



Performance Management
Scrutiny Committee report
16 May 2018

Item
7
Public

Assets and Estates Update

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1. Summary

1.1 This report outlines for Committee members the improvements and changes being made to the Assets and Estates service and the arrangements that are in place to prioritise and manage projects that will deliver the council's investment and income aspirations.

2. Recommendations

2.1 The Committee is asked to note:

A. The improvement plan being implemented to ensure that the council has the skills, experience and capacity to deliver the innovation and income delivery through the Council's assets that is required to generate additional income for the council.

REPORT

3.0 Opportunities Appraisal and Risk Assessment

3.1 A restructure of the assets and estates function is being implemented to ensure that the service is able to effectively manage and develop the council's estate and to support the delivery of the growth and income targets for the council.

3.2 A plan of improvement activities (appendix 1) has been identified following an independent review of the assets and estates service. This will ensure that roles and skills within the service are developed and organised to improve the management of the council's estate and to help deliver the investment programme.

3.3 Commercial partnership contracts will be procured for different services that can deliver additional and flexible capacity and transfer of best practice, knowledge and skills. These require intelligent/ expert client roles to deliver key projects at pace. The review of functions and

performance will also consider the potential for outsourcing along with an assessment of cost, benefit and risk.

- 3.4 A new project evaluation framework, known as the “Hopper”, has been adopted to inform and prioritise investment decisions and to consider how the council uses and acquires land and property. This in turn will enable the growth in houses and jobs in the county and generate additional income for the council.
- 3.5 The improvement plan and the “Hopper” will incorporate an assessment of opportunity and risk for each investment project proposal and each improvement activity.
- 3.6 Key decisions regarding the acquisition, disposal, development and investment in land and property will align with the following:
 - Development appraisals for Shrewsbury (associated with the Big Town Plan) and Shropshire’s markets town
 - Investment in the economic growth corridors and key sectors identified in the council’s economic growth strategy
 - The work being undertaken by the one public estate programme which considers how public sector land and property in Shropshire can be used to deliver growth in housing and jobs, reduce service delivery costs, generate capital receipts and sustainable additional income streams
 - The opportunity to create new innovative and integrated methods of delivering services in community hubs which will address local housing, health and care needs.

4.0 Financial Considerations

- 4.1 The council has committed to invest in schemes and projects which can deliver £15m of new revenue income over a period of five to ten years with returns on investment of 10% gross and 5% net having taken in account borrowing costs and capital repayment.
- 4.2 More specifically the council is required to generate a minimum of £5m of new revenue income by the 31st March 2020 and a total of £8m by 31st March 2023. The acquisition of the Shrewsbury shopping centres to support the economic growth and regeneration of the town centre has helped to generate net income of approximately £3m which is forecast to rise to £3.6m in 2021/22.
- 4.3 Further capital projects and investment opportunities have been identified and will continue to be assessed via the “Hopper” project prioritisation process. This involves the use of scoring criteria including economic, financial and social factors to inform investment decisions. The evaluation process will include the use of outline and detailed

business cases which shall include financial due diligence and a thorough assessment of opportunity and risks.

5.0 Background

- 5.1 Shropshire Council's Cabinet made a decision to implement a Corporate Landlord model in 2015, with financial approval having been given at Full Council.
- 5.2 The process of implementation took place in financial year 2015/16 whereby budgets totalling £12,528,080 were reallocated from directorate service areas to the Corporate Landlord. The full implementation of the model was envisaged to take between three and five years and the responsibility for budget management of income and expenditure moved across to the Assets and Estates team.
- 5.3 Among the key reasons for the implementation was consolidation and better management of estates related budgets. It was recognised that property related income was not being managed effectively in the service areas. The scale of the task and the issue of insufficient resources and inadequate systems and controls has led to an unsatisfactory assurance report.
- 5.4 The Portfolio Holder for Corporate Support and the former Director of Place & Enterprise undertook the following actions:
 - a) Instructed the Head of Business Enterprise and Commercial Services to take the necessary action to address all internal audit recommendations.
 - b) Directed the Head of Business Enterprise and Commercial Services to secure additional staffing resources for a fixed period of time to address the areas of weakness in property and financial management including a thorough review of data held in the Technology Forge system relating to leased out property.
 - c) Commissioned an independent review of the assets and estates function to identify where and how improvements can be made to assets and estate management.
 - d) Commissioned an independent review of all systems and processes that are undertaken within the Council to support new and expanding businesses and sectors in accordance with the economic growth and commercial strategies.
- 5.5 Additional staffing resources have been put into the Assets and Estates team which include a Finance Support Officer, Finance Assistant and Property ICT officer to support the improvements required on Technology Forge system and to increase the financial resilience in managing the estate. These are fixed term posts at present.

- 5.6 The Council commissioned a company called Ameo to undertake a review of the assets and estates function and the systems and processes used by the respective property teams and to suggest where improvements can be made. The recommendations are set out in Appendix 1.
- 5.7 In summary the independent report recommended that:
- a) A service restructure is required to provide more Leadership and Management capacity, and bring focus to strategic planning and investment, and to regroup some functions within a more logical team structure.
 - b) Separate commercial partnership contracts should be procured for:
 - i. Asset Management & Investment - to provide capacity and expertise in asset management, investment and development advice, market insight.
 - ii. Project Management – to provide project management capacity, commercial expertise and to professionalise maintenance services.
 - c) Service Improvement Plan – A prioritised action plan to improve culture & behaviours, strategic capability, operating processes and management information. With most urgent priority being the investment in a property data and systems project as part of the Council’s digital transformation programme.

