

**Manchester City Council
Report for Resolution**

Report to: Resources and Governance Overview and Scrutiny Committee –
22 July 2010

Subject: Corporate Property

Report of: The City Treasurer

Summary

An update on the Corporate Asset Management Plan 2010 and an update on Backlog Maintenance and DDA works to the Council's property portfolio.

Property Review update including surplus or underutilised properties.

Recommendations

That Committee note and comment on progress to date as set out in the report

Wards Affected:

All

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Background documents (available for public inspection):

None.

Section 1.0 Corporate Asset Management Plan

The Corporate Asset Management Plan (AMP) supports the strategic objectives of Manchester City Council and its partners through the effective management of the Council's property assets. Increasingly these property assets must be viewed as a flexible resource to be aligned in accordance with service delivery goals. This will not only achieve efficiency savings but also secure valuable improvements in service quality.

The importance of asset management planning has been emphasised by the Audit Commission's publication *Room for Improvement* (June 2009), which has highlighted a number of areas where local authorities still need to improve their performance:

- Improved data collection of property related information.
- Benchmarking of key performance data with similar authorities
- Reviewing property holdings and disposing of surplus assets
- Using retained properties more efficiently
- Increasing knowledge of partners' property assets and engaging in more partnership working.

The Council's asset management priorities aim to address these areas ensuring that our services and the estate required to deliver them are capable of being managed and operated at their optimum level accepting the increasing pressure on resources and the need to rationalise the portfolio.

1.1 Policies & Priorities

1.1.1 Policies

Our asset management decisions are made in the context of a number of Council policies. These include:

Manchester City Council's Community Strategy 2006-2015.

District-wide Strategic Regeneration Frameworks (SRFs) - the cornerstone of delivering the holistic, joined up interventions needed to support the regeneration of the City and the creation of successful neighbourhoods within it. As a major landowner in the City, how Manchester City Council deals with its assets will have a significant influence on the success of the Community Strategy and the SRFs, and the Asset Management Plan will therefore inform how the Strategy can best achieve its goals through better asset management, as well as itself being directed by the Strategy's required community outcomes.

Directorate of Transformation – transformational agenda. The (DoT) is concerned with the Council's future - how we will deliver 21st Century customer service in terms of staff skills and attitudes, and the physical channels we use to deliver services in the communities where they are needed. All Council services are being reviewed to make sure that they meet the needs of customers. The programme will affect all staff working for the Council and will lead to changes in the way we deliver services to service users and back-office functions.

In transforming the way that the Council provides its services, DoT will rely heavily on the Corporate Asset Management Plan in successfully aligning the asset base in accordance with the new service provision, whether this is more flexible accommodation, flexible ownership, or any asset implications arising from increased partnership working.

Neighbourhood Focus Strategy provides a framework for the way that the Council delivers services and support neighbourhoods. From an asset perspective, this sees more focus on shared asset/service provision by the Council and partner organisations at a local level, to improve service outcomes.

Service Business Plans and **Service Improvement Plans**, which themselves have been influenced by DOT. These plans set out the individual Service needs and objectives, and the Asset Management Plan needs to allow for these when considering policies for most effective asset management.

Service Asset Management Plans, which outline the Services' overall policies and also give specific directions with respect to individual buildings. Depending on how a service views a particular asset will decide its priority for maintenance funds, and ultimately whether it should be retained at all.

There are many other policies which inform and direct the management of the Council's land and buildings, such as the **Heritage Asset Strategy**, the **Voluntary & Community Sector Strategy**, **Land Management Policy**, **Property Strategy** and the **Corporate Accommodation Strategy** .

1.1.2 Priorities

Priorities have been identified that are either specific to Council Service objectives, or relate to building design, operation and management.

Service Priorities for Asset Management

Service Priority	Corporate Property Action
Rationalisation of the MCC portfolio to reduce the number of buildings	Through a comprehensive review of all operational property Corporate Property will be identifying opportunities to vacate, demolish and sell surplus buildings. It will also ensure that limited capital and revenue resources are directed to those buildings that provide the best facilities for District working in an efficient manner.
Improving both service delivery and access by the community	We are working with each Directorate and Service to review and update Service Asset Management Plans. We are working closely with Neighbourhood Services to establish fewer but better locality-based HQ facilities.

