Agenda Item No. 10

SHARING BUILDINGS AND POOLING ASSETS - UPDATE

To:	**Cabinet**
Date:	**25th October 2011**
From:	**Alex Plant, Executive Director: Environment Services and Nick Dawe, LGSS Director: Finance, Property and Performance.**
Electoral division(s):	**All**
Forward Plan ref:	**Not applicable** *Key decision:* **No**
Purpose:	**To update Cabinet on progress associated with the 16th November 2010 report to Cabinet titled - Sharing Buildings and Pooling Assets In Support of Localism, Growth, Partnership Working and Efficiency and to seek agreement to the following recommendations.**
Recommendation:	**That Cabinet:**

a. reaffirms its support for this work, and for the principle of sharing buildings and pooling estate to reduce the size and cost of the overall public sector estate, and to enhance services for the benefit of the people of Cambridgeshire.

b. Agrees that the County Council works within the current Making Assets Count (MAC) arrangements, whilst looking to move to a more formal structure (i.e. a partnership arrangement similar to that deployed for the creation of Cambridgeshire Horizons) in around 18 months, or sooner if feasible, subject to a future Cabinet decision.

c. Agrees that the assets listed in paragraph 3.12 should be excluded from the MAC arrangements.

d. Agrees that Local Government Shared Services (LGSS) should be the primary provider of property services for the MAC partnership

e. Agrees the progression of the following projects to Full Business Case including the use of resources required:

- **South Cambridgeshire Operations Centre Project**
- **Ely Project**
- **Huntingdon Project**
- **Cambourne Project**

f. Is asked to note that the Authority's particular interest in the projects shown at (e) and additional projects and asset disposals undertaken under the Better Utilisation of Property Assets banner will form part of the 2012/13 Integrated Plan.

Recommendation:

g. Agrees to adopt the Asset Management Strategy which provides the flexibility to consider benefits (financial and non-financial) on a project-by-project basis while the strategic partnership (MAC Programme Board) oversees the programme.

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1. BACKGROUND

1.1 The Making Assets Count (MAC) Project has developed an environment in which sharing information and decision making on property assets can take place. This work is reaching a stage where some key decisions will be required from all partners on the future form of the partnership and how they wish to commit to delivering through the preferred option.

The primary consideration is whether the value of the joint activity brings sufficient benefits for any individual partner to play a part. The Making Asset Count Project has identified a number of potential opportunities/benefits that can be realised over and above those already planned through the Authority's own Better Utilisation of Property Asset Programme, through a pooled approach to public sector asset management and use. These can be summarised as:

- rationalising/consolidating the combined property estate,
- better utilisation of existing property assets to deliver savings in revenue costs and for better use by the public sector,
- a far more effective way of managing the estate through a joint property function,
- better use of the emerging, new property estate,
- maximisation of returns from revenue generating activities,
- realising synergies that are currently missed,
- greening the residual estate;
- using publicly-owned assets to draw in significant levels of investment, e.g. to meet wider policy goals around growth and regeneration, and
- sharing of premises opening up new possibilities for delivering a more joined-up approach to service delivery to citizens and responding to the localism agenda.

The above should lead to:

- financial returns (both capital and revenue) over the medium-long term for each partner and the group as a whole above current achievable, and
- tangible community benefits.

1.2 The MAC partners will want to consider the options available to the partnership. The aim should be to retain all or as many as possible of the partners through the option selected, although a “coalition of the willing” could be formed with a smaller number of partners. Cabinet/senior board decisions from those organisations would be needed to allow a more structured arrangement to be put in place.

1.3 The form of the partnership could theoretically allow for transfer of assets from the partners to a newly formed body. This could take the form of a public sector property company. The term 'PropCo' is used to define a potential future format of partnership and assumes a more structured approach than the current informal operating arrangements. The partners have assumed that a PropCo would be formed of public sector partners only and that private sector investment would be on a need only basis in respect of specific projects. It would have a legal structure e.g. a Limited Liability Partnership, and operate essentially autonomously, although assets would likely remain on the registers of the individual partners. Following a report on the outline benefits of a PropCo we have worked up options on the possible form of a legal structure with the help of a seconded local lawyer.

2. MAIN ISSUES

2.1 Through this paper, the main issues relating to the following are considered:

- Benefits of a partnership including the balance between financial benefits and other priorities.
- Possible forms of partnership including governance arrangements.
- Resourcing the partnership including the relationship between the partnership and LGSS.

2.2 As a potential partner, if the County Council accepts that the benefits are of sufficient value above and beyond the current activities, then there is logic in being part of the partnership.

2.3 Experience has shown that acting collectively on these issues brings benefits to the organisations involved. LGSS is founded on the principle and is one of a number of examples of public sector organisations collaborating to realise the value of a larger collective. Whichever form of partnership is preferred, benefits would be realised to some degree.

2.4 A public property partnership could work in one of 3 ways:

1. As a strategic partner group, with projects brought forward as the focus of operational activity. These projects would be led by the organisations involved and overseen by the partnership. This is the recently created MAC Programme.

2. As a strategic body, set-up similarly to Cambridgeshire Horizons, considering the best use of public sector assets but leaving ultimate decision-making and operational delivery to individual partner organisations.

