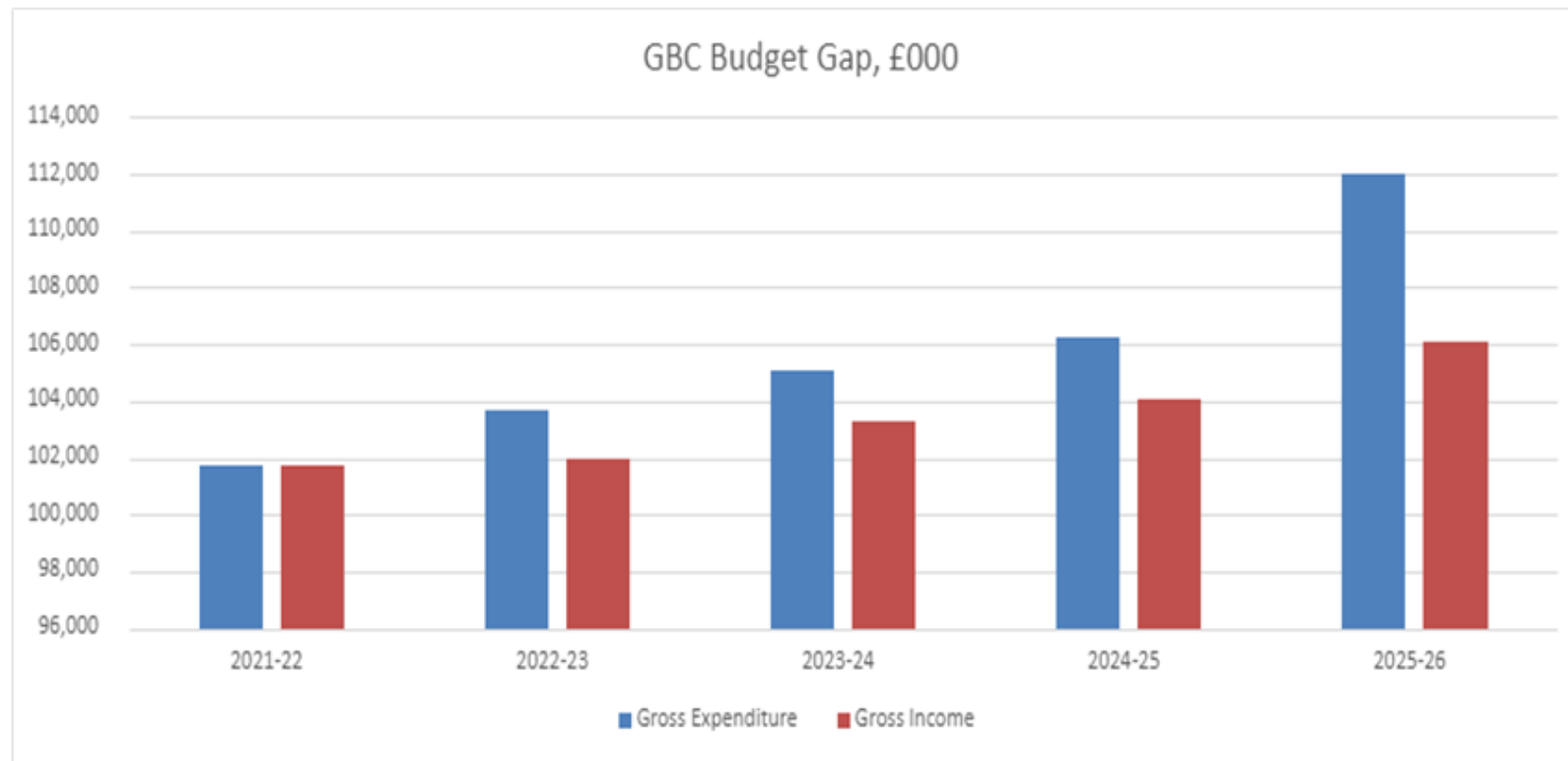


Proposed mandate to review the Council's operational property portfolio

27 April 2021 v2

Introduction

According to projections, there will be a cumulative budget deficit of £5.9 million by 2025-26. The budget gap is illustrated below, with expenditure shown in blue against income in red.



Strategy

1. Why should a programme/project be started now?

The Council set out a savings strategy approved by the Executive in November 2020 to reduce the projected deficit between income and expenditure. Appendix 3 item (c) of the Strategy identified that a review of the Council's operational portfolio needs to be undertaken to help reduce the deficit. Covid-19 has accelerated a review of Millmead House due to the new and accepted home-working culture which has subsequently led to the Council's reduction in its office space requirement and created an opportunity to save significant revenue costs and potentially generate capital receipts.

2. What is the good idea, opportunity or problem to be solved?

To undertake a full review of the Council's 250 operational assets and office accommodation in order to identify any revenue savings opportunities, in conjunction with other savings initiatives being carried out across the Council.