<p>Improving access to community facilities for all sections of the community</p>	<p>The community mapping exercise has identified the current distribution of premises, both MCC owned and owned by other public-sector partners throughout the city. The exercise is also focussed on identifying the needs of particular communities. The aim is to have a network of local facilities that ensure that there is adequate access for every community. This may not necessarily be an MCC facility. We are also working on a protocol for investment and the acquisition of new facilities whilst rationalising the existing estate.</p>
<p>Supporting the attainment of the Council's Carbon Reduction Targets</p>	<p>We are key members of the Climate Change Virtual Team, and have been assisting the Green City Team in the identification of the benchmark data for individual service reviews, identifying how each service can impact on the city's carbon footprint through its use of resources. All proposals to alter the portfolio are assessed in terms of its carbon impact and the rationalisation of the estate will reduce the number of buildings.</p>
<p>Increasing multi-agency and partnership working to deliver shared services and/or or operate from shared buildings</p>	<p>We are developing a number of partnerships with other public, private & third-sector partners to trial alternative models of service delivery utilising shared resources. For example, we are currently working with the charity BPNW, whose premises in Whalley Range host local Councillor and MP surgeries at present, to identify whether their staff and building, located in an area with few Council facilities, could also host first-tier front-line public services. We are also maximising the ability for the community to have access to all Council buildings.</p>
<p>Improving services by optimising use of assets so that services are delivered in the right space, in the right place and at a reduced cost</p>	<p>We are working with each Directorate to constantly review their service locations – reviewing condition, backlog maintenance, and service demand.</p>
<p>Better aligning accommodation needs with service delivery goals</p>	<p>The property portfolio is intended to support service delivery, not steer it. We are constantly working with service teams to identify where service needs</p>

	are, and striving to accommodate them so they can deliver services to the localities in the most effective and efficient manner possible whilst using the whole MCC portfolio in the most efficient manner
Equitable redistribution of space based on functionality and need	Our reviews have identified that the historic estate is not distributed equitably – there are large variances in accommodation standards across the city. We are currently working with DoT to create a corporate accommodation standard for back offices to ensure that the estate is more flexible and more efficient
Delivering higher quality work environments specifically catering to customer and employee needs resulting in improved levels of satisfaction	We are working with service directorates and with DoT to develop models for both front and back-office provision throughout the city, which will ensure that services are delivered where communities need them. We co-ordinate a corporate approach to the use of accommodation, with particular regard to suitability, sustainability and sufficiency and negotiate occupational agreements and notional rents with all occupying Services to ensure the estate is managed corporately.
Delivering planning and environmental policies through compliant development briefs on Council owned land	Our Regeneration team works closely with the planning team developing appropriate development briefs for development sites throughout the city to ensure that maximum benefits are delivered from regeneration schemes.
Shared strategic planning with other partner organisations	We are sharing information about our estate and property reviews, and the community mapping exercise, with other partner organisations, and intend to increase this consultation as the model for future delivery develops.

Project and Building Management Priorities

These priorities are more specific, and are directly managed and delivered by the Council's property teams in liaison with Service contacts:

Project & Building Management Priority	Corporate Property Action
Implementing flexible design to reduce the costs of "churn" (i.e. the percentage movement, relocation, etc of employees in any one year)	Through the development of the Corporate Landlord function and, working with DoT, corporate accommodation standards, we aim to create a more modern, uniform and flexible estate to accommodate the ebb and flow of demand for services. Work will be what you do, not where you go. Personnel moves will no longer involve costly (in terms of time and money) furniture moves.
Ensuring that all properties comply with the latest workplace management and buildings legislation	<p>As Corporate Landlord we are working with Corporate Technical Services and Manchester Working Ltd. to standardise the Council's Planned Preventative Maintenance (PPM) programme. This is the second year of the roll-out programme, and significant improvements in the management of statutory servicing and records have already been seen. Workshops are planned in the near future to train Building Managers throughout the City of the importance of statutory compliance and of record keeping. Our property advisors have received training from the Health and Safety Team and work with service contacts to ensure premises are compliant.</p> <p>The corporate approach to PPM will deliver efficiency savings that will be recycled back into the programme to make up the shortfall in budget provision. In future years a cashable saving may be delivered particularly if the estate is reduced.</p>
Prioritising maintenance through effective asset management planning to provide efficient premises and improve the quality of community facilities	Planned maintenance proposals are assessed in the light of Service AMPs, corporate objectives, expected lifespan, and carbon impact to ensure that investment is targeted to maximise benefit for the City's communities.