6.0 Next steps

- 6.1 To implement the proposed change to the assets, estates and property services and functions and recruit two new management roles; one to lead on property strategy and investment and the other to lead on property operations. Both posts will report to the Head of Business Enterprise and Commercial Services.
- 6.2 To recruit a commercial/ development specialist on a fixed term contract to act as an interim resource and establish an intelligent client role to commission and work with commercial partners.
- 6.3 To procure commercial partnership contracts to provide capacity and expertise in asset management, investment and development advice, and market insight. Also to provide project management capacity, commercial expertise and to professionalise maintenance services.
- 6.4 To continue to implement an action plan which addresses the recommendations set out in appendix 1.

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

Cabinet Member:

Cllr Steve Charmley – Portfolio Holder for Corporate Support

Local Members:

Appendices:

Assets and Estates improvement plan 2018-19

Assets and Estates improvement plan 2018-19

Key recommendations
People and culture
<ul style="list-style-type: none"> ➤ Establish a working group within the Assets and Estates and Property Service, (with external facilitation if necessary) to develop a basic set of values and behaviours which all staff should adhere, and to explore and agree on a more detailed set of standards and practices in engagement with customers and other stakeholders.
<ul style="list-style-type: none"> ➤ Develop a regular programme of staff engagement e.g. minimum - quarterly forums to bring together different teams to foster a sense of One Team and wider understanding of what each team delivers. Agenda to include leadership briefings, updates by staff on key projects and future initiatives, guest speakers from other Council services plus a programme of social or charitable activities that can help to build more effective working relationships. ➤ Supplement staff engagement forum with bi monthly e-newsletter highlighting new projects, new staff members and notable achievements. ➤ Review potential to collocate all delivery teams as part of Shirehall redevelopment project. ➤ Bring Senior Managers and team leaders out into open plan area with their staff and teams.
<ul style="list-style-type: none"> ➤ Instigate clear flexible working policy for all teams. Support policy with training for managers and team leaders on how to manage performance and outputs in flexible working environment.
<ul style="list-style-type: none"> ➤ Review regional peer group Property forums and ensure council representation at each meeting.
Organisation and Leadership
<ul style="list-style-type: none"> ➤ Implement recommended management restructure. Head of Business Enterprise and Commercial Services to assume full Leadership responsibility for Assets, Estates and Property operations, reporting to the Chief Executive with bolstered Strategic and Operational Leadership roles. ➤ Define and implement a Performance Framework for the Assets and Estates Service which needs to be regularly monitored and evaluated. ➤ Improve project governance. Ensure all projects use common approach i.e. have a project initiation document which sets out clear stakeholder map and governance arrangements including clear roles and responsibilities for steering group and project delivery teams.
Strategy
<ul style="list-style-type: none"> ➤ New 5-year Strategic Asset Management Plan is required that meets best practice standards and contains clear year by year prioritised action plan. ➤ Establish structure for ongoing asset service reviews including key stakeholders from all service departments. This should include

identifying client relationship managers to work with service leads, and the development of means of capturing information on service strategies and future scenarios and risks, that can inform asset reviews and planning.

- Asset service plans and dialogue with services must be supported by data on estate condition and utilisation.
- Commission discrete review of asset base to assess scope of investment opportunity within the council's portfolio, and help to identify pipeline for future disposal.
- Collate work already carried out on investment prioritisation into formal strategy aligned to Council strategic plan for formal sign off by Council - setting out aspiration for investment fund, types of asset, geographical reach, required return on investment ROI (over what period), financing approach and governance arrangements.

Information Management and Reporting

- Project team to be established to drive data strategy and asset system review and implementation.
- A data strategy is required setting out
 - what data the council needs to hold to manage its estate effectively
 - clear prioritisation programme and resource budget for establishing a reasonable baseline level of data across the estate.
 - articulation of how property information will be recorded and managed in future and definition of reports and management information required for effective management of the estate
- A property asset management system review to be undertaken to include detailed evaluation of Technology Forge compared with alternative asset systems (incl. ERP) against a clear set of functional criteria to establish preferred data system.

Capacity & Skills

- Skills audit across all teams to establish long term needs and capacity within the service and support reorganisation of Asset, Estates and Property Services.
- Immediate recruitment of qualified staff on fixed terms contracts to provide capacity in analysing new investment and development opportunities pending resolution of long term delivery model for this work.
- Participation in CIPFA annual benchmark survey to assess resourcing against peer organisations across key functional service areas.

Governance and Processes

- Develop Property Policy setting out standards and targets for use and occupation of the estate to support emergent Corporate Landlord model

- including clear policies for declaring surplus space, incentivising efficiency through budget cost transfer and rules for vacation, clean up and handover to Property Service.
- Dispense with commissioning approach to maintenance. PPM plan and maintenance priorities to be conceived jointly by Property Services Group (PSG) and the Asset Strategy team with reference back to Service Asset Plans.
- Remove PSG internal charge on minor works and maintenance.
- Review and quality assure all relevant estate processes, with close reference to data management strategy and preferred asset management system solution