

## **Property Rationalisation Project Progress Report**

### **SUMMARY**

- 1.1 The purpose of this report is to provide an update on the progress of the Property Rationalisation Project.
- 1.2 On 20 March 2013 Council Cabinet approved the initiation of an accelerated Property Rationalisation Project and set up appropriate governance arrangements to ensure that swift progress can be made in making decisions on property related assets which will support the delivery of the budget savings.
- 1.3 The Property Rationalisation Project Board has now been formally established. It is chaired by the Chief Executive and is starting to meet formally on a six weekly cycle.
- 1.4 On 15 May 2013 Council Cabinet will consider a report which contains a list of properties that have been reviewed and earmarked for disposal and seeks approval to a programme of property sales.
- 1.5 This report was approved by Chief Officer Group on 1 May 2013.

### **RECOMMENDATION**

- 2.1 To note the contents of this report.

### **REASONS FOR RECOMMENDATION**

- 3.1 At its meeting on 25 March meeting the Corporate Scrutiny and Climate Change Board requested a report at the next meeting on progress of 75/12 Property Rationalisation Project.

### **SUPPORTING INFORMATION**

- 4.1 The approved revenue budget for 2013/14 to 2015/16 includes significant savings related to the reduction in spending on property maintenance and operational facilities management costs for Council buildings.
- 4.2 Over the three year period from April 2013 – March 2016, the approved medium term financial plan (MTFP) includes a reduction in spending on property maintenance of £2.8m from £4.3m to £1.43m. It also includes a further revenue saving over three years of £225,000 for facilities management, predominantly linked to cleaning and caretaking costs for the premises the Council occupies.
- 4.3 In order to achieve this magnitude of savings it will be necessary to significantly reduce the number of properties from which the Council operates its services, and the number of properties where the Council maintains the buildings from its corporate revenue budgets. It will not be possible to generate all of the savings from simply reducing our property holdings. We will need to consider other opportunities to increase income generation, minimise liabilities, other associated building costs and identify potential for community asset transfers.
- 4.4 A draft Project Brief has been prepared by the Project Working Group. This sets out the background, scope, objectives and benefits of the project and is summarised in this report. It will be approved by the Project Board at its next meeting..

### **Project Objectives**

- 4.5 The proposed objectives of this project as set out in the Project Brief are to:
- Deliver a net saving to the Council of £2.871,000 in the property maintenance revenue budget over the next 3 years broken down as follows:
    - £576,000 in 13/14 \_ (delivered through service reductions)
    - £1,145,000 in 14/15 (delivered through property rationalisation)
    - £1,150,000 in 15/16. (delivered through property rationalisation)
  - Deliver a net saving to the Council of £225,000 in facilities management
  - Ensure that the Council minimises the loss of income associated with property rationalisation programme by giving full consideration to other opportunities to increase income generation, minimise corporate liabilities and other associated building costs and by promoting potential for community asset transfers.
  - Develop a corporate approach to asset management and ownership ensuring that the City Council's portfolio of land and buildings asset base is optimally structured in the best corporate interest and that all decisions regarding the use, operation and maintenance of the portfolio are made centrally.

- Create a partnership procedure and process for disposing of or re-developing property assets or land parcels to achieve efficient and effective use of assets by the Council including Derby Homes and partners such as Derby University, Health and other member of the Derby Property Alliance. This will enable us to bring together service provision and facilitate fuller service integration with partners where appropriate.
- Create a process and procedure for reviewing assets by area that assesses the suitability and sustainability of the property and uses an agreed set of criteria and weightings to determine the future use and potential service need for the asset. In parallel with this also complete service based reviews that identify the wider needs for services and opportunities within each area and across the City.
- Create a single streamlined efficient and consistent process for reviewing all property assets.
- Explore, recommend and implement further opportunities to rationalise Property assets and deliver buildings that utilise Derby Workstyle to increase capacity and use by teams and service providers.
- Improve operational efficiency in Estates and Property Services by reviewing all key 'as is' business processes to identify and remove waste and create new lean and fit for purpose 'to be' processes; and
- Undertake gap analysis to identify other options for delivering property related savings and efficiencies.

