

<b>Committee(s)</b>	<b>Dated:</b>
Resource Allocation Sub-Committee	26 March 2015
<b>Subject:</b> Operational Property Review	
<b>Report of:</b> The Chamberlain and the City Surveyor	<b>For Information</b>

### **Summary**

At the last Resource Allocation Sub-Committee it was agreed that the Committee takes on a more formal role in relation to the current operational property resources to support service delivery by becoming the reporting and oversight body for the review of Operational Property. This report provides an update on the Operational Property Review Project.

The Senior Officer Project Board has been formed and detailed project objectives, deliverables and milestones discussed and agreed at its first meeting on the 26<sup>th</sup> February. As part of the review, Chief Officers will be asked to review their operational property portfolio through a series of workshops to identify opportunities for rationalisation and improved efficiency. The aim will be to identify proposals for property rationalisation which are likely to deliver the greatest VFM benefits.

The first phase of workshops covering the Markets and Consumer Protection, Open Spaces, Community and Children's Services and Built Environment Departments will be held over the period April 2015 to May 2015. These workshops will review at a strategic level the operational properties owned and operated by Departments with the aim of identifying proposals in the short, medium and longer term to enable rationalisation and/or more effective utilisation of existing property assets. Proposals developed may entail the relocation of people and operations, with resulting costs in order to facilitate the freeing up of property assets.

The existing Barbican and GSMD Capital Caps programmes used primarily for cyclical repair works, are currently being reviewed as part of this project. We are currently exploring options, with one option under consideration being whether improvements could be made to the operation of the current Additional Work Programme (AWP) to make it more suitable for the governance of all property maintenance programmes, including the schools, Barbican Centre and GSMD.

### **Recommendation**

Members are asked to note the progress on the Operational Property Review to date and that a further report will be provided at the May meeting.

## Main Report

### Background

1. Last year Corporate Asset Sub Committee requested a review into how well our property assets are maintained. Until this point we had no central and overall picture of the management of the operational estate. The review established that there is a funding gap each year, compounding and creating a cumulative shortfall of funding for cyclical maintenance. Effectively this is creating a 'bow wave' of postponed maintenance costs which we will, at some point, need to meet. This funding gap is unsustainable in the long term.
2. This work has also exposed that the current management of operational property assets is fragmented.
3. There was also an underpinning issue as to where governance responsibilities lie for the allocation of operational property assets. Resource Allocation Sub Committee covers the allocation of revenue resources for service delivery and capital resources to new capital schemes, but did not regularly review the allocation of property assets for service delivery.
4. The Sub-Committee considered a joint report of the Chamberlain and the City Surveyor concerning the review of operational property, the governance responsibilities associated with it and the allocation of resources to support service delivery at the 22nd January 2015 meeting.
5. Whilst Members were supportive of the thrust of the review and the proposal for the Sub-Committee to have a greater role, the current level of oversight between the City Corporation as the budget holder and the quality and impact of the work undertaken by suppliers of the service was an area to be considered. Members were reminded at the meeting that the report represented the first stage of the review process and confirmed that the tension between budget holder and service supplier would be examined. This would apply to the review work on the Barbican and GSMD Cap and more generally in relation to the Additional Work Programme. More detailed work was still to be undertaken to ensure consistency and better oversight of the use of all operational property as well as competing priorities. It was resolved that the Resource Allocation Sub-Committee takes on a more formal role in relation to the current operational property resources to support service delivery by:-
  - considering the allocation of operational property resources for service delivery, following Corporate Asset Sub Committee's consideration of effective use; and
  - becoming the reporting and oversight body for the review of Operational Property.
6. As part of the review, Chief Officers will be asked to review their operational asset base portfolio through a series of workshops to identify opportunities for rationalisation and improved efficiency. The aim will be to identify proposals for

property rationalisation which are likely to deliver the greatest VFM benefits. A series of specific projects will then progress these proposals to completion seeking appropriate resources to facilitate disposals, and obtaining approval through current project processes.

