

A G E N D A

Strategic Monitoring Committee

Date: **Monday, 19th July, 2004**

Time: **4.15 p.m.**

Place: **The Council Chamber,
Brockington, 35 Hafod Road,
Hereford**

Notes: Please note the **time, date** and **venue** of the meeting.

For any further information please contact:

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**County of Herefordshire
District Council**

AGENDA

for the Meeting of the Strategic Monitoring Committee

To: Councillor T.M. James (Chairman)
Councillor Mrs. P.A. Andrews (Vice-Chairman)

Councillors B.F. Ashton, W.L.S. Bowen, A.C.R. Chappell, J.H.R. Goodwin,
Mrs. M.D. Lloyd-Hayes, J. Stone, J.P. Thomas and W.J.S. Thomas

	Pages
1. APOLOGIES FOR ABSENCE To receive apologies for absence.	
2. DECLARATIONS OF INTEREST To receive any declarations of interest by Members in respect of items on this agenda.	
3. MINUTES (TO FOLLOW) To approve and sign the Minutes of the meeting held on 5th July, 2004.	
4. PROPERTY MANAGEMENT SCRUTINY REVIEW To consider the report by the Property Management Review Group on the Council's Property Holding and Property Services Division.	5 - 16

PUBLIC INFORMATION

HEREFORDSHIRE COUNCIL'S SCRUTINY COMMITTEES

The Council has established Scrutiny Committees for Education, Environment, Health, Social Care and Housing and Social and Economic Development. A Strategic Monitoring Committee scrutinises Policy and Finance matters and co-ordinates the work of these Committees.

The purpose of the Committees is to ensure the accountability and transparency of the Council's decision making process.

The principal roles of Scrutiny Committees are to

- Help in developing Council policy
- Probe, investigate, test the options and ask the difficult questions before and after decisions are taken
- Look in more detail at areas of concern which may have been raised by the Cabinet itself, by other Councillors or by members of the public
- "call in" decisions - this is a statutory power which gives Scrutiny Committees the right to place a decision on hold pending further scrutiny.
- Review performance of the Council
- Conduct Best Value reviews
- Undertake external scrutiny work engaging partners and the public

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- Inspect agenda and public reports at least five clear days before the date of the meeting.
- Inspect minutes of the Council and all Committees and Sub-Committees and written statements of decisions taken by the Cabinet or individual Cabinet Members for up to six years following a meeting.
- Inspect background papers used in the preparation of public reports for a period of up to four years from the date of the meeting. (A list of the background papers to a report is given at the end of each report). A background paper is a document on which the officer has relied in writing the report and which otherwise is not available to the public.
- Access to a public Register stating the names, addresses and wards of all Councillors with details of the membership of Cabinet and of all Committees and Sub-Committees.
- Have a reasonable number of copies of agenda and reports (relating to items to be considered in public) made available to the public attending meetings of the Council, Cabinet, Committees and Sub-Committees.
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COUNTY OF HEREFORDSHIRE DISTRICT COUNCIL

BROCKINGTON, 35 HAFOD ROAD, HEREFORD.

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4. PROPERTY MANAGEMENT SCRUTINY REVIEW**Report By: Lead Support Officer****Wards Affected**

County-wide

Purpose

1. To consider the report by the Property Management Review Group on the Council's Property Holding and Property Services Division.

Financial Implications

2. There are no financial implications arising directly from the report

Background

3. At its meeting on 8th December 2003 the Committee established the terms of reference for the Review Group and a timetable which required the report to be complete by 30 June 2004.
4. The report is being presented to the first practical meeting after 30 June.
5. The Review Group's report setting out the Group's approach to its task, its findings, conclusions and recommendations is attached.

RECOMMENDATION

THAT the Committee considers the report of the Review Group and determines whether it wishes to recommend the report to Cabinet.

BACKGROUND PAPERS

- None

Review of the Council's Property Holding and Property Services Division

Report by the Property Management Review Group

Introduction

The Strategic Monitoring Committee established the Property Management Review Group to undertake a strategic review of both the Council's property holdings and the provision of services for its management.

