

REPORT TO EXECUTIVE			
PORTFOLIO AREA: FINANCE AND RESOURCES			
Date of Meeting:	26 November 2001		
Public			
Key Decision:	No	Recorded in Forward Plan:	No
Outside Policy Framework			

Title: CORPORATE PROPERTY MANAGEMENT

Report of: TOWN CLERK AND CHIEF EXECUTIVE

Report reference: TC. 234/01

Summary:

This report identifies a number of corporate and strategic issues to be addressed to improve the management and operation of the Council's Corporate Property.

Recommendations:

The Executive is requested to recommend the following policy and strategic framework to the Council:

1. Agree that all property held or used by the Council is to be considered a corporate resource and managed on a central and strategic basis.
2. Agree to the commissioning of a new corporate strategy and policy statement for both operational and non-operational property held or used by the Council.
3. Agree that the strategy above is used as the basis for a fundamental test to be applied to each property asset to determine its future.
4. Note as part of the budget process for 2002/03, it is recommended that a financial sum be identified to support the property strategy and that the sum of £177K be identified to core fund the Corporate Property Unit.
5. (a) Clarify the responsibility in the Executive for all property related matters (for the Leader to decide).
 - a. Agree to the principle of a free standing officer team integrating property

management and maintenance, the details of which to be concluded within the organisational review following consultation with staff and Trade Unions.

1. Agree to establish 3 Customer Forums to inform strategy and provide a platform for meaningful consultation and involvement of customers.
2. Agree to a revised set of financial and performance indicators the details of which will be included within the strategy.
3. Agree to a revised Best Value Improvement Plan to be produced with the assistance of Overview and Scrutiny Corporate Resources Committee.

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1. BACKGROUND INFORMATION AND OPTIONS

1. Members will be aware that the Best Value Performance Plan 2001/2002 included Best Value Reviews of Corporate Property Management and Building Maintenance. The Best Value Inspectorate is currently inspecting the Property Management Service.
2. The Best Value process has identified the need for the Executive and Council to radically review the approach to property management. In particular, it is proposed that early consideration is given to a number of further improvement measures to facilitate step change in the Council's approach to property management. Specific improvements are proposed in the following areas.
3. **Improvement 1** – *That all property held or used by the Council is to be considered a corporate resource and managed on a central and strategic basis.*

The recommendations of the Audit Commission's study 'Hot Property' and advice from the District Auditor and Best Value Inspectorate points to the need to view property as a corporate and strategic resource which should be managed corporately on behalf of the whole Council.

4. **Improvement 2** - *The commissioning of a new corporate strategy and policy statement for both operational and non-operational property held or used by the Council.*

It is proposed that a strategy is produced to provide a clearer policy context in which property related decisions can be taken concerning the acquisition, management, investment and disposal of property based assets.

For clarification, the Executive is asked to confirm that the prime purpose for which, assets are held by the Council, which is considered to be to support the delivery of the Council's Mission Statement aims, which are reproduced below:

- To enhance the social, economic and environmental quality of life for Carlisle residents now and for the future.
- To make Carlisle a centre of excellence by pursuing the highest standards of public and private sector service and amenities at a cost local citizens can afford.
- To develop equality of opportunity and access to services.
- To encourage the involvement of the community and listen to Carlisle residents.
- To ensure that Carlisle's motto: 'Be Just and Fear Not', is one which all citizens can share.

These aspirations will need to be developed into a series of smart objectives and financial and performance indicators to guide and direct property work in the future.

1. In delivering these aspirations the Council's operational and non-operational property assets must additionally:

- Permit service delivery that is appropriate to customer needs in a way which is effective, efficient and economical.
- Meet the financial, investment performance targets set by the Council in pursuit of the better corporate management of the authority.

1. Given the high demands on the Property Team at the present time, it is proposed that this strategy should be prepared through the assistance of external advisors, with the results available in good time for consideration within the 2003/04 budget making process.

2. Improvement 3 – *That the strategy above is used as the basis for a fundamental test to be applied to each property asset to determine its future.*

To establish whether the asset should be:

- Retained
- Disposed of (or to change use)
- The subject of investment.

