

Slough Borough Council

Report To:	Cabinet
Date:	18 December 2023
Subject:	Estate Strategy – Phase 1
Lead Member:	Councillor Chahal, Deputy Leader of the Council – Financial Oversight, Council Assets, Procurement and Revenue & Benefits
Chief Officer:	Pat Hayes, Executive Director Regeneration, Housing and Environment
Contact Officer:	Mark Halligan - Assistant Director (Property)
Ward(s):	All
Key Decision:	Yes
Exempt:	No
Decision Subject To Call In:	Yes
Appendices:	Appendix 1 – Montagu Evans Report

1. Summary and Recommendations

- 1.1 This report sets out a proposed Phase I Estate Strategy (conceptual model), together with the work needed to test it and to develop a more developed Phase II Estate Strategy.

Recommendations:

- 1.2 Cabinet is recommended to:

- a) Approve the proposed conceptual model (Phase I) for the Operational and Community Estate to enable the development of Phase II of the strategy. The model is described in detail in the appendix and outlined in the main body of this report below.
- b) Approve SBC's continued occupation of Observatory House as its 'Central' building. Back office services will be centralised in Observatory House and a customer access point will also be created. The basis of this occupation will be set out in a separate Cabinet report that will contain an Outline Business Case. This will be presented to Cabinet in March 2024.

Reason

- 1.3 The Council's financial position means that it has to be clear about the future use of its assets as a number of these need to be disposed of to stabilise its budget and meet the requirements of the Capitalisation Direction agreed with DLUHC.
- 1.4 Best practice in local authority property asset management, includes having an Estate Strategy, which drives decision making on the management of the property portfolio. This will provide greater assurance that assets are safe, comply with statutory requirements and provide opportunities to enable high quality and value for money services to be delivered. Agreeing a Phase I (concept) strategy, ahead of a more detailed Phase II, enables Elected Members and other stakeholders to engage in the development of the strategy at this early stage.
- 1.5 It's important now, to make a decision on SBC's future occupation of Observatory House. This decision enables more detailed investment cases to be developed and for the Council to prepare for OH to be its HQ building, accommodating all of its back-office function, its civic function and a customer facing element. A qualitative assessment has been carried out, which discounted the options that would have involved moving from Observatory House.

Commissioner Review

"In the absence of a thorough and clear plan of how the council will work in future, the challenges it will face and the resources it will have to deploy (a target operating model) it is difficult to produce an estates strategy. Many of the pieces of the puzzle are missing and the evidence base for decisions is thin or lacking.

This report asks the council to commit to Observatory House and to agree to receive a further report in March next year. There is a hope that other public services might use Observatory House though no commitments from them to do so. Detailed costings supporting alternative models are not provided.

There is some merit in putting a stake in the ground despite the absence of all the relevant data. The councils' statutory officers are supporting this approach by their approval of this paper. Councillors will need to decide if they are happy to proceed on this basis balancing the merits of making an initial decision against the lack of full material evidence to support the ambitions set out in the paper."

2. Report

Introduction

- 2.1 Members are aware the Council received a formal direction from DLUHC made under s.15(5) and (6) of the Local Government Act 1999, including a direction that prescribed functions are to be exercised by Commissioners; and the appointment of Commissioners from 1 December 2021.
- 2.2 A key component of the Directions is the need for the Council to demonstrate it is able to achieve financial sustainability.

- 2.3 An earlier review of some of the council's assets had been undertaken so that decisions could be made on their future. This review focused on the 'Development' and 'Investment' assets within the property portfolio, which formed the starting point for the Asset Disposal Programme. A subsequent Estate Strategy is now being developed that focuses on the 'Operational' assets within the property portfolio. It is intended that this Strategy is brought to Cabinet for approval in June 2024. This Strategy is a critical part of the Council's financial and service planning, contributing to savings in the medium term, as well as ensuring the cost of assets is understood and that they are used to support effective service delivery. The Strategy should ensure that assets that are retained by the Council are properly managed and meet regulatory standards. Record keeping and data is a key part of governance and decision-making and the Strategy will underpin how decisions are made. This will include future decisions on whether assets are surplus to Council requirements, whether there is an alternative use and whether they should be disposed of. All decisions on disposal will be made in accordance with the Asset Disposal Strategy.
- 2.4 An initial review of the assets currently within the Operational Portfolio has been carried out, as well as considering the issues driving the Council's current and future demand for property. A conceptual model (Phase I of the development of an Estate Strategy) has been developed which has five different asset categories. The potential opportunities that could be driven from this model have been outlined. Agreement of this model will enable these opportunities to be fully tested, as part of developing the Phase II strategy. The extract below outlines the key elements of the proposed conceptual model.

