

**SHARING BUILDINGS AND POOLING ASSETS
IN SUPPORT OF LOCALISM, GROWTH, PARTNERSHIP WORKING AND
EFFICIENCY**

To: **Cabinet**

Date: **16th November 2010**

From: **LGSS Director of Finance**

Electoral division(s): **All**

Forward Plan ref: **Not applicable** *Key decision:* **No**

Purpose: **To update Cabinet on the progress of the Making Assets Count Project and to seek continued commitment to the project.**

Recommendation: **Members are asked to:**

- a) Reconfirm their support to the local Making Assets Count Project which is now a national Total Capital and Asset Pathfinder.**
- b) Indicate the additional benefits the authority would want to gain through formally sharing and pooling public assets within the County of Cambridgeshire.**
- c) Comment on how supporting this project may further effective partnership working in other areas of activity.**

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1. BACKGROUND

- 1.1 Since the economic downturn began in 2008, all sectors have been required to re-think income expectations and expenditure commitments. The Comprehensive Spending Review has confirmed that the public sector will take a significant cut in revenue and capital funding over the next four years.
- 1.2 Careful asset management including disposals, using lease break clauses, maximisation of facilities in use, minimisation of expenditure on facilities in use, etc will form part of the solution to minimise the impact of reduced income. Sharing facilities with other public sector partners also has the potential to lessen the impact of the cuts for both Cambridgeshire County Council (CCC) and the wider Cambridgeshire public sector and critically for the residents of Cambridgeshire. In short, the Making Assets Count Project (MAC) project provides opportunities for saving money and generating returns from public assets which would allow us to protect public services in a period of austerity: “sweat assets – save services”.
- 1.3 CCC has an advanced approach to asset management which has been recognised through Beacon Status and numerous requests from other authorities around the country to share knowledge and expertise. With a joined-up approach to the asset portfolios of all Cambridgeshire public sector partners, all can benefit; partners from our experience and everyone, including CCC, from the opportunities brought by a larger view of and holistic approach to the public sector portfolio.

2. MAIN ISSUES

- 2.1 Over recent months, the MAC project has explored several options that could be used to deliver a partnership environment for the management and use of property assets. Broadly, the two headline options are:
 - a) The creation of a more formal vehicle which manages assets on behalf of the collective and is charged with achieving the best possible outcomes from the partners’ combined portfolios, or;
 - b) A less formal option where assets remain with partners but can be drawn into specific projects where they form part of the solution.

In either model, external investment may help in certain circumstances.

- 2.2 Option a) would mean that the principle of treating assets as a common resource would be established across the board, so that all potential opportunities for saving money or generating better returns would be considered as a matter of course. This option should in theory open up the largest number of options in relation to shared services from a shared estate. Single Asset Management Plans and shared service solutions would be developed within the vehicle. This option could deliver the most favourable financial outcome over time. However, there could be tax issues that would need to be overcome – if such an approach were to trigger Stamp Duty or VAT (we are in discussion with Government to establish whether there is a way through this potential barrier). This option may also be a more difficult option to sell politically, as partners would be diluting their sovereignty over their assets. The management of the work within the vehicle would be split into a Strategic level and an Operational level - as is the case with Option b.