For non-operational property the test could be undertaken by reference to a number of criteria to be identified as part of the process of establishing a strategy. The criteria could include:

- Capital value
- Income yield to Council
- Opportunity cost
- Strategic importance

- Amenity value
- Economic development potential
- Investment needs/approach
- Risk assessment

For operational property the test could be undertaken by reference to the following criteria:

- Customer suitability
- Fitness for purpose
- Space allocation
- Operating efficiencies including energy efficiency
- Accessibility - Disability Discrimination Act
- Risk Assessment

The test would be applied after receipt and agreement to the strategy with the outcome reported to the Executive and Council and with involvement of the Corporate Resources Overview & Scrutiny Committee, would be expressed in the Council's Asset Management Plan (AMP) and forward capital and revenue budget process.

1. Improvement 4 – *The identification of a financial sum to support the Property Strategy and that the sum of £177K be identified to core fund the Corporate Property Unit.*

- a. The creation of a significant asset management fund to an amount to be determined within the budget process (say £200K pa) for the delivery of the proposed strategy (the exact sum to be determined by the Council on the recommendation of the Executive). This sum would represent an initial tranche of the Council's Asset Management Plan, a separate report on which appears elsewhere on the agenda, which will be considered further as part of the capital programme for 2002/03.

The availability of resources is to some extent dependant upon an appropriate level of funding/borrowing allocation from the new Single Capital Pot, on which announcements are expected from the DTLR in early to mid December. In the absence of a significant borrowing allocation under these new arrangements, then the City Council will need to re-prioritise its own spending supported from capital receipts, and possibly in the longer term from revenue, in order to protect and sustain the property portfolio, given its importance in funding total service provision and service delivery.

In the first year the sum would be used to fund improvements already identified in management information systems, the delivery of a strategy and strengthening of the corporate property team. In subsequent years the resource would be applied in accordance with the strategic priorities identified. The precise financial requirement would be clarified once the fundamental test of property to the

strategy is undertaken. The result would either be a revised financial allocation or a revised strategy. Additional to this a proportion of the capital receipt of disposals *could be* applied to the strategy but it is suggested that such decisions should be taken as part of the normal budgetary process.

- b. Core Funding to be applied to the Property Management Team. The current situation is that the unit is partly core funded and partly funded through recharges to HRA and anticipated capital receipts. Core funding would give greater certainty and allow for proper planning and allocation of staffing resources. The estimated cost of core funding the services is £270K pa of which there is a shortfall of approximately £177K (this element is made up of contributions and recharges).
- c. The financing of the maintenance backlog would be properly determined on the completion of the fundamental test set out in Improvement 3 above.

These recommendations require the Executive to recommend to the Council as part of the budget process for 2002/03 that Corporate Property Services are funded by way of base budgeting. In accordance with the Executives budget principles this will require further assessment of corresponding reductions elsewhere in the Council's services.

1. Improvement 5 – *The clarification of Member and Officer responsibility and accountability for all corporate property decision making.*

There is a need for greater clarity about the responsibility and accountability for property related decision-making. On the basis that property is treated as a corporate resource, the Leader of the Council is asked to confirm which single portfolio holder has prime responsibility in all respects – this includes both operational and non-operational responsibility.

At present property related matters are considered by both the Corporate Resources and primarily by Finance and Resources portfolios.

Officer accountability – To give a clear single point of officer responsibility it is proposed that the principle should be accepted that there should be created a free-standing corporate officer team integrating property management and maintenance. A Head of Service post will have responsibility for both the commercial (non-operational property) and for building maintenance functions. These principles will be the subject of consultation with staff and Trade Unions and will be considered within the organisational review which is currently being undertaken by HACAS Chapman Hendy.

2. Improvement 6 – *Immediate establishment of 3 Customer Forums to inform strategy and provide a platform for meaningful consultation and involvement of customers:*

To improve customer focus and to orientate property to the needs of

customers and the marketplace, the strategy would be informed and updated through the establishment of :

- a. A forum or other consultative means for tenants of Council property
- b. A forum for internal Council service users of property
- c. A property reference group looking outward to, local Estate Agents, Surveyors, Private Sector Landlords etc.

1. Improvement 7 – A revised set of financial and performance indicators the details of which will be included within the strategy.

To improve performance management the following indicators and targets are proposed for the future, they will be confirmed as part of the strategic exercise in Improvement 2. They will be reported to the Executive Portfolio Holder, Corporate Management Team and the Executive on a six monthly basis by the Head of Corporate Property.

