

Audit Committee

29/01/2024



Report of: Director of Property, Assets & Infrastructure

Title: Property Programme Update

Ward: City Wide

Officer Presenting Report: Pete Anderson (Director of Property, Assets & Infrastructure)

Recommendation

Note the status and progress of the Property Programme.

Summary

This report intends to provide the committee with an update on the goals of the Property programme, and status/progress against these.

The significant issues in the report are:

- Governance arrangements
- Progress to date
- Key risks
- Anticipated next steps



Policy

1. This programme is well aligned to Corporate Strategy Theme 7 Effective development organisation:
 - Development and implementation of Corporate Landlord function will support 'One Council' approach - ED02
 - Disposals and review of retained assets will support right sizing of the estate - ED06

Consultation

2. **Internal**
Not applicable
3. **External**
Not applicable

Context

4. The context and drivers for the programme are as follows:
 - 4.1. The council is facing a significant financial challenge, with unsustainable demand for some council services adding significant pressures to budgets. The Council needs to deliver significant savings over the course of MTFP (£37m in 23/24, and further in 24/25+), as well as continue to manage and mitigate wider risks and new pressures as these arise.
 - 4.2. In addition to revenue savings required, there is a need to continue delivering capital receipts in order to part-fund the Capital Programme as well as transformation activities.
 - 4.3. Bristol City Council is the owner and occupier of a diverse and valuable property estate with a book value of over £1bn, covering a mix of asset types such as operational, investment and development. The estate carries a financial cost in terms of running and maintaining these sites and ensuring that they are safe, compliant and fit for purpose.
 - 4.4. The effective and efficient use of the council's extensive estate is fundamental to continued delivery of public services, but also for supporting the achievement of the council's corporate objectives, enabling new/future ways of working, delivering savings, as well as providing an opportunity to generate receipts (which are required to fund Capital programme and further transformation activities).
 - 4.5. Additionally, in 2020 Cabinet approved a [Corporate Property Strategy](#) and agreed to establish and embed a Corporate Landlord function and approach, designed to enable the Council to utilise its assets to deliver better, more effective services to communities. The model has only partially been implemented.
 - 4.6. At present, both budgets and activities normally carried out by a central land and property function remain somewhat fragmented across the Council; the result being lack of transparency of the asset base regarding the total cost (both capital and revenue) to the Council, reduced efficiency to leverage full value, and high levels of maintenance backlog across the estate which carries an inherent risk.
 - 4.7. Covid-19 also affected the way that teams work, reducing the need for the same level of office space and changing the requirements of central office spaces. Changes in working practices and

the use of technology brought on because of the pandemic in 2020 then afforded the Council a much more immediate move to agile/flexible working which had a material impact on the estate requirements and its management.

Proposal

5. The proposal is as follows.

5.1. The Property Programme was approved by Cabinet June 2023 ([ModernGov - bristol.gov.uk](https://modern.gov/bristol.gov.uk)). This programme ultimately aims to deliver the revenue savings and capital receipts stated within that report, as well as implement the model and approaches to support longer term sustainability.

5.2. The programme is broadly split into two core workstreams, with several projects that sit beneath these and support their ambitions.

5.2.1. Corporate Landlord – Implementing and embedding a centralised ‘One Council’ approach to the management of property assets, to help maximise the use and efficient running of the properties that we retain and make better more informed decisions on the use / disposal of property. Corporate Landlord will optimise management of the Council’s assets by bringing the responsibility and accountability for land and property asset management, including all budgets and decisions, centralised within one function. This will include process, people, technology and service changes.

5.2.2. Estate Review & Rationalisation – Review of the estate to implement a smaller and more efficient estate where we have the right amount and right quality of properties to serve the required purpose, while disposing of properties that are deemed surplus to requirements to achieve financial benefits for the organisation.