<p>Reducing the maintenance backlog on the Council's operational portfolio</p>	<p>Ongoing asset and service reviews are identifying priority locations for front and back-office services, and this decision-making process is undertaken with the condition survey data of the estate in mind. Maintenance investment is thus targeted to where it is most needed and will produce maximum long-term benefit.</p>
<p>Ensuring that all voluntary and community services have formal occupancy agreements when using council property</p>	<p>We are working with the Council's existing third-sector tenants and licensees to ensure that their occupation is formalised, making sure that occupiers fully understand the Council's expectations of them when occupying Council premises. New occupiers are only given access to premises once they have agreed to enter into a formal occupational agreement.</p>
<p>Properly managing the Council's investment estate, and identifying opportunities for maximising the Council's investment returns</p>	<p>The performance of the investment portfolio is managed by the Council's partners Jacobs, and assessed in relation to national performance indicators. A detailed report is to be submitted to September's Scrutiny Committee.</p>
<p>Meeting capital receipt targets and revenue savings</p>	<p>The Property Review team is constantly working to bring surplus properties to the market. To bring certainty to the process much back-ground preparation is undertaken to ensure assets brought to the market place have clean title, for example. A number of (non-school) premises, with expected capital receipts in excess of £800,000, will be handed to our partner Jacobs to be advertised for sale this year.</p> <p>We aim to capture the revenue implications of all property decisions, and are currently working with our Rating advisors to ensure appropriate allowances are claimed, and appeals against entries in the new 2010 Rating List made.</p> <p>Our ongoing and pro-active management of the Business Rates accounts is anticipated to generate significant Revenue Savings during this financial year. To date this work has already</p>

	<p>generated total net Rates savings in excess of £1m on the 2005 list in the Schools portfolio.</p> <p>We have pro-actively managed both the decant from the Town Hall Extension and Central Library and the relocation to First Street, Elliot House and other decant locations in the city to maximise Rates-relief for vacant properties.</p> <p>In addition the opportunity to consolidate staff in First Street and the refurbished Town Hall Extension has been maximised which will lead to the removal of five leased-in buildings (Overseas, Salisbury, Barlow and Basil House, and Express Networks) giving revenue savings of circa £2m pa and the removal of dilapidations liability of circa £1.5m.</p>
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1.2 Processes and Progress

At the strategic level, asset management practices have been greatly improved by the implementation of the Gateway process, which is a system for reviewing and approving all capital funding bids for particular purposes. By centralising the bidding process, senior officers become aware of all the strategic projects that come forward and are able to make better informed decisions in line with corporate priorities.

At a more operational level, day to day asset management activities have been taken over by the Corporate Property Department since April 2008, in its new role as Corporate Landlord for the City Council's non-residential operational estate (excluding highways, housing and schools). We take a corporate over-view of proposals made by service teams to ensure the best use is made of the portfolio. This includes enforcing a control on the taking of new accommodation leases. As reported above, the introduction of a Corporate PPM programme has standardised the delivery of statutory servicing throughout the operational portfolio, generating efficiency savings and reducing risks associated with non-compliance to the Authority.

1.3 Backlog Maintenance

A full review has been undertaken to update the data on backlog maintenance. Prioritised costs are based on historic condition survey information. The results confirm that the current Backlog Maintenance total for the City Council's portfolio, as reported in accordance with CIPFA Category 1B, is in the order of £61.5m (excl the Town Hall complex). There has been a reduction in the backlog maintenance of circa £30m over the last five years. This has been achieved through targeted investment in high priority works on the buildings which were in the poorest condition

and due to be retained in operational use in the long term, and the release of surplus or under-used properties for disposal and demolition.

The Property Advisors are working with the Directorates to develop Service Asset Management Plans which challenge the established ways of working in line with the policies and priorities identified in sections 1.1.1 and 1.1.2 above. This will identify where building efficiencies can be made, and the poorest quality premises - those that don't deliver higher quality work environments specifically catering to customer and employee needs - will be removed from the portfolio as a result, leading to greater savings in Backlog Maintenance liabilities.

A major priority this year is to contribute to the Council's objectives on achieving revenue savings, and a demolitions programme has been put together in order to deliver this. This has significantly reduced the Council's backlog maintenance liabilities. Non-school properties planned for demolition during 2010/11 will see estimated savings on AMP budget expenditure in the region of £1.75m, and generate revenue savings (based on 08/09 data) in excess of £140,000. During 2011/12, the programme will save an estimated £816,000 on AMP and in excess of £180,000 in revenue. The school properties included in the demolitions programme are anticipated to save £2m on the backlog maintenance budget and over £50,000 in revenue during 2010/11, and over £7.8m in backlog maintenance and £80,000 in revenue in 2011/12.