- 2.3 Option b) avoids the potential legal and fiscal issues and would again be structured (as in option a) as a 2-tiered model. The Strategic level would be charged with setting a strategy for the entire portfolio (i.e. a Single Asset Management Plan), linking with partners' service delivery requirements, corporate policies, aspirations as well as generating a good capital and revenue return. An Operational level would develop propositions into projects in line with the priorities set by the strategic level. Projects could be either Geographic or Thematic in nature.
- 2.4 Considerable benefits are expected from either approach although option a) offers the potential for the most benefits if the tax issues could be overcome. These include a smaller operational estate through rationalisation, more consolidated use of the remaining operational estate, greater income opportunities than from individually managed estates and drawing in significant levels of investment to help meet objectives on growth, regeneration and carbon reduction. Change points created will also provide opportunities for cross-partner service redesign and modernisation, linked to benefits for service users.
- 2.5 The need for change in approach from local authorities and other public sector partners is apparent and has led to other initiatives which are linked to the Making Assets Count project. The recent creation of Local Government Shared Services (LGSS) in partnership with Northamptonshire County Council included the County Council's property management function. A Local Economic Partnership (LEP) is under discussion and the links to the growth and regeneration ambitions of the MAC project are becoming clearer. Moving to a shared asset system on the lines of a) or b) above could be part of or sit alongside the LEP.
- 2.6 As indicated, the authority has a substantial amount of expertise in asset management. This has led to this authority providing the lion's share of resources to support MAC. Without this involvement, the project would not be moving forward with pace, if at all, and none of the partners including CCC would be in a position to realise the benefits. CCC interests match and in some cases exceed those of partners in many ways and include development options e.g. in Cambourne and Northstowe, schools, business incubators, and many potential joint projects whether geographic or thematic in nature.
- 2.7 Making Assets Count was created as one of the Making Cambridgeshire Count Projects. At this time officers from all five districts, Police, Health and Fire and Rescue are involved at some level. Alex Plant from Cambridgeshire Horizons is Project Sponsor, along with Chief Fire Officer Graham Stagg. The Board includes representatives from the Primary Care Trust, CCC, Cambridge City Council, Fenland District Council, GoEast, East of England Development Agency, Homes and Communities Agency and the Regional Improvement and Efficiency Partnership. Huntingdonshire, East Cambridgeshire and South Cambridgeshire District Councils are in touch with the project, supplying data and receiving updates. Because of our status as one of 11 Total Capital and Assets Pathfinders, we are working closely with central government and attending meetings of the other Pathfinders, chaired by Communities and Local Government (CLG) Minister Baroness Hanham. Through this, the possibility of the civil estate in Cambridgeshire forming part of the MAC project is being explored. As propositions are being provisionally identified, other partners are being contacted. The table below shows the potential value of the

<u>£ millions</u>		<u>County</u>	<u>City</u>	<u>ECDC</u>	<u>FDC</u>	<u>HDC</u>	<u>SCDC</u>	<u>Fire¹</u>	<u>Police¹</u>	<u>PCTs</u>	<u>TOTAL</u>
Operational	Community	0.08	0.67	0.44	1.50	1.40	0	0	0	0	4.09
	Other land and buildings	257.00	91.00	12.40	21.10	33.20	18.50	18.20	30.30	45.80	527.50
	Total operational	257.08	91.67	12.84	22.60	34.60	18.50	18.20	30.30	45.80	531.59
Non-operational	Surplus (held for disposal)	15.47	6.30	0.54	6.40	0.24	12.90	0	0	0	41.85
	Investment properties	0	89.00	0.46	0	17.00	0	0	0	0	106.46
	Properties under construction	230.00	0.47	0.02	0.60	1.00	0	0	8.70	0	240.79
	Total non-operational	245.47	95.77	1.02	7.00	18.24	12.90	0	8.70	0	389.10
Overall Total		502.55	187.44	13.86	29.60	52.84	31.40	18.20	39.00	45.80	920.69
	No. Freehold assets	237	1,933	183	653	193	6	34	33		3,272
	Other assets measured in Hectares	13,656	226	0	64 ²	0	6	0	0		13952
<u>£ thousands</u>		<u>County</u>	<u>City</u>	<u>ECDC</u>	<u>FDC</u>	<u>HDC</u>	<u>SCDC</u>	<u>Fire¹</u>	<u>Police¹</u>	<u>PCTs</u>	<u>TOTAL</u>
Lease costs		2007			124		0	30	205	3107	5473

assets of the key partners (this does not include schools and council owned dwellings):

¹ Authorities covering wider geographic areas i.e. including Peterborough. Split of values not currently available.

² FDC also have 800 meters of port moorings

The table excludes housing stock. Excludes Government Estate. taken from 2009/2010 Statement of Accounts as at 10/8/2010 (all marked as draft or unaudited) and represents book value at the time- **liable to change**. The table above is not exhaustive and will need review.