5.3. The programme is structured into a suite of delivery projects as well as some parallel workstreams led by services. Key projects include:

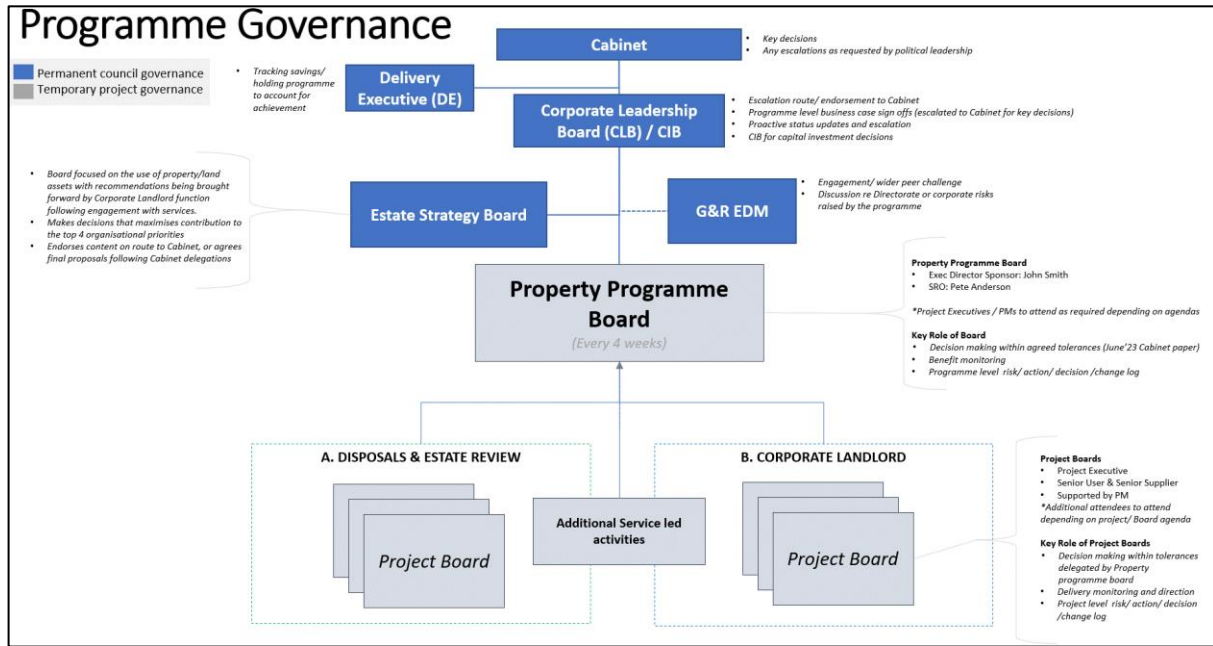
- **Corporate Landlord:**

- Corporate Landlord Function
- Asset Management Solution
- Hard FM procurement
- Corporate Catering review

