

Report of Director City Development

Report to Executive Board

Date: 17th July 2013

Subject: Using our assets effectively to support the delivery of the Council's Business Plan and Financial Strategy.

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

- 1 Members of Executive board will be aware of the significant financial pressures facing the Council and other public sector partners in the City. To date the Council has successfully responded to the financial challenges and reductions in government grant which followed the Government's 2010 Spending Review. It is clear that the financial challenge going forward will remain significant, with our indicative settlement for 2014/15 being a further reduction in government support of £32.5m. There is a report elsewhere on this agenda dealing with the recent announcement of the Government's Spending Review for 2015/16 which further confirms the need to continue to identify and deliver savings.
- 2 In this context, Council spending on assets needs to be examined in detail in order to drive out efficiency savings. Annual revenue expenditure on assets is £41m (excluding schools and social housing) and is the most significant area of expenditure after staffing, supplies and services. Since 2010, the Council has reduced its spending on accommodation costs by £6.2m. In addition to reduced revenue spend, efficiencies have also be achieved through realising capital receipts from the sale of assets, avoiding backlog maintenance and through better use of existing assets.
- 3 Whilst recognising the progress that has been made, it is proposed that concerted review of our asset portfolio is needed. Reducing the Council's asset base will require detailed consideration and evaluation, including effort to limit the impact on front line service delivery, and at a locality level with ward members. In addition innovative thinking, partnership working, strong leadership and some difficult decisions will need

to be made e.g. in relation to the demolition of some surplus properties if we are to deliver the scale of efficiencies needed.

- 4 Ultimately, the level of savings achieved will be dependent on the approach that Members decide upon. In order to support this, a clear strategic asset management plan and sound organisational arrangements are required.

Recommendations

Executive Board is recommended to:

- i) support the work to review Council assets and deliver efficiencies in line with the Council's budget strategy and Best Council Plan including the proposals for detailed Ward Member involvement;
- ii) support in principle the proposed organisational arrangements for the management of assets between City Development and Strategy & Resources, subject to Trade Union and Staff consultation;
- iii) adopts the good asset management principles set out in this report and asks the Director of City Development to take forward detailed proposals to ensure that these principles are embedded into future asset management planning;
- iv) agree to develop a new asset management plan in line with the period of the Best Council Plan and the Budget Strategy to 2017; to be reported to a future Executive Board.

1 Purpose of this report

- 1.1 This report provides Executive Board with information about the current review of Council assets which is designed to ensure that, in a time of significant financial challenge, we use our assets as effectively as possible. The Council's asset resource is an area where there are opportunities to achieve reductions, while aiming to protect and potentially improve the service to our customers.

2. Background information

- 2.1 To date the Council has successfully responded to the financial challenges and reductions in government grant following the Government's 2010 Spending Review. Taking account of the grant reductions and unavoidable spending pressures, for the three year period to the 31st March 2014, the Council has had to make reductions in the order of £200m. Over the same period, the cost of the Council's accommodation has reduced by £6.2m, although this is partly offset by an increase of £1.8m in business rates due to revaluations. It is clear that the financial challenge going forward will remain significant, with our indicative settlement for 2014/15 being a further reduction in government support of £32.5m, and there is a report elsewhere on this agenda dealing with the recent announcement of the Government's Spending Review for 2015/16.

- 2.2 Leeds City Council is the largest owner of land and property in Leeds, with land holdings extending to 9,700 hectares and representing approximately 13% of the entire metropolitan district. The Council's large property portfolio covers over 2,000 organisational units (excluding schools and council housing) includes more than 300 core operational properties which rang in scale from the new arena, sports centres and city centre offices, to local branch libraries and , community centres.
- 2.3 The strategic importance of asset management was identified as long ago as 2000 (Audit Commission 'Hot Property') and the 2004 Lyons review said "Asset management is a key part of business planning which connects, at a strategic level, decisions about an organisation's business needs, the deployment of its assets and its future investment needs." These quotes recognise that expenditure on assets is the most significant area of council spend after staffing and supplies and services.
- 2.4 'Using our Assets Efficiently' is one of the objectives identified in the Best Council Business Plan 2013-2017 as being essential to ensure our financial security in the medium to long term, crucial for our contribution to improving outcomes and fundamental in helping us deliver our Best Council ambitions.
- 2.5 The Council's strategic asset management role can be categorised in simple terms as follows:-
- ensuring appropriate assets are provided to deliver the Councils strategic priorities and that they are reviewed in line with service requirements and services change;
 - using our assets to support regeneration and economic growth, often in partnership with other public bodies or the private sector;
 - using our assets as investments to create an income for the authority (either capital or revenue).
- 2.6 The Council has a good track record of using its assets to support regeneration and economic growth, with a number of strategic disposals and acquisitions related to this; recent examples of disposals being Sovereign Street, Victoria Gate, land in the Enterprise Zone; and recent examples of strategic acquisitions to support economic growth or the Council's broader objectives include the land at Elland Road (Castle land) and Millgarth police station. Elsewhere on this agenda the reports about land to support housing investment, and the derelict and nuisance property programme update are examples of how good asset management planning can support the Council's priorities for regeneration, economic and housing growth, which need to be closely aligned.
- 2.7 However, it is also important to ensure that the Council uses its asset base to support service delivery and that in rationalising assets, the retained estate is fit for purpose in terms of service use, health & safety and the low carbon agenda.

