

Committee(s)	Dated:
Resource Allocation Sub-Committee	16 th July 2015
Subject: Operational Property Review – update report	Public
Report of: The Chamberlain and the City Surveyor	For Information

Summary

Resource Allocation Sub-Committee agreed in January 2015 to take on a more formal role in relation to the current operational property resources that 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 first phase of workshops covering the Markets and Consumer Protection, Open Spaces, Community and Children’s Services (DCCS) and Built Environment (DBE) Departments held over the period April 2015 to June 2015 are now complete. These workshops have reviewed at a strategic level the operational properties owned and operated by Departments and identified potential opportunities in the short, medium and longer term to enable rationalisation and/or more effective utilisation of existing property assets. The following key themes have emerged:

- Housing – commercial units and in-fill opportunities
- Car parking- review of overall provision
- Rationalising Central London staff accommodation to release surplus space or potentially buildings
- Rationalising Local offices, workshops and storage facilities
- Rationalisation of similar facilities, e.g. ports
- Land
- Staff residential accommodation

Proposals developed may entail the relocation of people and operations, with resulting costs in order to facilitate the freeing up of property assets. Proposals that have been identified from these workshops are now being assessed to prioritise those proposals which are likely to deliver the greatest value for money (VFM) benefits.

The existing Barbican and GSMD Capital Caps programmes used primarily for cyclical repair works, have been reviewed and a detailed report making recommendations for the replacement of the Cap funding arrangements is included separately on this agenda.

Recommendation

Members are asked to note the progress on the Operational Property Review to date and that a further report including prioritised opportunities will be provided at the October 2015 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 and renewal. 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. 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.
4. 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.
5. As part of the review, Chief Officers have been asked to review their operational asset base portfolio through a series of workshops to identify opportunities for rationalisation and improved efficiency. The aim has been 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

6. The Senior Officer Project Board has now met in February, April and June. Following agreement of project objectives, deliverables and milestones the Board has been monitoring and driving the review work, providing strategic oversight.

7. The first phase of workshops is now complete. These workshops, along with significant preparation work by Departments in collaboration with City Surveyors and Chamberlains Department has reviewed at a strategic level the operational properties occupied 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. As a secondary benefit, this review work is assisting in the cleansing of the City's operational property records.
8. The first five discovery workshops focused on the Markets & Consumer Protection, Open Spaces (two workshops), DCCS and DBE. As these Operational Property Review workshops have progressed, relevant issues identified from the Facilities Management and Business Repairs Management contract review workshops will be incorporated into this review.
9. A further workshop is scheduled for July 2015, to review central London staff accommodation – covering Guildhall, Irish Chambers, Walbrook Wharf Offices, and Lauderdale Place (DCCS/Barbican Housing office). The purpose of this workshop will be to review the potential to rationalise central London staff accommodation requirements, through more effective use of space, and considering the extent and pace with which new flexible working methods should be adopted. This workshop will explore the impact on cultural change, working practices and requirement for technology investment.

Emerging Themes from Workshops

10. The following themes have been identified from the first phase of workshops:

Housing – Commercial Units and in-fill opportunities – scope has been identified to review the configuration of local amenities and commercial income generating potential of commercial units situated within City of London Housing Estates. Some in-fill opportunities to increase capacity of Housing Estates are already being progressed with a much wider programme of opportunities currently at feasibility stages and being considered by the work of the Officer Housing Strategy Board.

Car Parking – There is currently underutilisation which could provide opportunities for shorter to medium term alternative use or income opportunities and potential longer term area re-development opportunities. Scope for a further stream of work to review the City's Car Parking provision, covering not only its municipal car parks, but considering other car parking provision such as at the Barbican and Markets.

Central London Staff Accommodation – Reviewing opportunities to use more effectively Guildhall – North Block and West Wing, Lauderdale Place, Irish Chambers staff accommodation and potentially release surplus offices.

Rationalise Local Offices, workshops and other facilities – review positioning and utilization of local offices and facilities. Opportunities have been

identified in several Open Spaces locations and the operational positioning of offices, inspection and mooring facilities for the Port Health Function along the River Thames reviewed.

Land – reviewing use of land, and whether opportunities for alternative use or disposal.

11. **Staff Residential Accommodation** – the review has identified there are opportunities to rationalise and reduce the number of properties held for the purpose of housing staff in residential accommodation to support the effective performance of their role. A Lodges Review Board has been established to oversee the implementation of this work at Epping Forest and other Open Spaces locations.
12. One of the outcomes from this review is to help inform the overall review of Strategic Asset management, which includes work streams considering contract management and facilities management along with associated organisation responsibilities and structures.

Barbican and GSMD Capital Caps

13. Within the scope of the Operational Property Review is the review of the Barbican and GSMD Capital Caps. This review is now complete, with the findings and recommendations set out on a separate report on this agenda.
14. Revised arrangements for the governance and control of this area of expenditure have been developed in consultation with the Barbican Centre, GSMD and City Surveyors Department. The aim will be to provide a more balanced, consistent, long-term and flexible approach to cyclical work planning across the entire operational portfolio.
15. It is recognised that the Barbican Centre Estate maintenance has been under funded previously and current maintenance spend in buildings is inadequate. For instance the Barbican has identified capital schemes totalling over £12m which are not currently in the Cap or in the Capital Programme. Such cost pressures are part of the £160m bow wave of currently unfounded capital and backlog maintenance work.

Next Steps

16. The next steps for the review is to confirm potential opportunities with Departments and undertake a detailed evaluation to prioritise the opportunities. This evaluation will consider:-
 - impact on reducing 'bow wave' of cyclical and deferred maintenance costs
 - capital receipt or income generation potential
 - Legal title constraints
 - complexity of implementation in terms of operational impact – staffing, service users, local consultation, timescale
 - estimated consequential costs incurred in realising the opportunity

- Departmental, City Surveyor and City Solicitor resources required to implement opportunities
- Impact on achievement of Service Based Review saving forecasts

17. A further update on progress being made with this review will be provided to the next Resource Allocations Sub-Committee on the 19th October including a prioritised list of opportunities for progression into implementation projects. Following RASC consideration of the recommended opportunities, agreement will be sought from relevant Service Committees to initiate implementation projects.

Conclusion

18. Good progress has been made on the Operational Property Review Project, with the first phase of workshops complete. Identified opportunities are now being evaluated in detail so that a prioritised list of opportunities for progression into implementation projects is developed for agreement with members in October 2015.

Background Papers

RASC - Operational Property Review – 22nd January 2015 (Non-Public)

RASC – Operational Property Review – 26th March 2015 – Update report (Public)

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