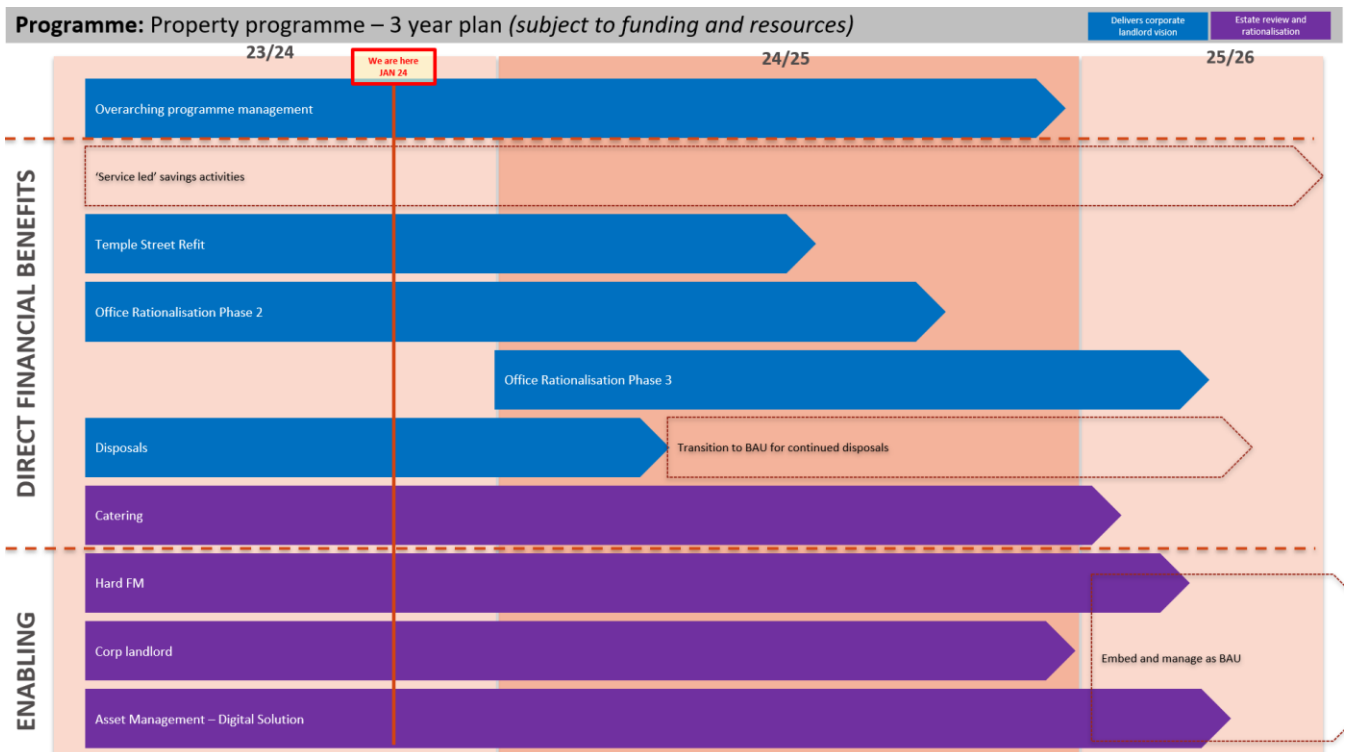
- **Estate review and disposals:**

- Estate review and disposals
- Office Rationalisation (various phases)
- Temple Street Refurbishment and Commercial let

5.4. The programme is governed as follows, with a monthly Property Programme Board to monitor status of overall programme and to delegate funds and approvals to individual project Boards, upon provision of appropriate business cases or proposals. Individual project Boards are then tasked with managing the delivery within their baseline approvals and escalating to programme Board as required. Estates Strategy Board (ESB) is also a key component of the programme governance, specifically in terms of recommending to Cabinet assets for disposal, to enable delivery of capital receipts target.



5.5. The current timeline of the programme is as follows – this remains subject to ongoing review, and confidence levels are lower for projects and workstreams in earlier lifecycle stages.



5.6. The following table provides an update on current lifecycle status of work within the programme:

| Project/ | Lifecycle | Narrative | Links to |
|----------|-----------|-----------|----------|
|----------|-----------|-----------|----------|

| Workstream | Stage | | associated public documents |
|------------------------------------|------------------------------|---|--|
| Corporate Landlord Function | <i>Planning & Design</i> | A first phase of budget review work has been completed to identify where property related budgets sit across the Council. The next phase is focused on detailed design work for the Corporate Landlord service & model and seeking to centralise budgets and staffing to the Corporate Landlord team. | <i>Previous:</i> Property Strategy 2020 |
| Asset Management Solution | <i>Options shaping</i> | A first phase of ‘as-is’ discovery work has been completed which clarifies the high-level service requirements and associated gaps. It is expected that the next stage of work will focus on soft market testing and more detailed options shaping and ‘to-be’ design work. | <i>None</i> |
| Hard FM procurement | <i>Options shaping</i> | The current Hard FM contract is due to end imminently. The project is assessing the current contract and scope and understanding opportunities to expand to support the corporate landlord model/vision. Requirements are being gathered and preparations for a tender exercise underway. | <i>Upcoming</i> - Feb 2024 |
| Corporate Catering review | <i>Planning & Design</i> | This project is reviewing food related services including cafes, catering, and other services related to the use of premises for events and functions. It seeks to design and implement a more centralised approach that aligns to the Corporate Landlord Model. The Parks Cafes are being prioritised initially with a tender in development. | - Nov 2023 |
| Disposals and estate review | <i>Various</i> | This project is primarily focused on identifying assets that could be disposed of to meet capital receipts target (and contribute some revenue savings where applicable). - A plan for 23/24 has been developed with several approvals at Cabinet, and delivery to achieve this is underway. A draft plan is in development for 24/25 with further work to build pipeline and confidence in meeting. It is expected that activities will move from programme to BAU once the | <i>Upcoming:</i> - Feb 2024 <i>Since programme initiated:</i> - Oct 2023 - Sep 2023 - July 2023 <i>Pre-programme -</i> |

