

Appendix B

SURREY COUNTY COUNCIL

ASSET AND PLACE STRATEGY

ADVISORY PANEL REPORT – APRIL 2019

Introduction and Purpose of the Report:

In September 2018, the Council commissioned a review of its Assets, with a view to providing an Asset and Place strategy by April 2019. The strategy was intended to guide future asset decision making, and to deliver additional revenue income for the Council.

As part of this review, the Council established an independent Advisory Panel. The prime purpose of the Advisory Panel was to act as a ‘critical friend’ to the process and provide advice to the Asset Strategy Board on the development of the Asset and Place Strategy.

Panel membership comprised three pro bono independents and two Councillors, all with relevant knowledge and experience. The Deputy Cabinet Member for Property attended on an ad-hoc basis as an observer.

A new Leader was elected in December 2018 and determined that the role of the Panel should continue.

The Panel has met seven times. At these meetings, the officers presented their thinking and plans as they developed and we benefited from analyses from third party advisors. The Chairman of the Advisory Panel also made two interim reports to the Asset Strategy Board.

This is the independent report of the Advisory Panel.

Comment, Advice and recommendations

The development of this strategy has been a journey that has accelerated under the direction of the new Leader.

The Panel supports the proposed Asset and Place Strategy as set out in the report documentation. This is a good piece of work that goes a long way to “cut through” and prioritise the optimisation of the large and very diverse portfolio of assets in the Council’s ownership. The challenge will be in the implementation about which we now comment, firstly split by a subset of assets and then some overarching governance and management issues.

1. Operational assets:

a) The objective is to reduce the number of these assets from 300 to 100 facilitated by creating service hubs, and the review of asset opportunities, for example the development of housing at fire station sites. There will inevitably be disagreements and tension between community and partner expectations, Council staff charged with delivering

services and the property team expected to deliver receipts and savings. The result is likely to be delays in implementation. Difficult and timely political decision making will be required, based on available evidence.

Recommendation:

There needs to be the political/managerial decision structures to achieve this informed by a clear operational plan of work. Strong leadership will be required.

b) There is evidence of a maintenance backlog that needs to be addressed as a high priority.

Recommendation:

Resources arising from improved income/asset sales should be allocated to a responsible medium-term maintenance programme which must be developed as an immediate action.

c) Functionality of the operational estate is not as efficient as it should be.

Recommendation:

A standard specification for future operational properties that invests in flexible spaces that support agile working must be developed to guide future investment, with any other requirements agreed through appropriate challenge and scrutiny.

d) The Corporate Landlord model means the ownership of the asset and the responsibility of its management; maintenance and funding are centralised. The service department then makes a case for the property they wish to change or use, enabling the Corporate Landlord to properly plan and manage space the Council needs, in the right locations.

The service department's priority is therefore to plan and deliver the service, and the Corporate Landlord's function is to ensure the service is suitably accommodated and to maintain and manage the asset.

Recommendation:

A Corporate Landlord model, resourced with staff who have the right skills and capabilities, and the right processes, is a requirement. This model and what it means must be fully understood throughout this organisation.

2. Non-Operational assets: as stated above the systematic approach to deciding the optimal decision for each asset is sound, but there are challenges to implementation:

a) Across the portfolio, there will be choices between cash now and cash in the future and/or a revenue stream in the future. Such individual decisions should be made by officers but within a politically agreed three-year framework.

Recommendation:

Implement a politically agreed three-year framework updated annually with appropriate benchmarks and regular reporting, to guide decision making regarding individual assets. Officers should engage with members appropriately through this

process.

b) Strategic Holds

Recommendation:

The Panel recommends that sites identified as strategic holds must meet the principles identified in the strategy, be regularly and rigorously reviewed.

c) The Council wishes to increase revenue streams to support services in the future, the Strategy proposes that the development of residential property on surplus land is a route to deliver this.

Recommendation:

Consideration needs to be given as to how and by whom such a portfolio would be managed. Routes through the South Ridge LLP Joint Venture are an option for this.

d) The panel notes the prioritisation of income maximisation to support services as an initial aim, recognising the role of districts and boroughs in delivering the supply of affordable homes which are so badly needed across most of the County.

e) Many of the Council's sites are not currently developable as they are in the green belt.

