

SLOUGH BOROUGH COUNCIL

REPORT TO: Cabinet **DATE:** 14 September 2015

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WARD(S): All

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PART I **KEY DECISION**

ASSET CHALLENGE UPDATE

1. **Purpose of Report**

The purpose of this report is to provide Cabinet with feedback on the ongoing Asset Challenge process and seek approval to deliver efficiency savings via the asset resource to improve the financial resilience of the Council.

2. **Recommendation(s)/Proposed Action**

The Cabinet is resolved to resolve that:

- (a) The progress made to date via the Asset Challenge process be noted and support the review of Council assets to deliver efficiency savings required to meet the requirements of the 5 Year Plan.
- (b) The list of retained operational assets in listed in Appendix One of this report be approved and agree that all other operational assets should remain within the Asset Challenge process, placing the responsibility with service departments to substantiate retention and/or investment in assets.
- (c) The progress made via the introduction of the Corporate Landlord model be noted and agree that when service departments are developing business cases for retained assets, property running and maintenance budgets and any income for use of the asset should be transferred to Facilities Management.
- (d) The implementation principles proposed in section 5.7 be approved and delegate authority to the Strategic Director for Regeneration, Resources and Housing to take forward detailed proposals to ensure these principles are delivered.
- (e) That a follow up report be presented to Cabinet in December 2015, which will include a list of assets for disposal.

3. **The Slough Joint Wellbeing Strategy, the JSNA and the Five Year Plan**

3a. **Slough Joint Wellbeing Strategy Priorities**

The recommendations of the Asset Challenge will help meet the following priorities of the Slough Joint Wellbeing Strategy:

Health – The Asset Challenge will ensure that staff, visitors and residents have access to ‘fit for purpose’ buildings that have had the correct amount of investment and that better meet their wellbeing requirements.

Housing – A number of sites have already been highlighted for residential development and the Asset Challenge will highlight other small/medium/large sites that could make a greater contribution to the Corporate Plan if appropriated for residential use.

Regeneration and Environment – The Asset Challenge aims to highlight buildings that the Council should continue to invest in and those buildings/sites where better potential use could be identified which would allow for future investment. This will contribute to creating an environment where people want to live, work, shop and do business.

3b. Five Year Plan Outcomes

The Asset Challenge process is closely linked to Outcome 7, which seeks to maximise the value of assets. It will ensure that the Council identifies buildings that are: 1) to its benefit to retain and invest in; 2) that potentially should be disposed of or an alternative use for the site identified. These decisions are driven by assets either being not fit for purpose and/or the investment required is too great.

4 Other Implications

a) Financial

The asset challenge is one of the main contributors to Outcome 7 and the planned delivery over the next four years of more focused services (including corporate properties) operating within a much smaller resource envelope.

Outcome 7 has been challenged with achieving up to £5m of savings/additional income over the five year plan and the asset challenge could potentially deliver up to £1.4m of those savings through reducing revenue expenditure.

b) Risk Management

Risk	Mitigating action	Opportunities
Legal – Assets may be encumbered with restrictive covenants and/or other rights in land that may prevent Council disposal or have an adverse effect on land value.	Ensure that Report on Title is commissioned at the earliest opportunity to highlight any encumbrances.	This may highlight encumbrances that can be moved or promote alternative uses for assets.
Finance - Optimism bias in relation to targets and desired outcomes.	Review targets annually	Views on targets and desired outcomes can be sought on a regular basis.
Finance – The savings associated with ‘disposal’ of an asset are already accounted for within a section savings or project business case.	Ensure that asset budgets are transferred to Corporate Landlord rather than held by Council sections.	Section running and project costs are not offset by assets moving from one Council section to another and allows ‘true’ cost to be seen.
Property/Finance – anticipated running cost reductions not realised	Review assets and regard those over exposed on costs as surplus.	Reduces running costs and revenue gap.