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| | | Corporate Landlord service is more fully set up. | <ul style="list-style-type: none"> - Jan 2023 - July 2022 disposals |
| Office Rationalisation (various phases) | <i>Various</i> | <p>The office rationalisation work is focused on maximising utilisation and effectiveness of our office estate - increasing quality of retained workspaces and reducing overall estate – releasing sites for disposal or commercial let.</p> <ul style="list-style-type: none"> - A first phase of activities to move staff from 100 Temple to City Hall has been completed (releasing the space for commercial let). - A second phase of work has been approved and is underway, to release a target further 10 sites. - A third phase of activities (focused on locality hubs) is under early idea shaping and has yet to be initiated. | <i>None</i> |
| Temple Street Refurbishment and Commercial let | <i>Planning & Procurement</i> | <p>The Full Business Case for the project is under final review. The Heads of Terms are also targeted for signing a commercial let in early January 2024. Next stage of works will include tender activity for core construction works.</p> <p>Note this covers only part of the available 100 Temple Street space and additional vacated spaces are being reviewed for other commercial letting opportunities.</p> | <i>None</i> |
| Additional service led activities | <i>Various</i> | <p>Several additional activities have been delivered, and others underway, led by the service, to support savings delivery and move towards the Corporate Landlord model. Activities such as:</p> <ul style="list-style-type: none"> - Recharging HRA correctly for fleet and sites - Vacancy management | <i>None</i> |

Other Options Considered

6. Not applicable.

Risk Assessment

7. There are several key challenges facing the programme which ultimately affect its ability to

deliver the financial targets (revenue and capital receipts) to different extents:

| Risk/Issue Description | How risk/issue is being mitigated and monitored |
|--|--|
| <p>Property market – speed of disposals, as well as sale prices are dependent on the market at that time. Capital receipts could be lower (or higher) than anticipated and timing to deliver could be longer (or shorter than expected).</p> | <ul style="list-style-type: none"> • External consultants were commissioned to advise on market performance in the context of planned disposals, and advice used to inform decisions by ESB. • Sale prices tracked and monitored to project board to understand any local context / trends and inform future plans and update estimates receipts. |
| <p>Tension of revenue savings in <i>other</i> service areas vs. capital receipt (A)– There may be sites/properties that could achieve savings in other areas of the Council e.g. for Temporary Accommodation, Childrens, Adults – this will make meeting the disposals target more challenging for Property, but may achieve higher revenue savings for the organisation in other places.</p> | <ul style="list-style-type: none"> • Any proposal for use of an asset to provide details of estimated financial benefits to justify decision to retain rather than dispose. • Ongoing development of tool to support identifying what ‘best value’ looks like for any individual asset. This is being discussed and developed with Supported Housing Delivery Board as well as Estates Strategy Board (ESB). |
| <p>Tension of revenue impact vs. capital receipt (B)– In addition, there are assets that could be considered for disposal but which currently bring in revenue to the Council through rental income (investment estate)– so a disposal may cause an unwanted additional revenue pressure.</p> | <ul style="list-style-type: none"> • In 23/24, ESB made decision to limit disposals from the Council’s investment estate to minimise negative revenue impact. Future options to be explored but subject to approval by ESB and Cabinet. |
| <p>Poor data - Systems and current data inhibit ability to find relevant budgets for sites and cash savings quickly – Corporate Landlord work (incl. system changes, people and process changes) will help but will take time.</p> | <ul style="list-style-type: none"> • Savings forecasts related to disposal of BCC assets are currently conservative, recognising the current challenges. • Finance provides regular update report to Property Programme board on cashed savings to date and any issues in identifying budgets. |
| <p>Void properties - There are inherent risks in maintaining void properties, with costs for managing that risk and financial implications if the risk is not managed; these risks will increase the longer we retain properties.</p> | <ul style="list-style-type: none"> • Property team highlighting issues with void properties and escalating to project/programme boards. Corporate Landlord model implementation will enhance oversight and visibility of any issues. |
| <p>Funding & resources for 24/25 – The programme is currently managing delivery within the budget envelope agreed by June’23 Cabinet. In order to progress the totality of the proposed scale of programme, additional funding and resources are needed. If funds are not confirmed, the programme will be less likely to achieve its vision/</p> | <ul style="list-style-type: none"> • Prioritise activities with greatest returns • Continue identification of new proposals and service led activities alongside ‘project’ work. • Demonstrate case for change for each component of the programme to support funding request. • Monthly review of spend and savings to Property Programme Board, and reporting to CLB. |