2.8 As an example of the benefits that may be brought by this approach, in 2009, a project to construct a new public service centre for Wisbech was approved by Cabinet. This project will provide jobs and other regenerative benefits for a town with continually high deprivation indices scores. MAC has taken this project forward and is considering the added value presented by considering the provision of all local public services (and potentially drawing in some elements of current Government assets/services) in the town together. This has the potential to reduce costs and maximise shared service benefits.

2.9 In addition, the County's highways team have identified the need to relocate their Whittlesford depot for space and access reasons. Traditionally this would have been viewed as a sale and re-provision project for CCC. Through MAC, other partners have identified that similar facilities are required for their vehicles and the emerging project is for a single centre providing the facilities once, including for

example vehicle washing, mess facilities, security, etc. This has the potential to reduce cost and explore options for service redesign.

- 2.10 Through these and other propositions, the ability to meet overarching policy priorities e.g. inequality, growth, etc, linked back to the Integrated Plan is apparent. It will be imperative that CCC continues to work in partnership to plan at a strategic level with partners. While it is hoped that all potential partners will wish to be involved in both generating and receiving the benefits, this new way of working will only succeed if it is a coalition of the willing.
- 2.11 The potential for change through either of the proposed pooling approaches is great. The pace at which the change is realised would be limited by the decision-making responsibilities of the Strategic Group. Each partner should consider the pros of devolving decision making (e.g. Projects and therefore benefits delivered more quickly) against the cons (e.g. less direct control). Cambridgeshire Horizons is an example of a similar approach in relation to growth issues. In a pooled environment, the role of the Better Utilisation of Property Assets Programme would change to reflect the new way of working and should mitigate some of the sovereignty concerns for CCC.
- 2.12 Looking forward to the formation of any partnership, CCC would likely initially provide the majority of resources to put into the venture (including the assets themselves) and also the technical specialists including those in LGSS.
- 2.13 The value of assets provided by each partner could be used to determine the level of influence (i.e. shareholding) in the venture at the Strategic level, e.g. on the basis of a pro-rata level of influence in relation to the value of assets included on entry against the overall value of assets held. It is likely though that this could discourage a number of partners with smaller interests and this in turn would impact on the ability to generate the optimum level of benefits for remaining partners. Therefore at the Strategic level, a 1 member 1 vote approach would seem to offer the best chance of success.
- 2.14 Having established that 1 member 1 vote optimises partner involvement in setting strategy and making the high-level decisions, propositions would then be considered on a case-by-case basis. At the Operational level the investment made by each partner ie value of assets and potentially capital investment brought to the proposition would determine stake and therefore share. In addition, stakeholders may provide revenue, or look for revenue returns on their investment as part of a proposition. Capital or revenue investment or returns could be enhanced by the addition of private sector partners. So, in summary, just like in a private company, dividends would be paid according to level of shareholding, but decisions on the Board of any vehicle would be One Member One Vote.
- 2.15 In some cases, especially under option b), CCC may either not be a stakeholder at all or would be a minority stakeholder.
- 2.16 In all dealings of the vehicle it would be expected that CCC and partners' legal duties (for example true and fair value and discounting including Quirk) would continue to be applied.

- 2.17 In summary, at the Operational level, individual propositions will have to meet the objectives and requirements set by the Strategic level and have business cases that successfully balance individual partners' corporate aims with desired cost/returns.
- 2.18 It should be noted that the Cambridgeshire MAC project is a Total Capital and Asset Pathfinder (TCAP), and we are working closely with the department for Communities and Local Government (CLG) to develop the MAC approach into a successful way of managing capital and assets across multiple organisations. This includes getting help from Government in considering whether some of the tax and legal issues around option a) may be surmountable.
- 2.19 Through the TCAP, CCC and partners are considering what was originally the Better Utilisation of Property Assets (BUPA) Wisbech project, with pro-bono input from the Commission for Architecture and the Built Environment (CABE), the Homes and Communities Agency (HCA), CLG and others. This is one of 6 pilot projects under TCAP to demonstrate the value of a new shared approach. With significant resources now being applied to this scheme it has the potential to enhance the benefit of the project to the area including increasing the regenerative value of the project, reducing costs to the public sector as a whole, and opening up new possibilities for coordinated service delivery with consequential benefits to Wisbech residents, and those visiting or working in the town.