Staffing - Failure to understand service department's requirements.	FM and AM will work collaboratively during the Asset Challenge process to develop 'client' briefs.	Other opportunities may come to light regarding greater discussion with sections and staff.
Corporate - Insufficient buy-in from leadership and Section Heads to change approach.	Ensure project is promoted as being critical to success of 5 year plan at CMT and filtered down to all staff. Involve Tier 3 Managers in process to seek wider views on how to make savings.	Greater opportunities/ solutions may be identified through the development of Area Based Strategies.
Human Rights	No risks identified	
Health and Safety	No risks identified	
Employment Issues - Changes to working practices do not change at required speed to deliver reduction in asset base.	Early intervention of CMT/SMT to promote project. Early involvement from HR in relation to contractual issues. Corporate buy-in to support cultural shift. Hold accurate space utilisation information	Promotion of a Council wide approach and buy in for Asset Challenge.
Equalities Issues	No risks identified	
Community Support – The rationalisation of assets may result in dissatisfaction from existing groups.	Early consultation with users and an effective communication plan.	Early consultation and discussion may highlight further asset opportunities and solutions.
Communications	No risks identified	
Community Safety	No risks identified	
Timetable for Delivery – not achieved.	Ensure project is promoted as being critical to success of 5 year plan at CMT and filtered down to all staff. Early involvement in the process of all stakeholders.	To take advantage of favourable borrowing costs to acquire and manage a portfolio of income generating assets.
Governance	No risks identified	
Performance – The reduction on Council assets affects the efficiency and ability of the Council to deliver its services.	Early consultation with service providers with regards location and provision of service.	More efficient, cost effective ways of working identified in more suitable locations.

c) Human Rights Act and Other Legal Implications

There are no Human Rights Act and Other Legal implications as a direct consequence of this report

d) Equalities Impact Assessment

An Equality Impact Assessment is not required as a direct consequence of this report. Once buildings have been formally identified for disposal or relocation of services an EIA may be required at this juncture.

(e) Property

See section 5 below.

(f) Carbon Emissions and Energy Costs

The Asset Challenge will support the following aims of the Carbon Management Plan 2015-2020:

1. **Reducing CO² emissions:** The Asset Challenge will help reduce the Council's CO² emissions by seeking to reduce the number of properties it owns, identifying poor energy performing buildings and identifying those buildings to be retained and would therefore benefit from investment that will help reduce CO² emissions.
2. **Saving Revenue costs on energy consumption:** The Asset Challenge will potentially reduce the number of buildings the Council owns and identify those buildings that are to be retained, but that are poor energy performers and would benefit from investment.
3. **Incorporating the highest possible energy efficiency specification into new non-domestic buildings:** The Asset Challenge will identify a core of properties to be retained so that carbon management and energy efficiency expenditure can be targeted to these. As specified in the SBC core strategy all new non-domestic buildings (including schools) and major refurbishments will be built to a BREEAM excellent or very good standard according to SBC Planning Core Strategy 2006-2026 http://static.slough.gov.uk/downloads/Adopted_Core_Strategy_16-12-08.pdf
4. **Incorporating the highest possible energy efficiency specification into buildings the council plans to lease out** -The Asset Challenge will identify a core of properties to be retained so that carbon management and energy efficiency expenditure can be targeted to these – all existing leased out assets or assets that could be lease out in the future will be built or refurbished where necessary to EPC rating of E or above which will correspond to the proposed changes to the EPC regulations.

5 Supporting Information

- 5.1 Cabinet will be aware of the Council's Medium Term Financial Strategy and the significant pressure facing the Council to reduce costs to respond to the sustained reductions in Central Government Grant i.e. seeking £36m revenue savings over the next 4 years. To date the Council has successfully responded to these financial challenges however it is clear that these will remain significant and will place increased pressure to deliver efficiencies and savings to safeguard service provision. In this context, Council spending on assets needs to be examined in detail to drive out efficiency savings.
- 5.2 The Council has a varied operational property estate, some of which is unsustainable and requires investment or disposal. Historically the estate has been "owned" by service departments with a light facilities management approach. Whilst property costs (utilities, insurance and maintenance) have been financed via the General Fund, these have not been recharged to income generated by service departments that use the buildings – thus the annual net performance of each asset cannot be measured. This approach has resulted in inconsistencies in the way buildings have been managed and unfunded pressure arising when investment is required. It is anticipated that the full implementation of the Corporate Landlord model (with departments transferring building running costs and income to Facilities Management) will substantially improve this position, although the full impact will not be realised until the end of the current financial year.