2.8 The review is concentrating on scope to rationalise General Fund assets and, at this stage, particularly those used for operational purposes. It excludes Council Housing and Schools. This is a large portfolio of buildings with annual running costs of £41m and backlog maintenance exceeding £60m. Over 10% of properties have been identified as in poor or bad condition.

3. Main Issues

3.1 The asset review is taking place as a key element of the Council's budget strategy and the Best Council Plan. The budget strategy necessitates a reduction in spend in all areas including the expenditure on our assets which covers both running costs and organisational arrangements for managing them.

3.2 Detailed below is a summary of current activity and progress made in the management of the Council's asset base under the following headings:

- Asset rationalisation
- Retained Estate
- Working with external partners (including national government)
- Organisational arrangements
- Good asset management Planning

Asset Rationalisation

3.3 In order to deliver good quality public services it is evident that many Council activities are building dependent, for example sports centres, libraries and One Stop Centres. Accordingly, it is important that the scale of the Council's property portfolio is in balance with our resources to maintain it in a fit state of repair. Trying to maintain a property portfolio with limited maintenance resources could lead to an increase in backlog maintenance, the need for emergency health and safety works and a reactive approach to property management that will ultimately impact on the quality of public services, and the public's use of those buildings, in some cases leading to reduced income and further budget pressures.

3.4 Asset rationalisation has been ongoing in the Council for many years through its Capital Receipts Programme which was established in the 1990s and will continue to form some part of the Council's overall budget strategy. The review will need to take into account the impact on services and localities, and find ways to mitigate this, whilst still reducing the number of assets the Council has.

3.5 In considering these questions it is vital that a strong emphasis is placed on working with Ward Members and Area Committees to ensure that they are fully engaged in the review process.

3.6 In relation to the above initial discussions are now taking place with ward members. These discussions have been very positive to date and confirmed the importance of a locality focus to asset management planning. Subject to Executive Board's support it is proposed that further work will take place over the course of 2013 and it is intended that the process of ward member and area committee meetings is continued and extended to include all wards in the city, so that a detailed

rationalisation plan can be developed and brought back to Executive Board later this financial year.

Retained Estate

- 3.7 The Council will need to invest in its retained estate to reduce backlog maintenance and to ensure Council property is fit for purpose. It is premature to indicate the level of investment required at this stage, but it is proposed that this is assessed as part of the development of a new asset management plan to be agreed covering the 2014-17 period .
- 3.8 It is currently estimated that the level of backlog maintenance for this property portfolio is in excess of £60m. The asset review's rationalisation programme should eliminate some of this, and high maintenance cost is a criterion to be taken into account in considering whether to retain an asset or not.
- 3.9 The prioritisation of major maintenance work in order to reduce backlog maintenance and improve the overall condition of the estate is therefore a key task going forward, as is the continuation of regular survey programme to ensure we have appropriate information for decision making purposes.

Working with external partners

- 3.10 As part of the review the Council was invited by the Government Property Unit and the LGA to join the Government's One Public Estate pilot programme. Other authorities in region taking part include Sheffield and Hull. The purpose of the pilot is to test the extent that the public sector within an area could operate more effectively by considering assets jointly. The pilot is looking at information systems that may support this, scope for rationalising assets jointly alongside scope for integrating services, how public sector assets could be used to support growth and any government barriers that could usefully be removed to enable this.
- 3.11 There are already good examples in Leeds where public estate partners are working together to improve services or regenerate areas, including the Leeds health and social care transformation board's estates forum (which includes health & social care partners and the Council), and the Holbeck Urban Village regeneration project where the Council is looking at its assets in the area jointly with the Homes & Communities Agency. The Council is working closely with the HCA to in priority areas of the city, including using our assets to deliver housing investment, housing growth and regeneration benefits.
- 3.12 An important part of this review will be to identify the scope for co-location of services / integration with other partners, including the potential for 'community hubs'. The latter will be a key focus of the new Citizens and Communities directorate and will be considered at appropriate locations across the city based on service need, opportunity and investment case.