The scope established at commissioning identified the following possible outputs for the review:

- To have a strategy for the optimum use of the Council's property in pursuit of its objectives;
- To have clear criteria against which opportunities for property disposal or acquisition may be assessed;
- To evaluate options for the future delivery of property management which provide clear accountability compared to the existing arrangements;
- To identify potential savings in costs;
- To identify opportunities to gain capital receipts;
- To put in place appropriate performance management arrangements;
- To ensure properties are maintained so that they are fit for purpose to optimise their usage and achieve an appropriate financial return.

The Review Group comprised Councillors T. M. James (Chairman), Mrs P. A. Andrews, W.L.S. Bowen and J. P. Thomas and was supported by a small team of officers.

Background

General

General background information on the Council's property portfolio and the Property Services Division is set out in Appendix 1.

Approach

The Group undertook a desktop review and interviewed key stakeholders. Details of this are contained in Appendix 2.

It was clear from the Group's initial discussions with these stakeholders that the Council's circumstances had changed since the scope of the Review had originally been established

in 2002 (in particular the “Prudential Code” had been introduced) and the Working Group’s recommendations reflect this. The recommendations, together with relevant background information, are set out in the following pages.

The approach adopted by the Review Group for the whole review closely follows that set out in the Audit Commission publication “Hot Property – getting the best from local authority assets”.

Although property in which the Council has an interest is classified by the Property Services Division using the CIPFA classification system the Group has used the following broad groupings (and questions) from “Hot Property” to inform its review:

Table 1

Service property (e.g. libraries, highways depots, older peoples accommodation, parks & open spaces)	Administrative property (office accommodation)	Non-operational property (e.g. industrial estates, smallholdings, markets)
Is use of this building/land sustainable?	Can we make do with less?	Why does the Council own this?
Would this service be better located elsewhere?	Could we relocate somewhere cheaper?	Could this capital be better employed?
Are there other (better) means of provision?	Can we share with other agencies?	

The publication contains additional advice that authorities should review their portfolios to assess:

Whether such investments make an adequate financial contribution to services;
and

If assets are held to fulfil non-financial objectives – in particular, economic development and wellbeing – whether they are the best possible means of achieving those objectives.

The Council’s objectives are:

- increasing economic and social prosperity
- enhancing quality of life
- protecting the physical environment
- engaging with the community through, and by providing, community leadership

General Observations

Policies and Strategies

Evidence provided for the review has shown that, generally, any policies or plans being worked to are those inherited from predecessor authorities in 1998, sometimes modified, but often not endorsed by the Council. The Council's Asset Management Plan (AMP) is now considered by some to be the driver for management of the property asset. The relevant extract from the AMP (the property drivers) is shown at Appendix 3. There is a separate Asset Management Plan (AMP) for Education property.

There is no corporate property strategy.

There is no evidence that existing Council strategies identify how property can contribute to their achievement. Comments from stakeholder interviews have indicated a lack of clarity about the contribution property or the property services division should make to the Council's objectives.

The Working Group understands that the Accommodation Board will shortly be producing a strategy for the Council's administrative properties.

In relation to non-operational property (industrial estates, smallholdings, retail) the Working Group has not been able to establish that they make any measurable contribution to current economic development or well-being objectives and targets.

Given the importance placed on the AMP the Working Group has the following observations:

- ❑ It is not clear from the AMP how the property drivers contribute to achieving the Council's objectives.
- ❑ The performance measures contained in the AMP do not adequately reflect the property drivers, contain few targets and, over time, show inconsistent performance and data.
- ❑ The content of the action plan does not relate adequately to the property drivers, performance measures or targets.
- ❑ The action plan is short-term (12 months).

Although the Education AMP is only service related it provides a more structured approach to delivering education objectives.

Performance and Cost

Whilst the individual officers within Property Services clearly have professional expertise and competencies, there is a tendency to react to individual service's requirements and problems rather than have a co-ordinated approach to the management of the assets as a whole.

The absence of current policies and strategies has meant that there are no appropriate measures and targets for the performance of either the property portfolio or Property Services.