PROPOSED OPERATIONAL AND COMMUNITY ESTATE RE-ALIGNMENT

- ✓ **The creation of a single Public Service Centre serving the Borough.** In collaboration with partners, the Public Service Centre (PSC) would provide a focal point, and front door, for a range of general and targeted public services. It would also offer efficient and effective office accommodation to support the Council, and its partners, to serve the Borough.
 - ✓ **The Children's & Family Hub portfolio.** Focussing in five core locations and supporting the objectives of Slough Children's First, the hubs occupy 'sensitive' locations integral to primary school sites.
 - ✓ **A portfolio of Specialist Assets.** These will be core to statutory service provision and the delivery of other important Council objectives. This portfolio includes assets supporting recycling and waste, cremation and burial, leisure and housing for adults and children. It would also include core car parking assets that deliver a positive economic benefit to the areas they serve and a sustainable income for the Council.
 - ✓ **The transfer of Community Assets to organisations that are well placed to meet local community need.** Community Asset transfers or disposals would ensure that assets, that do not provide a direct Council or partner service, are fully optimised according to local demand.
 - ✓ **A new Corporate Landlord estate governance model.** To lead the delivery of the proposed estate re-alignment and the ongoing strategic management of the retained estate.
- SUPPLEMENTARY OPTION: In addition to the PSC, the redefinition of a network of Locality Buildings.** These would respond directly to resident need and provide a front door to bespoke advice and services. The number of Locality Buildings would be based on proven need and may represent opportunities for collaboration and colocation with Partners.

- 2.5 The recommended option would enable a significant consolidation of the Operational property portfolio, which would deliver the highest level of financial benefit – e.g. an annual estimated reduction in gross property costs of over c£3m. This option would involve the highest level of transformation, which would have, for example, an estimated digital enablement cost of c£300k. In addition to the c£3m of Property related savings, there would be additional savings accrued by services, from efficiencies in being in a single building and by having a higher level of resident demand met through Digital service delivery.
- 2.6 The work to date in developing the Estate Strategy (Phase I) has not received any evidence to demonstrate a critical need for a ‘Localities’ element within the model. A Customer Access solution can be developed on the basis of a single Public Service Centre and this will be set out in the Customer Access Strategy coming to Cabinet in March 2024.
- 2.7 Whilst, at this stage, it is believed that a single Public Service Centre is the optimum solution, which delivers the highest level of financial benefit; evidence can still be considered for a ‘Localities’ option, during the Phase II strategy development work. The ‘Localities’ option would deliver a significantly lower level of financial benefit arising from property savings. At this stage this is estimated to be c£500k per annum less than the optimum solution.
- 2.8 As explained above, the initial scope of this exercise has been limited to the Operational & Community property portfolio which is held in the General Fund. It is now apparent that it would be beneficial to widen the scope, to include the non-residential elements of the stock within the Housing Revenue Account. Arrangements are being made to get this review underway. It is thought that further financial benefits could be driven from these assets. Applying the same review and analysis methodology to these assets, as has been done for assets within the General Fund, is likely to identify opportunities for capital receipts, reduced revenue costs or increased income.
- 2.9 In addition to maximising benefits from the physical property portfolio, the Estate Strategy will also establish an improved operating model for the property service. A fundamental element within this operating model, regardless of the eventual size and shape of the property portfolio, is to centralise the property services function. Currently, this is dispersed across SBC and an operational decision has been taken to introduce a Corporate Landlord Model. This is recognised as best practice in local authority property asset management. Centralising property budgets, resource (e.g. people) and responsibilities, within the Property Team, will help drive efficiencies and the management of property related risks (e.g. statutory compliance).
- 2.10 A primary consideration in designing a new operating model for the property service is the shape and size of the supply chain (for professional services and works) and how this is managed. To develop the thinking in this area, a pilot exercise is to be run to test the risks and benefits of adopting a more strategic approach to supply chain management.

3 Options considered

- 3.1 The following options have been considered:
- Option 1 – approve the Phase I (concept) Estate Strategy, to enable Phase II to progress. Move forward with Phase II strategy development on the basis that the strategy will be built around a central Public Services Centre (Observatory House) as this is going to deliver significantly more financial benefit than the option that has an additional ‘Localities’ element to it. **This is the RECOMMENDED option**
 - Option 2 – approve the Phase I (concept) Estate Strategy now, with the ‘Localities’ element included in it. The ‘Localities’ element may subsequently get discounted, as part of Phase II. A concern with this option, is that it will cost time and money to do more detailed work on this option, when we already know that it will not deliver the optimum financial benefits. **This is not recommended.**
- 3.2 Any final decision on the disposal of individual assets needs to be subject to due diligence and approval at appropriate level in accordance with the Asset Disposal Strategy.

Background

- 4 The Council has not had a comprehensive Estates Strategy for some time. This is despite the Council holding a significant number of property assets and investing in land and buildings. Following the s.114 report and Department for Levelling Up, Housing and Communities (DLUHC) direction, the focus has been on disposing of surplus assets to raise capital. With good progress having been made in delivering the first phase of the Asset Disposal Programme and robust arrangements in place for completing it, there now needs to be a focus on developing an effective asset management strategy, by adopting a comprehensive Estates Strategy. The proposed Estate Strategy is a key enabler for delivery of Council services and for medium term financial health. The Strategy should focus on ensuring the Council’s property estate is safe, sustainable, provides social value, cost effective and that use of property assets are regularly reviewed taking account of robust data, records and value for money.
- 4.1 The development of the Phase I Estate Strategy started with the identification and analysis of key operational property assets. These are the assets that comprise the Operational Portfolio, which are the properties that have been held for operational reasons (e.g. to deliver Council services from) as opposed to the assets that are held for ‘Development/Regeneration’ or those that are held for ‘Investment’ reasons (i.e. to generate a revenue return). The appendix sets out details for the Operational portfolio and how they might fit within a new conceptual model (Phase I Estate Strategy).
- 4.2 The Corporate Plan, together with other key documents and emerging documents (e.g. Digital Strategy, Customer Access Strategy) have been reviewed to begin to establish the impact that these will have on the Council’s requirement for property in the future.