Organisational Issues

- 3.13 Asset management covers a wide range of activities such as major acquisitions and disposals as part of large economic and regeneration initiatives, through to equally important day-to-day management of property in support of service delivery. Currently the majority of the client functions for asset and property management sit within City Development with the delivery of the maintenance function and elements of facilities management being managed in the Strategy and Resources Directorate. Given the range of activity undertaken it is proposed that the Council considers the current arrangements for strategic asset management and day-to-day property maintenance to ensure that lines of responsibility and accountability are clearly defined.
- 3.14 The emerging view is that the strategic and operational functions should be separated out. Initial proposals are that Strategic Asset Management will remain as part of the City Development Directorate and will align closely with economic and regeneration initiatives. In addition, day to day property management functions will be consolidated in the Strategy and Resources Directorate to provide a clear focus and line of accountability to these functions. The review will make detailed recommendations as to how this can best be achieved. More detailed work needs to take place on this aspect which will be done on a timely basis and this will involve consultation with appropriate staff and their Trade Union representatives.
- 3.15 The review work to date has also brought into sharp focus the importance of a well-resourced strategic asset management and professional property/estates function. The review has also found that these activities, which align with the responsibilities of the Director of City Development, are currently under capacity and that this has had an adverse impact on the ability to respond quickly and comprehensively to the strategic development of our asset portfolio. The review will make specific recommendations as to how this can be strengthened within existing budget provision.

Good asset management planning

- 3.16 In the context of the Best Council Business Plan, the main asset management objectives are:-
- to ensure that ensuring appropriate assets are provided and reviewed in line with service requirements and services change;
 - to use out land & property resources to further regeneration and economic growth, including housing growth and area based regeneration;
 - using our assets as investments to create an income for the authority (either capital or revenue).
- 3.17 Good asset management includes:-
- the need for a corporate and strategic overview of asset management matters;
 - responding to service pressures and change proposals positively in order to ensure that council services are delivered from 'fit for purpose' buildings;

- assessing proposals for investment in assets taking into account alternatives; the contribution proposals make to a place; and the strength of business cases.

3.18 Current asset management challenges for the Council include:

- identifying land to support the Council's growth ambitions including economic development initiatives, and housing; including assessing the impact on associated infrastructure and community facilities;
- taking steps to ensure that new uses are found for brownfield land and void properties in Council ownership;
- identifying land for the growth in school place requirements;
- supporting adult social care with its transformation programmes including integrated services, and reviews of residential and day care;
- identifying sufficient land for housing for older people to reflect the growing population of older people;
- using our land as a stimulus for generating new income to the council either through its investment portfolio or in areas such as business rates growth.

3.19 One aspect of addressing the budget and service modernisation challenges is through the review of the suitability of assets for their intended purpose today, with closure, demolition, replacement, investment and transfer needing consideration.

3.20 Through previous asset rationalisation and budget reductions, the Council's maintenance, void management and demolition budgets have been stretched and are not capable of delivering a robust service across the current range of asset holdings. As previously stated the current estimate of the backlog in building maintenance repairs requirement across this portfolio is in excess of £60m.

3.21 An Asset Management Plan is being prepared which aims to set out how the Council intends to address these challenges in a strategic way. This will be brought to Executive Board in line with the timetable for the Budget Strategy.

3.22 More detailed proposals will also be worked up about how decisions relating to significant change in asset use should be taken and how the service and locality angle can be reflected fully in asset review decision making. In addition, the review is giving consideration to the guidance available and the processes in place to ensure that reports presented to Executive Board about service transformation proposal contain appropriate information about asset implications.

3.23 The asset review is also considering the Council's commercial investment portfolio and how that is managed. In addition, further work is taking place to identify how the Council could use its property portfolio to boost Council revenue in coming years as the focus has shifted from capital receipts targets to the need to generate revenue to support council services and regeneration.

3.24 The asset review recognises the importance of the property disposal process and the need for this to be timely i.e. minimising periods of time that properties remain void before decisions are taken about what happens to them. Keeping a property empty incurs costs and can result in that property deteriorating substantially. Building on the previous review by the Resources & Council Services Scrutiny Committee,

Improvements have been made in this regard more recently and the review will explore the scope for further and continued process improvements e.g. in relation to streamlining processes. It should also be borne in mind that decisions around the disposal of a property need to take into account the property market itself which is in turn influenced by the economic climate.

4. Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 The activities being undertaken as part of this review will require detailed consultation and engagement with a variety of interested parties. Extensive engagement which has already started with ward members and area committees will need to cover the whole of the city. In addition regular briefings have commenced and will continue with appropriate Executive Members.
- 4.1.2 Given the importance of a locality focus to this review, consultation and engagement activity in relation to developing local asset solutions will take place with a variety of partner organisations and with local citizens. In particular this will ensure that opportunities for service redesign / rationalisation deliver more citizen focussed solutions and respond to challenges thrown up by major policy changes such as welfare reform.
- 4.1.3 The proposed changes to the organisational arrangement for assets will need to be discussed with staff and their Trade Union representatives. Initial discussions with Trade Unions has taken place to make them aware that these proposals are being considered and as a prelude to further dialogue.
- 4.1.4 Asset management planning exists to ensure that we make best use our assets to support delivery of Council and city wide objectives. With this in mind the review will make appropriate reference to existing and emerging strategies of relevance and also to the variety of service transformation activity taking place across the city.

