.

8. **Major Risks**

- 8.1 The main risk relates to the potential failure of the two local authorities (and other potential public sector partners) to agree on the preferred approach to rationalisation / joint use of the public sector estate.

9. **Background Papers**

Staffordshire Public Services Strategic Property Review Report – February 2012 (includes confidential information; extracts available on request).
File in Property Office