- 5.3 In approving the existing Asset Management Plan (“AMP”) in 2014, Cabinet noted that the operational portfolio needs to be evaluated against a common set of criteria to provide baseline information to identify the condition and suitability of assets - this is known as the Asset Challenge. The purpose is to challenge perceptions and modernise the way the Council delivers services by:
- Establishing the financial performance of buildings.
 - Transforming cultures and working practices – encouraging shared use of space.
 - Implementing new ways of working, including flexible and home working to reduce the Councils corporate footprint.
 - Highlighting assets that require investment.
 - Reducing carbon emissions.
 - Improving data management and data collection of new and retained assets
- Ultimately the implementation of Asset Challenge will reduce Council’s costs and identify properties that should be retained for use and/or invest in together with those that are surplus to requirement.
- 5.4 Annual revenue spending on operational assets is £3.5m (excluding schools, social rented housing commercial assets, parks, highways infrastructure, leisure and other non operational assets). A revenue savings target of 40% has been set within the 5 Year Plan, which equates to a saving of £1.4m or £350,000 per annum over the next 4 years.
- 5.5 Having undertaken a detailed review of the Council’s existing portfolio of 40 operational sites, it is recommended that the assets listed in Appendix One should be retained. However the existing use of these assets will be reviewed to explore potential to maximise the potential to make better use of space in line with section 5.8 below.
- 5.6 Subject to approval, all other assets will remain within the Asset Challenge process with the emphasis placed on service departments to provide a business case to support the retention and/or investment in the asset. In the event that a credible business case is not put forward for retention, the options the options for future use will be retain for alternative use, redevelop or sell.
- 5.7 The following implementation principles were identified during an Asset Challenge workshop attended by a cross-section of staff in July 2015 which will assist in the delivery of the Asset Challenge process:
- Agile Working – this is essential to deliver change and must be embraced by the whole Council. Moving forward, it is critical that flexible and mobile working is introduced to support the reduced corporate footprint.
 - One Public Estate – An integrated approach to asset management is required with key public sector partners to establish opportunities to share and rationalise assets.
 - Community Hubs – The existing portfolio and use of community facilities should be reviewed with a view to maximising the potential for sharing services, making better use of space to generate additional revenue or creating satellite space to promote remote working.
 - Area Based Strategies – this will involve scoping the range of existing facilities, establish a database of services provided and identify potential to

share facilities.

- Improved Carbon Management – substantial savings can be delivered via the Carbon Management Plan, however investment cannot commence until the retained estate is agreed.

5.8 Ultimately the level of savings achieved will be dependent on the approach that members decide upon. To achieve these savings, a rigorous review of the asset base is required, strong leadership to deliver the transition to a leaner and more efficient operational portfolio and some difficult decision making in relation to the demolition or disposal of existing assets. As part of this review process, full asset condition surveys (Major Inspection) of all corporate properties are in the process of being commissioned, and will be used not only to inform the Asset challenge process, but also to build up a profile of the capital repairs/investment required over the next ten or more years. From this, a long term capital programme of major repairs and investment for the remaining asset base will then be drawn up and presented to Cabinet, and the Capital Strategy Board, for approval and adoption. This survey data and investment/repair profile will also have an important role to play in scoping the nature and quantum of the forthcoming procurement of the repairs and maintenance contract for Corporate properties, and in aiding the Corporate Landlord in carrying out their responsibilities for managing the Council's 'estate'.

6. **Comments of Other Committees**

None

7 **Conclusion**

The Asset Challenge process is a key work stream within the AMP and is directly linked to several outcomes within the 5 Year Plan, with particular emphasis on outcome 7.

If embraced, it will reduce the Council's operating costs and provide scope to invest in the retained estate to ensure that the Council has an energy efficient portfolio that makes best use of space and maximises revenue. It consequently has several interdependencies including the introduction of mobile and flexible working, alternative delivery models and corporate buy-in to share assets.

8. **Background Papers**

None

9. **Appendix**

1. List of retained assets (Part II, contains exempt information)