Financial Targets

- A comparison with the commercial yield for the asset
- The internal rate of return used for long term investment decisions
- Rental growth
- Rent reviews undertaken within 3 months of due date
- Annual contribution to General Rate Fund
- An annual target for the disposal of assets of £200K pa over the next five years
- Cash targets

Performance Indicators:

- The DTLR indicators
- The annual capital investment made in the Council's property portfolio
- Customer satisfaction (by way of annual independent survey)
- Number of direct and indirect jobs created per annum
- A schedule of improvements to amenities
- Cost of Management (including rent collection)
- Annual comparison to be undertaken with reference to both the CIPFA family and the Historic Cities Group.

1. Improvement 8 – A revised Best Value Improvement Plan to be produced with assistance of Overview and Scrutiny Corporate Resources Committee.

To include:-

- Improved information management systems.
- A review of the lettings policy.
- A corporate approach to the integration of a GIS system, including the integration

with Housing Stock.

- Market testing of professional support areas eg. the management of agricultural holdings.
- Details for the completion of property reviews in the urban areas.
- A possible further Best Value Review of all property services in Year 4.
- An investigation into lease management initiatives.

2. CONSULTATION

Consultation on this report has been sought with the Best Value Inspectorate, District Auditor and comment will be made available at the meeting. It is proposed that subject to the views of the Executive that the details of implementing the principles of this report would be the subject of further discussion with staff, Trade Unions and the Overview and Scrutiny Committee Corporate Resources.

3. STAFFING/RESOURCES COMMENTS

This report deals with matters of principle and the details of staff changes will be the subject of a further report following consultation with staff and Trades Unions.

4. CITY TREASURER'S COMMENTS

The City Treasurer's comments are included within this report.

5. LEGAL COMMENTS

It may be in due course necessary for the Leader to consider amending his scheme of delegation if changes are made as to where responsibility is to lie for property matters at Member and Officer level.

6. CORPORATE COMMENTS

The Corporate Management Team recognises that fundamental change is required in the management of property if the Council is to support services with the appropriate property resource, maximise the investment value of property and to work on a more corporate and strategic basis.

7. ENVIRONMENTAL IMPLICATIONS

The proposed corporate property strategy would include the objects of the Council's Local Agenda 21 strategy.

8. RECOMMENDATIONS

As front sheet.

P Stybelski

Town Clerk & Chief Executive

CARLISLE CITY COUNCIL: CORPORATE PROPERTY MANAGEMENT

CONSULTATION WITH THE BEST VALUE INSPECTORATE & DISTRICT AUDITOR

ADDENDUM TO REPORT TC. 234/01 – AGENDA ITEM A10

Prepared by Town Clerk & Chief Executive, Director of Environment & Development, City Treasurer

As part of the preparation of the above report, consultation was undertaken with the Best Value Inspectorate and District Auditor.

They responded on Friday 23 November, on a joint basis and comment that 'in principle they support the objectives of the paper – to make explicit the Council's overall objectives in respect of all property it holds and the responsibility for managing and making decisions about the portfolio'.

In making the comments the Audit Commission also requested further detail on the improvements and these are set out in detail in the attached table.

CARLISLE CITY COUNCIL: CORPORATE PROPERTY MANAGEMENT

Reference	District Audit / BV Inspector Comments	Recommendations in Response
Improvement 1	<p>It needs to be made explicit what property being held 'as a corporate resource' means in respect of operational property. Do you intend to operate on the basis of a landlord/tenant relationship between the centre and the service departments? If so, how much freedom are service departments going to have to release space and pay a reduced 'rent'?</p> <p>Who will in future take the decisions about the use of property from which Council services are delivered? As an acid test 'Who will decide what in respect of Tullie House?'</p> <p>Any new policy must take account of the existing Corporate Property Policy and Asset Management Plan – either by supplementing them, modifying them explicitly or superseding them. You can not ignore their existence.</p>	<p>It is proposed that all property be held, 'owned' and controlled on a corporate basis, with decisions on use, acquisition, disposal and investment made corporately by the Executive and Council where applicable.</p> <p>Operational services must however, have the ability to determine their needs for property used in the execution of their services within the terms of the corporate property policy (April 2001) or subsequent update. The needs of the customer must be paramount.</p> <p>It is proposed that the relationship between each service user and the corporate landlord is formalised and regulated by way of an agreement setting out quantum cost/recharge, service standards and respective responsibilities. The nature of this agreement will be developed in the improvement plan.</p> <p>Operational property will be declared surplus by the service user with periodic review and monitoring, advice and challenge from the corporate property unit. This will include formal reporting of property PIs to the Corporate Management Team and the Executive. The future of surplus property will be determined corporately in the light of the Asset Management Strategy.</p> <p>For non-operational property the client is the Corporate Property Unit itself and a similar process of evaluation will be undertaken by the Portfolio Holder / Executive as part of the budget consideration process.</p>