| | |
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| deliverables/ savings targets and will need to prioritise activities with greatest value. | |
|---|--|

Summary of Equalities Impact of the Proposed Decision

8. Equalities impact assessments will be produced at a project level, but overarching programme EQIA was provided as part of the June '23 Cabinet paper: [Appendix E1 - EQIA Property Programme June 23 v1.1 APPROVED 1.pdf \(bristol.gov.uk\)](#).

Legal and Resource Implications

9.

9.1. *Legal*

The procurement processes must be conducted in line with the 2015 Procurement Regulations and the Councils own procurement rules. Legal services will advise and assist officers with regard to the conduct of the procurement processes and the resulting contractual arrangements.

Any property to be disposed of in line with the Property Programme will need to be declared surplus following the internal procedure and also comply with S123 Local Government Act 1972. Disposal of HRA assets (if any) may need Secretary of State consent. Legal Services will guide officers with regard to ensuring the correct authority is in place and any disposal complies with all relevant legislation.

Legal advice provided by Andrew Jones and Husinara Jones, Team Manager/Solicitor 10 January 2024

9.2. *Financial*

The Property Programme has financial targets for revenue and capital that are key to the Medium Term Financial Plan. The programme currently has a budget of £6m in 2023-24 with funding required in future years, in particular for the 100 Temple Street refit.

(a) Revenue

The Property Programme revenue target is judged unlikely to be delivered in this year with mitigations in place across the Council.

(b) Capital

The Capital Receipts Cash Target for 2023-24 is expected to be met and possibly exceeded. In future years capital receipts are required to finance the delivery of the Council's capital programme.

(Financial advice provided by Ben Hegarty, Finance Business Partner Growth and Regeneration, 16 01 24)

9.3. *Land*

The Property Programme covers a range of activities which impact on our estate and how we

deliver property functions. More detail on these impacts is included in the body of the report, but ultimately the programme is enabling the authority to adopt a Corporate Landlord model which will lead the delivery of efficient, effective and sustainable land and property solutions whilst maximising social and economic returns for Bristol and its residents.

(Land advice/comments provided by David Martin, Head of Corporate Landlord)

9.4. Personnel

HR advice and support is provided to the programme, with particular focus on the Corporate Catering and Office Rationalisation projects, given the impact on Council services and its workforce. The Parks Café Solution is being prioritised, and the transition to a partnership model for the delivery of parks cafes is likely to include the transfer of employees to third party provider, under TUPE regulations. In line with TUPE Guidance and HR policy, the Council will consult with all staff affected and trade union partners.

HR Comments provided by Celia Williams, Human Resources Business Partner, 16 01 24

Next Steps

- 10.** There is a significant amount of planned delivery until the end of 23/24 across the programme, with a clear focus on maximising both the revenue savings that can be delivered and the capital receipts that can be secured. In addition, resources will be prioritised on to the enabling projects that will enable future savings and more efficient and effective ways of working such as the implementation of the Corporate Landlord model.
- 10.1** The programme team is also undertaking detailed planning for the development and prioritisation of project and programme activities required moving into the next financial year. This includes ensuring appropriate allocation of available funding and resources and maintaining a focus on securing maximum return on investment.

Appendices:

None

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

None