The working group has noted that the Property Services Division has established and developed appropriate systems, procedures and processes to manage their day-to-day operations.

The Working Group has attempted to establish a more realistic basis for identifying the individual components of cost for both the property portfolio and for the services provided by the Property Services Division. Whilst some of the costing information the Group has been able to obtain has provided a better understanding of cost there is a feeling that the data is still inadequate to enable it to draw up firm conclusions based on costs.

The problem of identifying the specific cost of individual assets or services exists in other areas of the Council as well as Property Services. However, the Group noted that improved arrangements were being developed and should be in place when any changes flowing from this review are implemented.

The Group also noted that cost management was a skill brought to the service delivery partnership by both Owen Williams and Herefordshire Jarvis Services. The opportunity to share these skills should be taken to enable the Property Services Division to establish a sounder basis for comparison of their costs both with the private sector and other local authorities.

The recharge of at least some of the Property Services Division costs in relation to work for schools and external clients is not based on an assessment of actual cost. There is some evidence that this is reflected in a higher recharge for services to internal clients.

The comparative data on cost and performance that the Group has been able to collect does not provide a true comparison with other authorities, as the basis for developing the data differs from organisation to organisation. Whilst this has not allowed for any definitive comparison it has indicated areas of possible strength or weakness where the comparative data shows significant differences.

Recommendations and Conclusions

Property Portfolio

When reviewing its policies and strategies the Council should ensure that any role for property is explicit, particularly in relation to non-operational property.

Taking current policies and strategies into account the Council should develop a strategy for the ownership and management of all its property covering the next 15-20 years containing objectives, appropriate performance measures and clear targets for the short, medium and long-term. The strategy should cover service, administrative and non-operational property and respond to the questions asked by "Hot Property".

The purpose of the Council's non-operational property (primarily industrial estates, smallholdings and retail property) should be clarified. If there are non-financial objectives these should be explicit, with measures and targets: appropriate financial targets can then be set, based on a long-term management plan, again with clear measures and targets. If

there are only financial objectives, then the management plan should follow an assessment of whether the property can provide an acceptable financial return, or whether alternative approaches might be more appropriate.

There should be greater alignment of the overall Council Asset Management Plan and the Education Asset Management Plan.

Property Services Division

The Council should consider how responsibility for and control of property (service, administrative and non-operational) should be organised and managed to best achieve its objectives. The Group's recommendations are:

- ❑ All property should be held corporately
- ❑ The Property Services Division should be responsible for the overall strategic management of all property and, as a matter of urgency, for the development of a corporate property strategy
- ❑ There should be greater integration between the Property Services Division and the asset planning team in the Education Directorate
- ❑ Directorates and Departments should be responsible for defining their service needs (not how they are met)
- ❑ The work of the Property Services Division should be refocused to provide:
 - Strategic asset management – considering service needs and developing property solutions (in accordance with a Property Strategy)
 - Operational asset management – responsible for on-going management of property
 - Project delivery – responsible for the development of briefs and delivery of projects

The Group recognises that the partnership with Herefordshire Jarvis Services (HJS) and Owen Williams is still developing, but anticipates that the refocusing of the work of the Division will involve greater integration with both partners.

The Group recommends that, as a support service, the Property Services Division should not be located within a service Directorate and suggests that it would be more appropriate for it to be managed in a similar way to other support services.

The Group recommends that any revised management arrangements are reviewed two years after clear targets for the performance of the Division have been identified in the Property Strategy. This will enable the effectiveness of such arrangements to be assessed at which time the option of externalisation of some of or all of the service should be explored.

The Working Group has the following recommendations on a number of detailed issues:

- ❑ The management of commons, currently met from the smallholdings budget, would be better placed in the Parks and Countryside Service.