CARLISLE CITY COUNCIL: CORPORATE PROPERTY MANAGEMENT

Reference	District Audit / BV Inspector Comments	Recommendations in Response
Improvement 2	<p>I doubt whether the Mission Statement Aims will provide a sufficiently concrete basis for testing the merit of retaining/disposing of property. I suggest you use the Corporate Objectives as the basis, or better still the purposes for which you hold property – in the Corporate Property Policy.</p> <p>Furthermore, the test must be made at the level of individual properties or groups of properties – not the portfolio as a whole. It will be necessary to ask for each property 'How does this contribute to Objective 1?' 'How does this contribute to Objective 2?' etc. Probably the answer for some of the objectives will be that no property contributes anything – so that that test might be omitted a priori.</p> <p>I would be cautious about assigning too much responsibility to external advisers for the preparation of a new strategy. By all means hire in someone to 'do the legwork', but if the main principles are not 'home-grown' there is a danger of them not being fully understood/accepted. We have seen the hazards of using consultants in the inconsistencies of objectives for property in the AMP (drafted by IRE) and the Corporate Property Policy (drafted by BPS).</p>	<p>The report intends and it is recommended that the Council's corporate objectives and the corporate property policy be used as the basis of appraising the future of property.</p> <p>It is intended that the acid test be undertaken on the basis of each individual or parcel of properties.</p> <p>The use of external assistance is recommended due to the heavy workload of the Corporate Property Unit in the period of consideration of Housing Stock Transfer and other major corporate initiatives. The intention is to support the team with information gathering and ground work with all key decisions and recommendations being formulated by the Corporate Property Unit and Corporate Management arrangements of the Council. This should ensure corporate ownership of the strategy.</p> <p>An outcome will be a revised Corporate Property Policy/Strategy and this will be constructed to be consistent with the Council's Best Value Performance Plan/Strategy to be produced January 2002.</p>

CARLISLE CITY COUNCIL: CORPORATE PROPERTY MANAGEMENT

Reference	District Audit / BV Inspector Comments	Recommendations in Response
Improvement 4	<p>It is not clear what the asset management fund is intended to cover.</p> <p>The funding model proposed still leaves me uncertain what monies will be available. Your use of 'could' in italics at the end of para (a) is symptomatic of this uncertainty.</p> <p>Likewise you leave open the financing of maintenance of the assets in paragraph (c). You do not commit to the principle of a maintenance fund of any size, so far as I can see. I recognise that you can not commit any large sum in anticipation of the prioritisation of full budget-making, but I feel it should be possible to establish the principle of sustaining the assets, and some criteria that would be used to test that.</p>	<p>The Asset Management Fund is intended to cover:</p> <ul style="list-style-type: none"> a) The cost of improving management information systems within the Authority and specifically the Corporate Property Unit including databases and a phased introduction of GIS (separately funded pilot to support the Housing Stock Transfer process). It is recognised that the comprehensive introduction of GIS will require further evaluation of partnership opportunities. b) Physical work to address the maintenance backlog of operational and non-operational property (after the review intended above). c) Initiatives resulting from the new Corporate Policy/Strategy which will include the costs of disposal and acquisition of strategic property assets where appropriate in support of the Asset Management Plan. <p>It is for the Executive to recommend to the Council the size of the above fund. The precise figure will be determined to a level sufficient for the Council to finance the maintenance of its retained assets within a 5-year financial strategy. Year 1 will commence within the budget for 2002/03 and will be cross-referred with the Asset Management Plan. An initial figure of £200K for year 1 is proposed to start the process on the basis of the immediate requirements identified by the Corporate Property Unit, pending commencement of the asset management appraisal. This bid will be determined in the budget process for 2002/03 and may be supported by a borrowing allocation from DTLR in response to the asset management plan; or monies generated from the sale of assets; or eventually funding through the allocation of growth in income as it materialises in due course. The use of the term 'could' at the end of paragraph (a) is simply a reflection that this is a recommendation to the Executive, not Council policy and is fully addressed by the comments above.</p> <p>The report additionally recommends to the Executive that the cost of staff of the Corporate Property Unit be met from mainstream base budget expenditure and the Executive will need to consider this in their recommendations for 2002/03 and beyond.</p>

