

Property Strategy and Services Review

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Produced for:

Oldham Council Unity Partnership Shareholder Board

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Purpose:

For information

The purpose of this report is to provide the Unity Partnership Shareholder Board with an update on the current work to develop the new Medium-Term Property Strategy (MTPS) and the associated review of Property Services.

The work is taking place in two phases:

- i) Phase 1 focussed on the MTPS and included a review of the progress over the first 12 months of delivery against set targets. The aim of this stage was to challenge whether the targets are still fit for purpose and to determine whether amendments are needed to service work programmes to ensure we accelerate and maximise the use of resources to grasp opportunities for capital receipt and revenue savings.
- ii) Phase 2 of the review will look at processes, procedures and structures to ensure that all property capability and activity across the Council and within Unity Partnership is in alignment with the MTPS and the associated amended targets and programmes of work.

Phase 2 has started and commences with an Information Gathering phase, with the review team meeting a wide range of stakeholders who have involvement in Property including Council and Unity staff. It will also include a review of processes and documentation. Following this phase an options paper will be developed and this will then feed into a report that will make recommendations for consideration.

1 Introduction

- 1.1 On 20 August 2018, a Council Cabinet report highlighted that OMBC has a large and diverse property portfolio which includes land and buildings used to deliver services from; assets held to support development and regeneration; and properties that are held to provide an income stream. The Cabinet report also highlighted that the Council's property portfolio is costly and not overtly aligned to the Council's priorities, and that a significant proportion of the stock held for both operational and non-operational purposes is now aging and dilapidated, management intensive, poorly located, unfit for purpose or difficult to let which impact on, backlog maintenance, the rental return and capital value.
- 1.2 It was recommended that, in alignment with best practice, the Council prepared a Medium-Term Property Strategy (MTPS) that incorporated key factors such as: the general direction its property portfolio will take over the next 5-10 years; the approach to be adopted in getting there; the policies that will be applied to decision making; and how the Strategy should reflect the operational business of the organisation.
- 1.3 The development of the MTPS would also recognise that the Council faces an unprecedented financial challenge as its funding arrangements change and that the property strategy could do more to support the Council's financial situation. In addition, it acknowledged the Central Government's 'One Public Estate' agenda in seeking greater collaboration and cooperation across the public sector property estate with the co-location of services; sharing of resources to deliver financial savings and releasing assets to support residential development as a further Government priority.
- 1.4 Furthermore, the report referenced that a full review of the Council's property portfolio was being undertaken to help ensure that Council assets and accommodation could be utilised to help achieve the significant revenue savings targets from 2019/20. It also stated that the property services provided by the Council and Unity Partnership should be reviewed to ensure that the Property Service capability and capacity is delivered in the most efficient and effective manner aligned to the delivery of the MTPS.
- 1.5 In delivering the MTPS, the following performance targets were set:
- 20% reduction in the number of assets (5% per annum over a four-year period) to the Service Delivery (Direct and Indirect) estate categories.
 - 25% reduction in the number of assets held within the Regeneration estate by December 2018; to be reclassified within the Surplus, Service Delivery, or Income Generation estate categories.
 - 20% increase in the number of assets transferred to community groups through the Co-Operative estate.
 - 2% reduction, per annum, in surplus / vacant - residential ground rent (tenancies)
 - A 25% increase in income (over a four-year period) to rent receivable from the current Income Generation estate.
 - To reconcile and make service charges more transparent, to achieve a 10% improvement to charges.
 - To acquire new income from purchased investments/ assets over a four-year period.
- 1.6 The MTPS also identified that collectively the above targets had the potential to achieve a balanced revenue saving with new income target of £4.5m against the property portfolio by the end of March 2022. The split of this efficiency target is: £0.5m for 2019/20; £2m for 2020/21; and £2m for 2021/22.

2 Report Details

2.1 Background

2.1.1 Following Cabinet approval, a Property Rationalisation Programme (PRP) was established to deliver the efficiency target of £4.5m from the Council's property portfolio as part of the MTPS. The PRPs aim was to review every Council asset and determine whether to keep it, transfer it or sell it, and to inform the basis of retention or sale.

2.1.2 The overall delivery of the PRP and implementation of the MTPS is being overseen by a re-established Corporate Property Board (CPB) which is chaired by the Leader of the Council with its membership including the Cabinet Members for both Finance & Corporate Services and Neighbourhood Services. The purpose of the CPB is to take a corporate approach to the management of property assets owned and used by the Council and is strategically focussed on making the best use of the Council's land and property holdings, within the context of the corporate strategic framework, in particular the MTPS.

2.1.3 CPB met in December 2018 and duly approved a report highlighting the proposed first stage (2019/20) of works to the required £0.5m property efficiency savings. Further disposal programmes will be developed for the subsequent financial years once the work streams associated with some key organisational agenda such as the Town Centre Master Plan, the Accommodation Strategy, the Local Asset Review (LAR), One-Public Estate and the work with the Thriving Communities / Place Based working approach to relocating services have been completed.