3. What is the purpose of the programme/project and what outcomes, or outputs will it deliver?

To contribute significant savings in order to reduce the Council's substantial budget deficit. The financial, social and environmental benefits are to own, occupy and manage accommodation that is; affordable; creates better place-making through more efficient use of operational space; meets future operational business requirements; and meets environmental property legislation.

4. What priority, corporate objective or strategy is fulfilled by this project?

This review has been identified as one initiative in the Savings Strategy which seeks to deliver savings that are necessary to reduce the Council's budget deficit over the next 5 years.

Options Evaluation

5. What are the potential strategic options to deliver a solution? The 250 operational assets will be assessed against the following options at project level.

Do Nothing

- Keep asset as is with no further action required

Do Minimum

- Lease redundant/underutilised accommodation
- Sell asset in line with Asset Disposal policy
- Relinquish maintenance responsibilities and associated costs:
 - > regear leases and transfer all maintenance costs onto the tenant, although this is not always achievable e.g., charity/community tenants
 - > transfer assets on long leaseholds to community users (e.g., by way of a Community Asset Transfer policy)

Do More

- Explore redevelopment opportunities e.g., housing/employment
- Explore alternative uses for either commercial gain or service benefit
- Spend capital funds refurbishing accommodation ---> to reduce costs of inefficient buildings or to generate income by putting accommodation in a lettable condition
- Work collaboratively with Discretionary Services workstream to understand the cost/benefit trade-offs between asset savings versus service disbenefits
- Conduct a full review of operational accommodation requirements and consolidate services into more efficient use of space, for example:
 - > downsize the footprint at Millmead and lease surplus space or relocate the head office by buying / renting smaller premises
 - > merge and consolidate with other boroughs (Options 4 and 5 in Savings Strategy)

Considerations

6. Who is the lead Director & Service Manager who will lead and direct the project and who will be managing/using the projects products once they are handed over?

Lead Director Dawn Hudd and Service Manager Marieke van der Reijden

7. What impact assessments have been undertaken and what are the impacts on other Service Leaders and/or other programmes/projects?

Relevant regeneration projects, the Asset Investment Programme and other saving strategy reviews that involve assumed savings from property that are being delivered through workstream 1 Discretionary Services. Savings from these are not included in this programme although we will have regard to the outcome of them including 1) Culture & Heritage review (including Museum, TIC, and any other related assets); 2) Community & Day Centres review; 3) Public Conveniences review. Equality Impact Assessments will be required if moving staff and customers to alternative sites. Environmental Impact Assessments will be required for any development sites.

8. What general approach will the projects take to deliver?

A holistic review of the operational portfolio undertaken in-house by Asset Management will provide a strategic options appraisal which will then determine the most appropriate course of action to deliver maximum revenue savings. The programme will lead to the production of mandates for individual projects e.g., for Millmead House Complex, to identify development and better utilisation opportunities.

9. When and why must the project start and finish?

The Council has determined that c.£5.9m savings must be achieved over the period to 2026 in order to reduce the budget deficit that has been identified between income and expenditure within that period. The financial position is significant, and any savings recovery will take time to take effect so the review must start as soon as possible in order to deliver the necessary savings by 2026.

Resources

10. Which stakeholders are or, need to be, involved in the project?

Councillors, CMT, Service Leaders and existing tenants

11. What specialist resources (internal and external) are needed to consider this mandate and develop a strategic outline business case?

Internal Staffing – Asset Management, Technical Services (M&E), Finance, Procurement, Legal, IT, HR

External Consultants – Specialist surveys and valuations; cost consultants; space consultants; local property agents (mainly at project level so will have separate mandates identifying these)

12. What Rough Order of Magnitude (ROM) are the likely Whole Life Costs (WLC) of the project and live service?

This programme is expected to generate a £1.5m contribution to net revenue savings – any spend-to-save proposals will be evaluated at project level in a project business case, including likely Whole Life Costs.

Potential costs to proceed to the next stage to develop the Strategic Outline Case

Resource costs to progress to the next stage/gate and develop the Strategic Outline Business Case (SOC)

	Q4 (20/21)	Q1 (21/22)	Q2 (21/22)	Q3 (21/22)	Total	
Internal staffing costs	Existing internal staffing not costed but not to be under-estimated. Additional Internal Costs must be identified here					Property & Asset Manager
Specialist external consultants' costs		£5k			£5k	IT development work to Property Asset Database
Total						

Issues & Assumptions

13. What are the strategic issues and assumptions?

Issues

- The scale of savings has just been quantified in the Savings Strategy and is expected to provide £1.5m savings contribution but this will need to be refined through the programme.
- Whether this review is to be progressed independently or whether it is to be progressed in conjunction with a Council merger and/or the creation of a Unitary Authority.