CARLISLE CITY COUNCIL: CORPORATE PROPERTY MANAGEMENT

Reference	District Audit / BV Inspector Comments	Recommendations in Response
Improvement 5	<p>For the avoidance of doubt, I would prefer to the wording at the end of the first paragraph to be 'responsibility for both operational and non-operational property'.</p> <p>I am unclear what you mean by a 'free-standing corporate post'. Does this mean reporting to you, instead of to the Director of DED?</p>	<p>The report intends that the Portfolio Holder has responsibility for all property matters and for the avoidance of doubt, it is recommended that the wording at the end of the first paragraph be amended to be 'responsibility for both operation and non-operational policy.'</p> <p>A free-standing corporate arrangement means a Corporate Property Service Unit independent of any one service of the Council and advising the Council on a corporate basis. The Council is currently undertaking an organisational assessment as a separate Best Value review and an early outcome will be the structural location of the Corporate Property Service Unit.</p> <p>The important recommendation here is that Corporate Property means the integration of the current property service functions and the building maintenance functions and facilities management arrangements.</p> <p>In the interim, a corporate working group has now been established to look at the integration aspects and to begin to drive the improvement plan.</p>

CARLISLE CITY COUNCIL: CORPORATE PROPERTY MANAGEMENT

Reference	District Audit / BV Inspector Comments	Recommendations in Response
PIs	<p>How will you choose the target values?</p> <p>What is the basis of the £200k target? And is it wise to make it uniform over the five years – with no flexibility between years?</p> <p>The internal rate of return (page 7, Financial Targets) is one of the DTLR indicators (page 8 PIs).</p> <p>Indirect jobs are likely to be very difficult to establish. Do you think District Audit will be able to certify your method of collecting that data?</p> <p>A schedule of improvements to amenities is not really a PI. Is this an attempt to put in place a PI for those amenity assets that are not assigned a financial value? If the 'amenities' do have a meaningful asset value, a better measure would be the cost of improvements as a % of the asset value.</p>	<p>The Corporate Working Group will address this question and will consult internally and externally to set SMART targets.</p> <p>The basis of the £200K ie. £1M over 5 years is to fund the Asset Management Plan. It is recognised however, that the property appraisal will require year to year flexibility.</p> <p>It is noted that the internal rate of return is one of the DTLR indicators.</p> <p>Job creation is an important indicator of the performance of the non-operational portfolio. It will be produced on information provided by tenants/developers. It will be treated as a local indicator and will be informed by City Vision indicators.</p> <p>This indicator is intended as a non-financial indicator to provide an assessment of the landscape or ecological value of the Council's property assets. It is a subjective indicator. It will include area-based assessment of landscape improvement and subjective judgement.</p>
Improvement 8	<p>We did not suggest that a further review of all property management need be a formal Best Value Review.</p>	<p>It is proposed that the review be undertaken under the Value for Money activities of the Internal Auditor. The achievement of the Improvement Plan will be undertaken by the Overview and Scrutiny Corporate Resources Committee with an initial report planned for January / February 2002.</p>

CARLISLE CITY COUNCIL: CORPORATE PROPERTY MANAGEMENT

Reference	District Audit / BV Inspector Comments	Recommendations in Response
Environmental implications	How will the property strategy address the requirements of your LA21 Strategy? This should include amenity holdings, as well as energy efficiency, promotion of car-parks etc.	The Property Strategy will be informed by the Council's LA 21 Strategy and takes account of sustainability, energy, water and environmental conservation, improvements to the environment (see improvement 6 above) and the achievement of the Council's Key Objectives (see improvement 2 above).