2.2 Current position / issues

2.2.1 At the end of financial year (2018/19), and following challenge at a recent PRP meeting, it was evident that the full maintenance liabilities and therefore associated reduction in revenue costs were not being identified and monitored as part of the asset disposal process: i.e. only capital receipt income was being recorded.

2.2.2 Cabinet have recently approved a new Co-operative estate programme (Community Asset Transfers), to assist with streamlining this process.

2.2.3 A review of disposal processes, linked with recent external challenges received, has identified weaknesses in Land and Property systems and processes, which need strengthening, and there is a significant amount of duplication in the system, which needs addressing to remove frustrations and support smarter more efficient use of resources.

2.2.4 We are exploring strategic residential ground rent sales to individual owners. This is over whole assets (estates) rather than on a piece meal basis which is resource heavy and outcome light.

2.2.5 All nine 17/18 service charge reconciliations and invoicing have been completed. The 18/19 service charges are managed and up to date. Budgets are being prepared for the 19/20 service charges. Improvements in process and systems have increased efficiency and transparency in service charge management and improved the ability to successfully recover costs

2.2.6 There is a need to clarify how to have greater transparency and detail on decisions relating to all investment propositions. Opportunities are minimal and therefore we are not maximising the potential to generate new revenue income from a portfolio of investment decisions. This needs exploring further linked with the strategy and service reviews.

2.2 Proposals: Property Strategy and Service Review

- 2.3.1 Shareholders are asked to note the progress to date and the additional work streams which need to be embedded into this programme of work, to ensure collaborative working and to avoid duplicate reporting. CBRE, external property specialists, have been appointed to assist with the property review through the proposed two-phase approach:
- 2.3.2 Phase 1 has challenged and reviewed the strategy, scrutinised the various performance measures and identified issues and concerns linked with the delivery objectives, targets and outcomes.
- 2.3.3 Phase 2 aims to ensure that all capability and resources from all areas within the Council and within Unity Partnership are aligned to maximum effect to drive this priority programme of work. It seeks to remove duplication from systems and processes, to embed smarter targets and service structures to accelerate and mobilise innovative thinking, accelerate efficiency savings and prioritise resources and workstreams.
- 2.3.4 Phase 1 is almost complete following a number of partnership workshops that involved Council and Unity Partnership staff. Systems and processes have been reviewed together with a holistic look at the progress, frustrations and challenges with the current strategy. In summary, as time, knowledge and understanding have progressed, some of the basic underpinning assumptions have changed and therefore this needs reflecting and monitoring with regards to new emerging priorities, timescales for delivery and phasing.
- 2.3.5 Phase 2 of the review has just commenced following the appointment of a new Chief Operating Officer for Unity Partnership, who has experience of service reviews and who can bring fresh ideas for operational models which best suit the strategic priority areas and efficiency savings agenda. This work will build on the SMART 2 work completed with Unity Partnership in 2018 to better facilitate a collaborative and co-operative approach to the delivery of the MTPS: this will help remove duplication and inefficiencies and will help PRP to critically review programmes of work and delivery mechanisms.

3 Finance Comments

- 3.1 The Property Strategy and Service Review has been set up to review the current work programme, issues and structures to ensure maximum effectiveness and utilisation of resources to ensure that the efficiency target of £4.5m is delivered. Without this re-assurance, there are significant implications for the Council and by association to the Unity Partnership as further efficiencies and savings are yet to be confirmed (circa £45m over next two years).
- 3.2 One of the objectives of this strategy and service review is to accelerate and where possible exceed the £4.5m target, to help with the financial sustainability of the Council, while also ensuring effective and efficient management, retention and disposal of the council land and property assets.

4 HR Comments

- 4.1 The Property Strategy and Service Review is likely to make recommendations about changes to structures and work programmes to align resources to the emerging priorities within the overarching programme of work.
- 4.2 White both Council and Unity Partnership services and structures are being considered within this review, all operational models are being considered with the help of external property service specialists, to ensure services are fit for purpose

and configured to ensure work programmes are aligned and deliverable. It is anticipated that there might be some changes to workforce structures and roles as part of this work, however the main priority is to realign services across the partnership with the council and to realign / re-purpose where possible for maximum efficiency, service delivery and effective performance.

5 Legal Comments

- 5.1 Due to the increasing numbers of external challenges to property related decisions, the Property Strategy and Service Review is likely to make recommendations about changes to the Land and Property Protocols, to help embed best practice, protect officers, protect members and protect the reputation of the Council and Unity Partnership.

6 Recommendations / Decision Required

- 6.1 The Shareholder Board is asked to:
- 6.1.1 **note** the two-phased approach being undertaken to review the current property capability and service structures, processes and procedures and associated governance arrangements, which involve Unity Partnership as well as OMBC;
- 6.1.2 **note** the need to facilitate enhanced scrutiny over the disposals and income generating programmes through the refreshed Corporate Property Board, and to ensure that resources, service and systems are suitably equipped to ensure the success of this programme in order to achieve / accelerate the required level of savings identified.
- 6.2 It is envisaged that all this work will be completed within the next 3-4 months and a further report brought back to the Unity Partnership Shareholder Board as well as to Cabinet with recommendations following the review.