- 4.3 Agreeing a model is an important step in developing the final strategy and delivery plan. Having this as a distinct milestone enables a focus on strategic objectives and corporate alignment, without the distraction of individual assets.
- 4.4 Moving from Phase I to Phase II, which will provide a detailed delivery plan, will involve an estimated cost of c£125k.

5 Implications of the Recommendation

Financial implications

- 5.1 As part of the budget setting process for 2024/25 a challenging saving target of £1,400k has been agreed for the Estates Strategy. The draft budget has been submitted to Cabinet on the 18th of December 2023 and will be finalised in February 2024.
- 5.2 It is important to note that all the values of properties in the appendices are indicative. Therefore, each property needs to be reviewed on a case by case basis if as part of the strategy it is agreed to dispose of them. The value of the assets must be net of any income that the council currently achieve. The savings also must ensure that any cost required for implementation of the digital enablement for the optimal estate solution of £300k is managed within this £1,400k target.

Legal implications

- 5.3. Whilst there is no statutory requirement to have an Estates Strategy, many other public and private sector bodies have such a strategy to inform decision-making and service delivery. The use and location of property assets has a direct impact on residents and service users and as such the quality of service delivery. The Council has a best value duty which requires it to continuously improve its services and this includes how its property assets support service delivery. The introduction of digital technology has changed the way some services are accessed and how staff deliver services, which requires an ongoing review to ensure that any property holdings remain fit for purpose.
- 5.4 DLUHC has consulted on draft best value guidance and the emerging guidance refers to the best value principle around use of resources. This requires that fixed assets are managed efficiently and effectively. It also confirms an indicator of possible failure is an underinvestment in back-office services and a high dependency on high-risk commercial income for service delivery and balancing budgets. In relation to service delivery, the emerging guidance refers to well-functioning authorities taking an innovative approach when considering how services will be designed and delivered in the future and evidence of failure as opportunities for efficiency savings and improvements not being assessed in any meaningful way. Understanding the cost and value of physical assets and keeping their use under constant review to ensure they remain efficient and best placed to support service delivery is a key part of compliance with the best value duty.

5.5 The Council has regulatory responsibilities in relation to its property assets, including health and safety duties. An Estates Strategy should assist the Council to ensure its property assets are safe, suitable, support service delivery and are sustainable.

5.6 When making decisions, the Council must ensure these are supported by evidence and relevant information. The Council has had issues in the past with record keeping and the quality of its data. In order to make informed decisions, the Council must have good quality information on the cost of maintaining buildings, future maintenance programmes and any statutory or other legal restrictions on the use of property assets. As a local authority, the Council is not in the same position as a private sector property owner. It holds many of its property assets for specific purposes and must follow proper due diligence and processes before making decisions to change its use or dispose of it.

Risk management implications

5.7 The table below sets the key risks

Risk	Summary	Mitigations
Financial	To summarise 4.1 There is insufficient transformation funding to carry out the work that the optimum Estate Strategy would require – e.g. to support channel shift away from face-to-face contact within buildings	A cost for the digital enablement to support an optimum Estate solution has been estimated at £300k. The relative priority for this funding is to be considered by the relevant Executive Directors
Legal	To summarise 4.2	.
Reputational	The Council has been criticised for the manner in which decisions to acquire and dispose of assets has been taken	A more comprehensive and transparent approach to future decisions

Environmental Implications

5.8 There are no direct environmental implications as a result of the recommendations contained in this report. However, the strategy is likely to lead to a smaller property portfolio, which will deliver environmental benefits – e.g. a smaller carbon footprint.

Equality implications

5.9 The Council has a duty contained in section 149 of the Equality Act to have due regard to the need to:

(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;

(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;

(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The protected characteristics are:

- age
- disability;
- gender reassignment;
- pregnancy and maternity;
- race;
- religion or belief;
- sex;
- sexual orientation.

The broad purpose of this duty is to integrate considerations of equality into day-to-day business and to keep them under review in decision making, the design of policies and the delivery of services.

Procurement implications

5.10 One of the Directions includes specific reference to the procurement and contract management function. Any element of this project that requires procurement will be subject to our usual procedures.

Workforce implications

5.11 The key implication for the workforce is the extent to which decisions on the future use of assets impact on their place of work. The Estate Strategy will involve a consolidation of back-office functions into Observatory House.

Property implications

5.12 The Estate Strategy is key to establishing the future of the council's operational estate.

6 Background Papers

None