4.1 Equality and Diversity / Cohesion and Integration

- 4.2.1 An Equality, Diversity, Cohesion and Integration screening exercise has been completed for the asset review which is attached at Appendix 1. It identified that the programme as a whole, whilst designed to deliver efficiencies, is not designed to stop services. It also recognised that more detailed impact assessments will be required when considering specific proposals in a locality. Consideration of such issues will take place in greater detail on a site by site basis as actions are proposed.
- 4.2.2 Appropriate emphasis will be given throughout this work to ensure the accessibility of operational assets for members of the public with particular needs.

4.3 Council Policies and City Priorities

- 4.3.1 Given the large portfolio of properties used by the council, it is clear that a review of this nature has the potential to impact on a range of policies and initiatives. In

relation to the Best Council Business Plan the work of this review is directly linked to the objective of ensuring high quality public services.

4.3.2 In addition a key driver for this review is the Councils financial strategy and to ensure that we both manage and use our assets as effectively and efficiently as we can. The review is seeking to identify savings and implement them without a detrimental impact on service delivery. The review presents an opportunity to deliver improved service integration with our partners and thus not only deliver efficiencies but an improved customer experience.

4.3.3 More specifically the Derelict and Nuisance programme proposals to demolish and facilitate re-use of the redundant sites at the former South Leeds Sports Centre and Royal Park School contribute to the delivery of a number of the City Priorities including Housing and Regeneration, Sustainable Economy and Culture, and Safer and Stronger Communities.

4.4 Resources and value for money

4.4.1 This report has detailed the work underway in relation to using our assets more effectively. The work involved in this review will mean that going forward the Council will have less buildings but that those remaining will be better used and in better condition. In 2013/14, the Council is budgeted to spend £41m on its non-housing and school portfolio.

4.4.2 This review will support delivery of the Council's financial strategy over the next three financial years.

4.4.3 In addition to identifying revenue savings, the better use of assets also offers the opportunity to realise further capital receipts which can either be used to support the council's revenue budget or for re-investment in new facilities.

4.5 Legal Implications, Access to Information and Call In

4.5.1 There are no specific implications arising from the contents of this report.

4.6 Risk Management

4.6.1 The asset review is a wide ranging one and requires significant resources to co-ordinate activity and deliver efficiencies. Activities relating to the acquisition, disposal or change in use of property are not straightforward requiring appropriate consultation and engagement with those affected and requiring sufficiently qualified people to deliver.

4.6.2 A key issue in relation to this review is ensuring that sufficient resources are available at the right time to deliver and coordinate what will in effect become a number of interlinked projects.

4.6.3 In addition, given the significant financial challenge the Council is facing there is a need to ensure that potential financial savings are delivered in the timescales required.

4.6.4 A project board, chaired by the Director of City Development, is already in place to oversee the work of this review. An appropriate risk register will be developed alongside the development of an agreed implementation plan.

5 Conclusions

5.1 This report has identified that, as part of the Councils financial strategy, it is necessary to review how we use and manage our assets to deliver further efficiencies.

5.2 The report details current activity and progress made in relation to the review under the headings of:

- Asset rationalisation
- Retained estate
- Working with external partners
- Organisational arrangements
- Good asset management planning

5.3 In many cases the quality of the Council's asset base is integral to the delivery of good quality public services. However, maintaining the scale of our current portfolio is likely to become an increasingly difficult task in light of further reductions in overall Council expenditure. On that basis it is considered essential to look carefully at the rationalisation of our portfolio which places a strong emphasis on Ward Member and locality engagement and at the same time put in place coherent and efficient organisational arrangements to ensure that the Council's land and property portfolio supports the delivery of front line services and our broader economic and regeneration objectives to optimum effect.

6 Recommendations

6.1 Executive Board is recommended to:

- i) support the work to review Council assets and deliver efficiencies in line with the Council's budget strategy and Best Council Plan including the proposals for detailed Ward Member involvement;
- ii) support in principle the proposed organisational arrangements for the management of assets between City Development and Strategy and Resources, subject to Trade Union and Staff consultation;
- iii) adopts the good asset management principles set out in this report and asks the Director of City Development to take forward detailed proposals to ensure that these principles are embedded into future asset management planning;
- iv) agree to develop a new asset management plan in line with the period of the Best Council Plan and the Budget strategy to 2017; to be reported to a future Executive Board.

7. Background documents¹

7.1 None

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.