- ❑ The management arrangements for smallholdings (the Council's estate is, by modern standards, small) should be reviewed as their costs, as a percentage of income, are comparatively high.
- ❑ As part of the refocusing of the work of the Property Services Division consideration should be given to the importance of the marketing of the industrial portfolio.
- ❑ There should be a programme of review for all property against the criteria mention in Table 1 above.
- ❑ The actual cost of providing services for schools and partner organisations should be established as a matter of urgency to ensure that a reasonable charge is made for these services in the future.
- ❑ As part of the refocusing of the work of the Property Services Division the provision of the Custodian Service, currently within the County Secretary and Solicitor's Department, should be transferred to the Property Services Division.
- ❑ The Council should consider a policy outlining its approach to the use and disposal of property of special significance to Herefordshire and/or local communities.
- ❑ The Council clarifies the future role of The Buttermarket as the Working Group believes if it is to fulfil a role as a key town centre site it needs investment. Having looked at a number of options, the Group felt that the only viable option would appear to be to lease it to the private sector

Background Information

Property Portfolio

Service property

- 105 schools/pupil referral units
- 48 public car parks
- 29 public conveniences
- 9 leisure centres/swimming pools
- 10 libraries
- 14 picnic sites
- 275 parks and public open spaces
- 7 tourist information centres
- 8 youth centres
- 7 museums/heritage centres
- 7 homes for the elderly
- 12 social care workshops/day centres
- 10 depots

Administrative property

- 29 offices

Non-operational property

- 4 industrial estates
- 75 smallholdings

Other property assets –1815 – e.g highway improvement lands

Book Value from the AMP - £240m

Maintenance backlog - £22m

Property Services Division

Other clients include:

- Hereford & Worcester Fire Service
- Colleges of Further Education
- Aided Schools
- West Mercia Police Authority
- The Marches Consortium
- Diocese (CE & RC)

Approach Adopted by the Working Group

- The creation of the Working Group and a project team
- A planning workshop
- A project plan
- A review of all relevant Council policies, strategies and service plans
- Interviews with the following stakeholders:
 - Leader of the Council
 - Cabinet Member for Economic Development, Markets and Property
 - Cabinet Member for Human Resources and Corporate Support Services
 - Cabinet Member for Education
 - Cabinet Member for Rural Regeneration and Smallholdings
 - Chief Executive
 - Director of Environment
 - County Treasurer
 - Head of Property Services
 - Property Services Manager
 - Head of Community and Economic Development
 - Head of Culture, Leisure and Education for Life
 - Head of Policy and Resources – Education Directorate
 - A representative from Herefordshire Jarvis Services
 - A representative from Owen Williams
 - A representative from AWM
 - The Property Services Manager at Oxfordshire Council
 - A representative from The Duchy Estate
 - A representative from Mapeley
- Contacts with all Council Directorates and Departments
- A Presentation on real estate partnerships
- A review of alternative local authority arrangements for managing property
- A presentation by, and site visit to, Oxfordshire County Council
- Workshops with managers and staff from the Property Services Division
- Staff briefings

Extract from Asset Management Plan

"1.8 Strategic Focus of Asset Management in Herefordshire

The Council recognises the importance of property towards meeting its aim and objectives.

The Capital Strategy & Asset Management Working Group (CSAMWG) has developed a set of property drivers (PDs) that summarise the Council's strategic management approach, in support of the Corporate Plan, for all property issues over a long-term planning period:

1. **Rationalisation** of existing accommodation/disposal of surplus or under-utilised assets.
2. Promotion of environmental issues in accordance with the Council's GEM Policy towards achieving **environmental sustainability**.
3. Encouragement of **sharing assets** to include cross-service use and sharing with external partnering organisations.
4. **Accessibility** with particular emphasis on meeting DDA requirements.
5. Support for **economic development** to promote employment and agriculture.
6. Provision of property that is **suitable, sufficient** and of **appropriate condition**.
7. **Conservation** of the unique built and natural environment within Herefordshire and promotion of better quality of life."
8. Support for **innovative and flexible ways of working** and provision of property where financial and social benefits exist.
9. Development and maintenance of **sound data management and data processing practices** in order to provide information upon which informed strategic property decisions can be made.
10. Use of appropriate **consultation** mechanisms to obtain stakeholder opinions on strategic property matters.
11. Holding of property assets that are **economically viable** and which, when held for income generation purposes, provide a reasonable financial return.
12. Providing a **flexible approach** to strategic property management so that opportunities can be taken at short notice."