Assumptions

- This review covers the core and non-core operational assets within the property portfolio; it does not include the Council's investment properties or HRA. The savings identified from the operational assets will not include savings from day centres, culture & heritage assets or public conveniences.
- Proceeds from property sales will accrue capital savings and are not accounted for in revenue savings although capital receipts will help reduce the Council's underlying need to borrow and help fund transformation costs.
- That rationalising and consolidating the estate will increase efficiency and cost-effectiveness and in turn contribute towards reducing the budget deficit.
- The largest saving may be achieved by disposing of all or part of Millmead House Complex, which will have its own project mandate.

14. What are the strategic risks and dependencies?

Risks

- The suggested £1.5m net revenue savings contribution is unachievable within the remit of this review.
- Any savings recovery may not be realised for at least a year or two.
- Revenue savings are double counted or not clear between assets and discretionary service reviews.
- The Council receives bad press and public backlash against disposals.

Dependencies

- Service Leaders specifying the future direction of their services and accommodation needs.
- Guildford Economic Regeneration Programme e.g., connection with developing Millmead site.
- Asset disposal policies.
- Decision to dispose of any assets will be dependent on the availability of suitable, alternative accommodation to relocate to e.g., for our services or tenants.
- Potential merger with other boroughs/unitary council running in parallel with this under the Budget Saving Programme will affect business accommodation requirements and the associated revenue costs.
- Property Asset Database system upgrade to SaaS (Software as a Service) requires a financial commitment of £5,000 from the IT Renewals budget, which both Finance and ICT are happy to support.

Constraints & Opportunities

15. What are the strategic constraints and opportunities?

Constraints

- Projects being led by other service teams running in parallel may constrain the scope of this project
- Determining long-term operational business accommodation requirements
- The availability of capital funds to refurbish accommodation
- Current leases in place and the ability to break these early as well as security of tenure and staff secure tenancies
- Legal title and constraints of Council's ownership of sites
- Planning and use class restrictions including listed status and heritage value
- The social value and all legal obligations and environmental conditions that the Council must comply with as an owner of the Discretionary Services assets
- Council duties and obligations as an employer of staff, contractors and third parties

Opportunities

- Explore and maximise commercial revenue generating opportunities e.g., leasing of redundant space
- Explore redevelopment or change of use opportunities
- Current remote working provides optimum opportunity to determine how much head office space is required and what it should consist of including a potential merger and consolidation with Waverley Borough Council
- To futureproof and provide staff accommodation that is fit for purpose and service requirements. An action plan on all vacated accommodation will need to be agreed beforehand
- Ensure optimum provision of staff services and facilities in any future relocation requirements e.g., Civic Suite

Likely Projects

PROJECTS	ASSETS	PROJECTS	ASSETS
Office accommodation	Millmead House Complex	Staff accommodation	Burchatts Farm Cottages 4
	Millmead Hse - Riverview Lodge		Castle Grounds - Cottage
	Bedford Rd MSCP and Office		Chantry Cottage, Pilgrims Way
Community Centres	Park Barn Boxing Club		Crem - Broadwater Cottage
	Park Barn Community Centre		Crem - Broadwater Cottages 2
	Beverley Hall Community Centre		Crem - Broadwater Cottages 3
	Bellfields Community Centre		Millmead Hse - Riverview Lodge
	Stoughton Community Centre		Park Cottages 1, Shalford Rd
	Bushy Hill Community Centre (HRA)		Stoke Cemetery - Lodge
Stoke Park Nursery	Stoke Park Nursery Offices		Stoke Park - Gardeners Cottage
	Stoke Park - Home Farm Bldgs		Stoke Park - Home Farm Cottage
	Stoke Park - Home Farm Cottage		Woking Rd 30
	Girl Guides, Nightingale Rd		Woking Rd 33
	Scout Hall, Nightingale Rd		

Reviewer List

Involved or sighted so far and to be updated on changes:

- Dawn Hudd – Strategic Services Director
- Claire Morris – Resources Director
- Marieke van der Reijden – Head of Asset Management
- Francesca Kosh – Property & Asset Manager
- Cllr Tim Anderson
- CMT
- The enablers and service leaders: Chris Burchell, Chris Wheeler, Diane Owens, Elizabeth Fleming, Faye Gould, Francesca Smith, Helen Buck, James Beach, John Armstrong, Jonathan Sewell, Kevin Handley, Matt Gough, Nicola Haymes, Samantha Hutchinson, Siobhan Rumble, Stephen Benbough, Stuart Harrison, Stuart Wingate, Tim Dawes, Victoria Worsfold

Next to be consulted:

- Executive Liaison

CMT Outcome

- This mandate was presented to CMT on 27 April 2021
- CMT supported this mandate and confirmed that this programme can be taken forward to Executive Liaison for sign-off on 5 May 2021.
- This mandate will be considered in context of the whole Savings Strategy Programme

Executive Liaison – 5 May 2021

- Next Steps: The Executive Liaison Group approved the mandate at its meeting on 5 May 2021 for submission to the EAB(s).