### **Project Scope**

- 4.6 The scope of this project is significant. The Council has registered around 1582 premises (sites) including 102 schools in the Corporate Asset Database. However, as some sites are made up of numerous buildings, there are actually a total of 2144 buildings recorded in the Database.
- 4.7 For the first phase of the property rationalisation project a list of around 380 properties have been identified to be reviewed so that the Board can consider what savings may be generated from rationalisation.
- 4.8 This list includes properties that have been categorised into the following review categories:
- Approvals for disposal
  - Plans in place
  - Current property/service reviews
  - Proposed property/service review

## **Project Exclusions**

- 4.9 The excluded properties comprise of assets such as all the Derby Homes housing stock and garages, sub-stations, cycle paths and certain open spaces that the Council cannot do anything with at the current time.

## **Preferred Project Approach**

- 4.10 The Board considered four options for the project. The option that was agreed combines approaches to achieve savings by undertaking reviews and carrying out disposals of assets and also evaluating and re-engineering the current Property Maintenance processes and procedures. This approach will allow the Board to investigate achieving savings in two ways:
- through a reduction in the overall number of assets required to be maintained; and
  - by investigating if the current arrangements of delivering maintenance are providing the Council with best value and whether costs can be reduced by streamlining workflow to eliminate waste using a Lean Systems approach to process improvement.

## **Project Work Streams**

- 4.11 A number of distinct work streams have defined and set out in the Project Brief. Each work stream will have distinct work packages associated with delivering the key outcomes of the Project. Proposed work streams and work packages are as follows:
- 1. Strategic Approach to Corporate Asset Management**
    - Agree principles of a corporate approach to asset management
    - Review Asset Management Plan and Property Strategy
    - Research best practice in asset management in the public and private sector
    - Agree corporate approach to financial management of property
    - Review and clarify financial rules
    - Procedure for all Service and Property Reviews to come to the Property Rationalisation Board
    - Review of existing operational processes in Estates, Finance, Legal and Property Services including property disposals and invoicing
    - Develop Stakeholder Communication Plan

## **2. Existing Planned Projects**

- Undertake a baseline review of current projects
- Review of project costs, benefits and projected savings in operational revenue eg Leisure Strategy ( including life costing)
- Clarify what existing projects will contribute towards the target property related net savings and what revenue pressures they may cause

## **3. Area and Service based Property Reviews**

- Baseline review of current and historic service reviews
- Review best practice in public and private sector
- Agree process and procedures for undertaking reviews and decision making
- Develop a programme for future reviews
- GIS mapping including partners
- Options appraisal and recommendations

## **4. Implementation of Review and Cabinet recommendations**

- Manage and deliver disposals programme
- Implementation of Review recommendations
- Additional work packages to be agreed

## **5. Full Implementation of Corporate GIS and Asset Management System**

- Population of asset management database
- Clarify inter-dependencies with Asset Management Project
- Development of corporate workflows

## **Project Governance**

4.12 On 20 March 2013 Cabinet approved the following governance arrangements:

- all decisions relating to property and land sales or acquisitions will be made by Cabinet.
- the establishment of a project board, with cross directorate representation, to lead the delivery of the project
- the Chief Executive to be the Senior Responsible Owner of the project and chair of the Project Board
- the introduction of a standard item on the Forward Plan to facilitate swift decision making by Council Cabinet of proposals
- the setting up of task and finish working groups to progress with assessment of property and service requirements, as directed by the Project Board
- the development of a work programme that sets out timelines for property-led and service-led reviews.
- regular updates of progress and emerging proposals with Cabinet Portfolio holders to ensure that political direction is provided at all stages of the project delivery, as part of normal consultation processes that are carried out as part of the standard decision making processes of the Council

### **Project Management Structure**

4.13 The proposed project management structure are as follows:

- A Project Board, with cross directorate representation, will lead the strategic delivery of the Project.
- The Board will meet on a six weekly cycle.
- The Senior Responsible Owner of the project and chair of the Project Board will be the Chief Executive.
- A project working group with task and finish groups will be set up to progress each of the work streams set out in para 4.11.
- A work programme will be developed sets out timelines for the delivery of each work stream including the property-led and service-led reviews.
- The transformation team has set up a project team to manage the work programme and establish and co-ordinate the work of the task and finish groups and set out timelines and plans for property-led and service-led reviews and other work packages as directed by the Board.