3. Carrying out both strategic and operational functions as a single, independent body (PropCo). The operational functions would include management of facilities as well as improving use.

2.5 It is recognised that the extent to which change could be delivered is affected by the choice of model. Best intelligence and previous experience suggests that the first option would be likely to see moderately paced progress towards improvement but with some valuable projects likely to be missed in the absence of more formal arrangements. The third option would codify a new way of working and could yield biggest benefits but is likely to prove challenging to achieve without taking a smaller step to the second option. That option is to create a single organisation, similar to Cambridgeshire Horizons, which takes responsibility for setting strategic direction and assesses projects designed to rationalise and improve the portfolio and working with a delivery level organisation made up from individuals brought together for specific projects including LGSS property professionals.

2.6 This would not preclude investigation into a later move to a PropCo. The current arrangements i.e. the MAC Programme Board is focussing on developing propositions that return capital and revenue to the partners and deliver service improvements. Further changes may be beneficial and if this can be evidenced, future moves towards a strategic body and then PropCo may be desirable stems from this analysis.

2.7 The preference of partnership leads to a further consideration of whether it should be:

a. A collective - partners have equal say (one member, one vote), or
b. Upper tier authority leading the partnership (as most substantial asset holder).

A case can be made for the latter option above, and the use of leverage is considered in 2.5 and has a bearing on the decision. In addition, it is worth taking account of previous partnerships involving the organisations concerned e.g. Cambridgeshire Horizons, and considering the level to which success or otherwise could be attributed to the form of the partnership. The swaying factors are the extent to which the risk is shared and the preference of the partners for each form of partnership and the value that those partners represent. On balance therefore, this leads to partners having an equal say (A “one member one vote” approach) as the recommended option, as is the case now within the MAC arrangements.

2.8 The future activity of the partnership offers opportunities to meet a range of different corporate objectives. The following are examples:

1. Housing growth and availability: producing sites for development.
2. Community cohesion/Localism: provision of sites as community hubs.
3. Environment and sustainability: improving the operational estate.

An Asset Management Strategy has been written to take account of all partner priorities. Consideration should be given to where the emphasis should be placed as projects are brought forward and this in turn in part informs the likely assets to be in the scope of the partnership. For example, it might be decided that a property had a use as a community hub and this met the Council’s strategic objectives regarding Localism. The value of this property might be foregone to the benefit of the community. There are current arrangements for recognising this type of benefit e.g. cabinet consideration of 'less than best' values, and these would be retained by the Council (and individually by the partners).

2.9 With CCC organisational priorities in mind and keeping with a collaborative approach, some consideration of what goes in or stays out with the partnership is required. If it is understood that particular types or groups of assets might usefully be used to meet goals e.g. early capital receipts, meeting specifically CCC agendas, then the relevant and identified assets should be held back from the partnership.

2.10 The opportunities that exist in partnering on the operational estate, in particular the sharing of reasonably generic office space are clear. There are significant opportunities for wider service delivery from the schools estate for example, although the changes to the arrangements for secondary school management may make this a different nature of partnership than through the core MAC process. The same is true for elements of central Government estate, although we remain in conversation with colleagues in Whitehall on these issues through our work as one of the first round of Pathfinder areas as part of the Total Capital and Assets Programme under the leadership of Baroness Hanham, Parliamentary Under Secretary of State at the Department for Communities and Local Government.

2.11 It is suggested that the following assets/groups of assets be held back from the partnership:

1. The Farms Estate. There are two ways in which to consider its value in relation to the partnership. If the farms estate continues to meet corporate priorities, there would seem little reason to dilute the ability to do so through including this group of assets in the partnership. If the estate does not meet priorities, then the entire value could be realised by the County Council through a sale without involving the partnership. In either case, including this asset group in the partnership would, at best, add no value from a CCC standpoint. The flexibility that this group of assets offers CCC would be lost or diluted if they were added to the partnership.

2. The Shire Hall Campus. Occupation of the Shire Hall site has been discussed at Cabinet previously and a move away could provide leverage for example to kick-start or act as an anchor tenant for Northstowe. The council will wish to retain this leverage.

3. Properties already identified for disposal. The involvement of a partnership with the assets already identified by the council for disposal would not add value. Partners may declare an interest in any such property without the need to include it in the partnership. While such properties are currently identified, the exact list may change.

2.12 It is likely that partners will take a similar approach with their investment estate and any operational estate which has similar benefits to their organisation. The main benefits here are through alignment of operational estate.

2.13 For clarification, a full list of the assets proposed to be considered by the partnership will be produced for future meetings. In outline these will be only operational assets, with the exclusions outlined in 2.12. The assets to be included are:

1. Offices (other than the Shire Hall campus).
2. Libraries.
3. Children's Centres.
4. Youth Centres.
5. Highways Depots.
6. Registration Offices.
7. Training and Education facilities (non-school)
8. Other operational assets to be agreed.