### **Progress to date**

7. The Senior Officer Project Board has been formed and detailed project objectives, deliverables and milestones discussed and agreed at its first meeting on the 26<sup>th</sup> February.
8. The membership of the officer board is as follows:-
  - John Barradell, Town Clerk - Chairman
  - Caroline Al-Beyerty, Financial Services Director – Deputy Chairman
  - Peter Bennett, City Surveyor
  - Simon Murrells, Assistant Town Clerk
  - Peter Young, Corporate Property Group Director
  - Alan Bennetts, Assistant City Solicitor
  - David Smith, Director of Markets and Consumer Protection
  - Paul Nagle, Head of Finance – projects
9. This Board will meet monthly and will be responsible for driving the project, providing strategic oversight and embedding an organisational approach to continually reviewing the efficient and effective use of operational property.
10. The first phase of workshops are now being scheduled over the period April 2015 to May 2015. The purpose of these workshops is to review at a strategic level the operational properties owned and operated by Departments with the aim of identifying proposals in the short, medium and longer term to enable rationalisation and/or more effective utilisation of existing property assets.
11. The initial focus will be on four discovery workshops, starting with Markets & Consumer Protection, and then Open Spaces, DCCS and DBE. Following this initial stage of workshops the Project Board will take stock and review rationalisation and improved utilisation opportunities identified to date and take a view on whether to arrange further workshops on the remainder of property assets on a Departmental or themed basis.
12. As these Operational Property Review workshops progress, any relevant issues identified from the Facilities Management and Business Repairs Management contract review workshops will be incorporated into this review.
13. Further workshops will be undertaken in June and July to firm up proposals and additionally engage relevant Committee chairman. The aim will be to follow a similar approach to review and engagement with Members as was undertaken for the overall Service Based Review.

### **Barbican and GSMD Capital Caps**

14. Within the scope of this project is the review of the Barbican and GSMD Capital Caps. In the recent years the Barbican and GSMD have operated a Capital Cap (Cap) programme for building cyclical repair works, administered in five year cycles. The Cap incorporates large building projects, repairs and maintenance, and equipment purchases: for example, items like lighting and small power, refurbishment and redecoration of rooms, brickwork, roof repairs, and infrastructure repairs/ replacement works. The Cap programmes mean that unlike all other Service Departments, the Barbican Centre and GSMD receive a set budget for a five year period for buildings works rather than applying directly to the City and competing for funding for each individual building project. Costs of works not carried out and savings from overestimated work, unlike the AWP, can be vired for other works.
15. Revised arrangements for the governance and control of this area of expenditure are currently being developed. We are currently exploring options; with one option under consideration being whether improvements could be made to the operation of the Additional Work Programme (AWP) to make it more suitable for the governance of all property maintenance programmes, including the schools, the Barbican Centre and GSMD.
16. The aim will be to provide a more fair, consistent, long-term and flexible approach to cyclical work planning across the entire operational portfolio.

### **Next Steps**

17. A further update on progress being made with this review will be provided to the next Resource Allocations Sub-Committee on the 28th May 2015. This will include recommendations in relation to the current Barbican and GSMD Capital Cap and the future operation of the current Additional Work Programme.

### **Conclusion**

18. Good initial progress has been made on the Operational Property Review Project, with the Project Board established and initial planning phases largely completed. Workshops planned over the next three months will determine the extent that property utilisation can be improved and where further asset realisation opportunities may exist. Review of the Additional Work Programme alongside the Barbican and Capital Cap arrangements can potentially provide a fairer, consistent, long-term and flexible approach to cyclical building work planning.

### **Background Papers**

RASC - Operational Property Review – 22<sup>nd</sup> January 2015 (Non-Public)

**Caroline Al-Beyerty**  
Financial Services Director

**Peter Bennett**  
City Surveyor

T: 0207 332 1113

E: [caroline.albeyerty@cityoflondon.gov.uk](mailto:caroline.albeyerty@cityoflondon.gov.uk)