## Timescale and Key Milestones

4.14 This is a complex project. Saving targets span a 3 year period and the project will therefore be on-going for at least 3 years.

4.15 The key milestones in the first phase of the project are as follows:

• Establish Project Board	End April 2013
• Cabinet Approval to start initial Disposals Programme	15 May 2013
• Identify what property related savings have already been declared and accounted for in Medium Term Financial Plan	End May 2013
• Complete Baseline Review of Current and Planned Service Review	End May 2013
• Complete Baseline Review of Current Projects	End June 2013
• Review and improve Property Disposals Process	End June 2013
• Agree process and procedures for undertaking reviews and decision making	End July 2013
• Review Asset Management Plan and agree Principles of a Corporate Approach to Asset Management	End August 2013
• Develop a programme for future reviews	End August 2013

## OTHER OPTIONS CONSIDERED

5.1 **Option 1:** 'Doing nothing' is not an option. A 15% reduction in the property service budget is the minimum requirement.

- 5.2 **Option 2:** Simply cutting the budgets by 15%. This option was considered at the Star Chamber meeting for Neighbourhoods in October 2012. It was rejected as it would impact on general repairs and small scale maintenance works – these would be significantly delayed or simply not be carried out. It is also possible that some parts of or full buildings would need to be closed if health and safety work could not be undertaken. This was not considered to be a sustainable approach and it would not deliver the magnitude of saving required.
- 5.3 **Option 3:** To delay putting firm savings proposals in the budget proposals for 2013/14 to 2015/16 for the significant reductions in the number of properties required, until further analysis work and a full investment appraisal has been completed. This option was rejected.

**This report has been approved by the following officers:**

<b>Legal officer</b> <b>Financial officer</b> <b>Human Resources officer</b> <b>Estates/Property officer</b> <b>Service Director(s)</b> <b>Other(s)</b>	Amanda Fletcher  John Sadler Christine Durrant Gordon Stirling Chief Officers Group on 1 May 2013
<b>For more information contact:</b> <b>Background papers:</b> <b>List of appendices:</b>	Sarah Edwards 01332 643442 sarah.edwards@derby.gov.uk None Appendix 1 – Implications



## IMPLICATIONS

### Financial and Value for Money

- 1.1 Over the three year period from April 2013 – March 2016, the approved medium term financial plan (MTFP) includes a reduction in spending on property maintenance of £2.8m from £4.3m to £1.43m. It also include a further revenue saving over three years of £225,000.for facilities management, predominantly linked to cleaning and caretaking costs for the premises the Council occupies.

In order to get the full year effect of the savings in 2015/16, the rationalisation should be complete by April 2015.

### Legal

- 2.1 There will be many legal issues that will arise as this project progresses; support from legal officers will be required at appropriate times.

### Personnel

- 3.1 A reorganisation of responsibilities between the Regeneration Department and the Planning and Facilities Management Department is being carried out to move the Estates Division to from Regeneration to P&FM, to bring together all property related services into one department and to ensure that priority can be given to delivering this project.

### Equalities Impact

- 4.1 There may be equalities impacts to consider as services change the way that they deliver. If service delivery arrangements are changed Equality Impact Assessment will need to be undertaken.

### Health and Safety

- 5.1 Rationalising the properties should ensure that we minimise our health and safety risks within buildings going forward.

### Environmental Sustainability

- 6.1 This project should give us the ability to improve the environmental sustainability of the properties that we decide to retain, predominantly linked to improved energy efficiency.

### Property and Asset Management

- 7.1 Rationalising our land and property assets and improving the management of our

assets are key outcomes of this project.

### **Risk Management**

- 8.1 There are significant risks associated with not achieving the budget saving, if we are not able to deliver the desired reductions in properties.

### **Corporate objectives and priorities for change**

- 9.1 Delivering value for money services and improving our efficiency.