2.14 To summarise the early form of the partnership, a strategic partner group would oversee the property portfolio. This body would be made-up of selected employees from each partner organisation. Projects would be proposed by and to the board with a view to rationalising the partner's estate as a whole and returning revenue savings and capital, while meeting wider partner objectives. These projects would draw on existing LGSS resources (which would also be required at the strategic level). The strategic partner group would work on a 'one member, one vote' principle while projects would be considered on a 'share in = share out' basis. As well as the project work to make improvements to the use of the partners' property portfolio, the partnership would investigate the value of a move to a Horizons-type model and consideration of a further move to PropCo.

2.15 The County Council resources concerned are part of LGSS and include property, legal, financial and other professional services. It has been shown that opportunities exist that have the potential to save money for the partners in the partnership and many of these can be associated with activities of professionals e.g. by consolidating Facilities Management activity, joint-procurement exercises, identifying best-value contracts, etc.

2.16 In considering the form and function of the partnership, Cambridgeshire County Council has to reflect the LGSS offering, in particular the inclusion within LGSS of property related functions. There is a distinction to be made between the pooling of assets and the pooling of management and support. The latter is currently delivered for MAC almost entirely by LGSS using CCC based property professionals. Any form of partnership should see LGSS and any employed grouping of property professionals as the main source of property expertise. Partners do have some property professionals. The consolidation of these property professionals into a single unit within LGSS would have merit as propositions were moved forward and partners may wish to consider this.

2.17 During May and June, district-level Making Assets Count workshops were held. These led to a number of potential projects which could produce capital receipts, make significant savings and deliver service improvements. While work is required to demonstrate the value in some cases, the following already appear to have considerable potential benefits:

1. South Cambridgeshire Operations Depot Project.
2. Ely Project.
3. Huntingdon Project.
4. Cambourne Project.

It is recommended that the partnership work towards Full Business Cases for each to identify the value. Others may demonstrate value at Outline Business Case stage and these will also be brought forward for consideration. The MAC

Programme Board will be responsible for determining the value of propositions and sequencing accordingly.

It should be noted that the Authority is already committed to the principle of locality hubs as part of the Better Utilisation of Property Assets Programme which contained plans for the rationalisation and sharing of facilities in all market towns and other locations by agreement.

2.18 Projects in progress will continue eg. The current Fenland Project and its successor, which has begun to look at the benefits of using the whole public sector estate in the town to provide economic regeneration. The CCC project on Community Hubs is also contributing to the MAC approach. Other initiatives eg. On flexible working and sharing office space will also be part of the solutions.

2.19 is expected that the delivery of the work of the partnership will be seen by the public to:

1. Provide better value for money.
2. Produce easier to access services, more joined-up and delivered together.
3. Be consultative and reflect community requirements.

3. ALIGNMENT WITH PRIORITIES AND WAYS OF WORKING

The work of the MAC partnership will reflect all 3 Corporate Priorities through producing a pan-public sector estate better able to provide spaces to meet the priorities at lower cost. The Ways of Working are reflected through clear commitment to provide services in the right way and particularly to working in partnership

3.1 Supporting and protecting vulnerable people when they need it most

The following bullet points set out details of implications identified by officers:

- Through consideration of the whole public sector estate, opportunities to make best use of the buildings which have easiest access for residents will be realised.
- Co-location of partner and voluntary sector services will present opportunities to deliver a more joined-up service in single locations.

The report above sets out the implications for this priority in paragraphs 1.1, 2.8, 2.9, 2.18 and 2.19.

3.2 Helping people lives healthy and independent lives in their communities

The following bullet points set out details of implications identified by officers:

- Through the provision of Community Hubs.
- Through co-location of services which support people to live healthy and independent lives and in so doing allowing greater joining-up of services.

The report above sets out the implications for this priority in paragraphs 1.1, 2.8, 2.9, 2.18 and 2.19.

3.3 Developing the local economy for the benefit of all

The following bullet points set out details of implications identified by officers:

- Through the activity of MAC, public sector property will be brought forward for development including via Local Asset Backed Vehicles.
- Opportunities to generate marriage values of sites will be taken, producing sites with greater value to the local economy.

The report above sets out the implications for this priority in paragraphs 1.1, 2.8, 2.9, 2.17, 2.18 and 2.19.

3.4 Ways of Working

The report above sets out the implications for ***being a genuinely local council*** in paragraphs 1.1 and 2.19.

The report above sets out the implications for ***making sure the right service are provided in the right way*** in all paragraphs.

The report above sets out the implications for ***working together*** in all paragraphs.

4. SIGNIFICANT IMPLICATIONS

4.1 Resource and Performance Implications

There are significant implications financially. There is an opportunity to increase capital receipts and reduce revenue costs for the Council subject to confirmation through Business Cases. See report text for details.

There are significant implications to the management, use and Facilities Management support of CCC properties. See report text for details.

4.2 Statutory, Risk and Legal Implications

There are no significant implications for any of the prompt questions within this category”

4.3 Equality and Diversity Implications

There are no significant implications for any of the prompt questions within this category”

4.4 Engagement and Consultation

. There are significant implications to partnership working. The work of MAC and a future PropCo has and will bring partners together to manage assets and create new opportunities for partnerships through greater property sharing.

Source Documents	**Location**
None	