3. KEY ISSUES TO CONSIDER

- 3.1 The following section suggests key issues that Cabinet may wish to consider when confirming its support for this innovative programme with its strong focus on localism, partnership working and delivering efficiency.

3.2 Extent of asset pooling

The Authority may wish to pool all or some assets. The driver should probably be to pool as many assets as possible as this increases the scope for sharing, financial leverage and the generation of options. However at this point council housing stock is not included and investment estate may or may not be included. If the Authority was to exclude some other assets from the pooling arrangement this would probably be the farmland. This is because the farmland is removed from operational considerations, fulfils different economic and environmental strategies and in a revenue and capital sense provides income that the authority spends on a multiplicity of purposes. The view may be that if other parties are willing to pool all assets, including housing stock and investment estate then the Authority would be willing to pool all its estate also.

3.3 Method of pooling

As the report suggests, asset pooling can be delivered in a variety of ways. These options and the merits of the approaches are still under discussion. Probably the key issue to consider is whether the pooling arrangement should work on the basis of one organisation one vote or on the basis of votes being weighted to the open book value of assets pooled (which would favour the Government, County and City). If pooling and associated risk and profit sharing is based on equal shares then this should support more open partnership working, although it may create issues

for the larger authorities who would need to forgo some of the revenue and capital return on the estate that supports current budgets and plans.

3.4 Impact on other strategies and programmes

The asset pooling initiative has implications for a significant number of the Authorities programmes and plans. To illustrate, the £2m net income from farm tenancies supports the overall budget of the Authority. Asset sales support the Authority's school building, general building and IT investment programmes. There is also a significant overlap between this initiative and emerging views on Local Economic Partnerships. In addition the professional and technical support to the asset pooling initiative comes mainly from the Authority and employees that are in the Local Government Shared Service Combine. The overlaps illustrated above are a mix of challenges and opportunities, however these overlaps will need to be addressed as the asset pooling programme is taken forward. But, critically, asset pooling should usually increase revenues and reduce costs for all participants and open up wider possibilities for rationalisation of the overall public estate.

3.5 Asset pooling as a catalyst for further partnership working

Particularly if the Authority's preference is for the broad and simple pooling of assets it may be logical to set this concession in the framework of progressing partnership working in other areas. These other areas would need to be agreed between the partners but could include for example; corporate and back office services and services orientated towards place.

4. SIGNIFICANT IMPLICATIONS

4.1 Resources and Performance

- Early targets set in the MAC Project Initiation Document envisage savings in the operational estate of 20%. Rationalising of the estate and greater sharing with partners through joint management of the asset portfolio could lead to even greater levels of savings.
- Activity to optimise the return from the broader multi-partner asset base has potential to yield greater returns, for example through combining proposed development sites.
- Shared building support functions would also lead to operational savings.
- The activity of the asset management group would be expected to bring forward land for development leading to future returns from new tax-payers on top of capital receipts, leading in turn to enhanced values of other freehold assets. This would also help to meet the stated objective of encouraging sustainable growth in Cambridgeshire.

4.2 Statutory Requirements and Partnership Working

- There is a significant implication to Partnership Working – the MAC project has the potential to provide the environment for considering asset management as a single public sector group, which in turn could drive more efficient shared service solutions across that single public sector group.

4.3 **Climate Change** (Includes any climate change, greenhouse gas emissions and environment implications and where significant, they are set out below)

- It is expected that 'greening the estate' would be a key objective of the work of the asset management group.

4.4 **Access and Inclusion** (*includes inclusion, crime and disorder, the voluntary Sector, equality and diversity and transport implication and where significant, they are set out below*)

- It is expected that Access and Inclusion would be a key objective of the work of the asset management group.

4.5 **Engagement and Consultation** (*includes community engagement and public consultation and where significant, they are set out below*)

- It is expected that community consultation would form a key part of each proposition and the Strategic level objective setting process.

Source Documents	Location
Making Assets Count Project Initiation Document	Room 320, Shire Hall, Cambridge