Recommendation:

The Council needs to continue to monitor the national and local policy framework to identify if future development is possible on these sites.

f) South Ridge LLP Joint Venture: There was some delay to the Panel's enquiries about this JV. The Panel identified a lack of understanding of the purpose and role of the JV within the Council both of members and officers, and between the Council and its JV partner, Places for People. The current situation is unsatisfactory and may lead to bad decisions and/or missed opportunities. There is real potential in a partnership like this to deliver the Council's required outcomes.

Recommendation:

Step 1 should be for the Council to clarify the governance and management structure and communicate the role, purposes and processes of the JV and Step 2 on the basis of this clarity, the Council should either properly implement its JV with any appropriate changes or withdraw.

g) The property market: the outlook is currently very volatile, and caution must be taken when decision making.

Recommendation:

The strategy implementation must be flexible in face of market realities.

3. The Investment portfolio:

This is another situation where there was delay and there remains a lack of clarity in response to the Panel's enquiries. There is no up to date investment strategy, and insufficient transparency. Further clarity is required regarding the treatment and reporting

of the returns being generated.

Recommendation:

The strategy for and governance of the Investment Portfolio urgently needs to be strengthened with much clearer reporting and accountability with performance being regularly tested against industry best practice benchmarks, supported by appropriate professional advice at all levels.

4. County Hall:

a) In face of the very clear decision to vacate County Hall by 2020 there has been an encouraging response to early approaches to possible developers.

Recommendation:

The Panel believes it will be important in order to maximise value that the tender brief is very open as to the options of future use and the financial structure of a sale. However, the ideal financial deal must pass as much as possible of the risk to the developer.

b) The Panel recognises the challenge of identifying the location of the Civic Heart and space for all staff. Inevitable there will be trade-offs in the choice of such locations.

Recommendation:

That decisive action is taken by Members and officers with regards to the location of the Civic Heart.

c) Officers appear to be on top of the challenges of relocating staff and achieving staff number efficiencies and they clearly understand that changing working practices and working culture is no easy task.

Recommendation:

The Panel encourages that early preparation is made to ensure the right and economic IT infrastructure is installed upfront to support new ways of working. Similarly, the cultural change within the leadership and management of the workforce must not be neglected and should be resourced appropriately to ensure that savings are achieved without compromising on the ethos of public service.

5. Governance and management

From the starting point of six months ago great progress has been made in establishing the recommended Asset and Place Strategy.

This is a complex strategy to implement. And many decisions will need to be made, both strategic and operational. The above comments and recommendations demonstrate that there are many improvements that can be made to the current decision making processes. Further recommendations to support the strategy implementation are set out below:

Recommendations:

a) The Panel believes that to be an effective Corporate Landlord will require a completely new decision-making and accountability model. The Corporate Landlord

model will clarify the role of members and the delegated powers to officers within all the areas described above. The Property Service should be led and managed by a single senior officer, with the right level of experience, accountability and decision-making, reporting to the Chief Executive.

b) Whilst officers, with whom the Panel has interacted, have been professional and have accomplished much, there should be a recognition that there will need to be significant investment in additional professional staff to increase both capacity and capability across the teams. The very significant asset base entrusted to the County requires professional and skilled management with the capacity to manage large, complex and long term projects.

c) The Panel recommends a review of the role, activities and performance of all the professional advisors involved in the above areas of work in order to achieve clarity of roles and ensure effective advice.

d) The Panel recommends that the management of the asset portfolio, its outcomes and performance, should be subject to scrutiny by the relevant Council bodies as appropriate.
Performance measurement must be robust and relevant to the activity, against set targets and appropriate benchmarks.

The Advisory Panel:

Mr Robert Napier, Chairman

Ms Fiona Fletcher-Smith, Group Director, Development and Sales, L&Q Group

Mr Greg Melly, Senior Vice President, Advancement and Community, University of Surrey

Councillor Nick Darby

Councillor Edward Hawkins

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