

CORPORATE LANDLORD – BUDGET IMPLICATIONS

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1. Summary

- 1.1 Cabinet Members approved the Shropshire Council's Asset Management Strategy on 11th February 2015, the Strategy includes the implementation of a Corporate Landlord Model, and this paper provides details of the budget virements that will be required to consolidate the budget within the Commercial Services Group of the Resources and Support Team. The report also recaps the benefits that can be achieved from implementing a Corporate Landlord Model.

2. Recommendations

- 2.1 That Full Council approve a budget virement of £20.130m (Directorate analysis shown at 7.3) in order to consolidate the Council's asset and facilities management budgets in Commercial Services within the Resources & Support Directorate.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 The risk of not having a consolidated budget are that savings will not be delivered across the property portfolio.
- 3.2 With the continual reduction in Council resources that elements of Health and Safety within the workplace are not given sufficient priority for a public sector organisation.
- 3.3 Impact on Children and Vulnerable Adults, Risk Management, Human Rights, Equalities, Community and other Consultation will be inherent in the property review and asset planning which will be instigated and driven by the overarching strategy.

4. Targeted Outcome

4.1 The overall purpose of the Asset Management Strategy is to:

1. Reduce net revenue cost to Shropshire Council of assets and land to less than £1m per annum by March 2017.
2. To raise net revenue income to Shropshire Council derived from assets and land to £10m by March 2020.

5. Financial Implications

5.1 There are no financial implications on the Council's net budget. The budget virement will allow the budgets for property assets to be managed corporately.

The Council continues to seek to reduce service costs, bringing the Asset related costs together provides an opportunity to make gains through economies of scale.

5.2 If assets are not managed and maintained in an appropriate way they become liabilities on the Council's revenue account.

5.3 A clear strategy assessing return on investment of the Estate will assist in providing revenue for the Council to invest in Services in the future.

6. Background

6.1 The Corporate Landlord approach is designed to enable a local authority landowner to utilise its assets to deliver better, more efficient services to communities:

- To unlock the value of assets, seek efficiencies through joint arrangements with public sector partners and maximise private sector investment.
- To support the delivery of the Council's Corporate Plan.
- To integrate thinking about property with financial, regeneration and other considerations.

6.2 Under a Corporate Landlord approach the ownership of an asset and the responsibility for its management; maintenance and funding are transferred from service departments to the Corporate Landlord, which is a centralised corporate body. The service department has to make a case for the property that they wish to deliver a service from, which allows for the Corporate Landlord to offer sufficient space - and no more space than is required - for Council activities, thereby reducing accommodation requirements. The service departments therefore become corporate tenants and make use of property or land in delivering a service.

6.3 There are specific responsibilities that fall to the tenant and the landlord depending on the nature of the asset and the service. The service department's priority is therefore to plan and deliver the service. The landlord's function is to ensure that the service is adequately accommodated and to maintain and manage the asset. The landlord's responsibility also extends to the acquisition, development and disposal of land and property. This means the landlord would be responsible for

asset review, feasibility and options appraisals across all service departments. The roles and responsibilities can be outlined and clarified under a Service Level Agreement (LA) and this approach has been adopted by other local authorities too.

- 6.4 The Corporate Landlord is the predominant asset management model in larger private sector organisations and is increasingly popular within local government. This is due to the potential scope for efficiencies and the effective delivery of corporate outcomes including regeneration objectives. The Corporate Landlord approach can deliver economies of scale in terms of capacity, procurement and opportunities for co-location across an organisation and with other external organisations. This can ultimately lead to rationalisation. Where it is most effective is ensuring that an organisation's property portfolio drives, supports and delivers corporate change and regeneration. This is the preferred delivery model that many public and private sector organisations have adopted to provide effective strategic estate management.
- 6.5 What it could potentially achieve is a change in the way property decision making, financial planning and property management is undertaken within the Council. Demonstrated benefits have been:
- Clear focus on using all land and buildings to deliver an organisation's priorities
 - Enables a single conversation
 - Improved customer focus
 - Improved value for money
 - Improved risk management
 - Improved focused investment
 - Increased opportunities for disinvestment
 - Increased investor confidence in the Council

7. Budget Virement Requirements

- 7.1 Currently the Council's asset and facilities management budgets are distributed across all of the Council's service areas and the Corporate Landlord model seeks to consolidate these budgets. The relevant budgets need to be moved from service areas and transferred to Commercial Services within the Resources & Support Directorate in order to facilitate efficient delivery of the Council's Asset Management Strategy.
- 7.3 The movement of these budgets will not impact on the Council's overall net budget, and although internal recharges and charges can result in a doubling up of expenditure, this will be adjusted for when the gross budget for the Council is reported. 7.3 In order to consolidate the Council's asset and facilities management budgets in Commercial Services Council, therefore, are asked to approve a budget virement of £20.130m as detailed below:

	Asset & Facilities Management Budgets	Recharge Budgets
	£	£
Service Area		
Adult Services	(717,250)	717,250
Children's Services	(7,120,470)	7,120,470
Commissioning	(7,412,480)	7,412,480
Public Health	(11,270)	11,270
Resources & Support	(4,868,800)	4,868,800
Service Area Total	(20,130,270)	20,130,270
Corporate Landlord		
Resources & Support	20,130,270	(20,130,270)

8. Additional Information

- 8.1 The corporate landlord model will result in the production of an Asset Management Plan (AMP). AMP's are the framework within which Councils operate to manage their fixed assets. Most plans reflect the significant changes that have taken place and recognise the evolving nature of asset management locally and across the wider local and central government estates as a whole. Most of these plans offer a strategic framework to deliver the changes required in response to the changing financial and economic landscape but many start from a fundamental asset challenge process which fully engages with and challenges service users and service owners. The need to operate in a leaner and greener way, together with the need to reduce spending, requires new models of service delivery to ensure we manage our property assets sustainably and in partnership with public and private sector partners

9. Conclusions

- 9.1 Council is requested to approve the budget virement for immediate implementation of the Corporate Landlord structure.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Asset Management Strategy - 11-02-15

Cabinet Member (Portfolio Holder)

Mike Owen – Resources and Support

Local Member

All

Conflicts of interest declared by members

Appendices