1.4 Programme of Priority Repairs for 2010/2011

Urgent maintenance jobs that are required to keep buildings operating will receive high priority within the AMP programme.

Applications for funding will be assessed in line with the Gateway process as detailed above.

A new 5-year programme of condition surveys is in the process of being commissioned. These new surveys will target properties which have been identified as being retained in the long term, this will likely identify further repairs that have arisen since the initial surveys were undertaken due to ongoing wear and obsolescence of existing M&E installations.

1.5 Progress on DDA for Operational Property

Since 2004 almost 80 jobs have been completed that have provided improved DDA facilities in the Council's operational buildings, with a total spend of over £5m. There are further jobs currently underway with an approximate value of £1.4m.

DDA schemes remain a key priority under the AMP, and we are increasingly looking at doing combined repairs/DDA schemes in order to save on design fees. Current examples are the refurbishment of the Harpurhey and Longsight District Offices, where the overall refurbishment schemes are also addressing outstanding accessibility (DFA2) issues to the tune of £109k and £155k respectively.

Section 2.0 Property Review

In the current economic climate Corporate Property are striving to work with Services to identify how services can be delivered better and more efficiently. Property occupation is a major service cost, and we are very aware that diminishing resources need to be carefully targeted. There is a need to accelerate and refocus the work on property review to maximise potential for revenue savings. We are working with Neighbourhood Services and DoT and the other members of SMT to produce proposals for a radical reduction in the size of the estate whilst ensuring that, where we can make property efficiencies, good quality services continue to be delivered from fit-for-purpose venues located within the communities where our citizens live – particularly in deprived communities regeneration initiatives can be strengthened by the provision of community facilities - albeit not necessarily owned by the Council itself. The whole public and third sector is under budgetary pressure, and closer partnership working will be needed to ensure a sustainable network of services is maintained.

We are currently undertaking refurbishment projects at both Harpurhey and Longsight District Offices, addressing DFA2 shortfalls and Backlog Maintenance works. Both schemes will incorporate facilities for partnership working, increase occupational density (from 85 to 109 at Longsight and from 117 to 149 at Harpurhey) and generate resultant revenue savings from the rationalisation of a number of outlying premises.

Working with DoT we aim to drive positive change within the Council, providing a targeted, modern and flexible estate, which, coupled with transformed ICT and HR policies, will enable our people to deliver services more efficiently and effectively to the communities we serve. Work will not be a place we go to, but a service we deliver. We can no longer afford the luxury of a desk per person for back-office staff. Property Review can bring significant savings and capital receipts over time. However, with this increased impetus, a more radical review of services and locations, on the locality-based model, can bring enhanced savings and provided obstacles to delivery can be overcome these savings will be accelerated. There may be a need for some targeted investment in order to release future savings. These enhanced savings will be classified as AIM ('Analyse and Improve Manchester') efficiencies.

We are reviewing the whole portfolio to identify 13 locality bases in which it is intended to locate a Council 'HQ' back-office facility, supplemented by public-facing services delivered from selected high-quality Council or partner-owned venues and via user-friendly ICT applications.

We have undertaken a number of high-level accommodation studies, the results of which are being reinforced by post-occupational studies of the accommodation at Number One First Street.

An initial study has taken into consideration 27 MCC back-office premises consisting of both leased and freehold properties across the whole of the city.

The information gathered so far for the above premises state that they provide accommodation for 3356 'Full Time Equivalent' (FTE) staff in a Gross Internal Area (GIA) of approximately 91,000sqm (though both need to be confirmed). This occupancy rate, which is partly due to the restrictions with building formats, fails to comply with target guidelines of 12sqm/person. The Corporate Property-led Accommodation protocol recommends 8sqm GIA/FTE. This has been applied at First Street, and in refurbished offices at Belle Vue, Longsight, Harpurhey, and, where physically possible, wherever office relocations are applied. By adopting flexible work-styles, for example introducing a desk to staff ratio of 8:10, further space, and cost, efficiencies may be generated. There should, therefore, in theory be scope to generate significant accommodation savings through the application of these guides.

Post occupation studies at First Street are identifying that even greater space efficiencies may be possible through the introduction of more flexible working practices. Based on this outcome it may be possible, within the context of a city-wide transformation agenda, to reduce the desk ratio further. There may be an early-win by moving some staff from Heron House into First Street enabling revenue savings to be delivered once the vacated accommodation is sub-let.

During the review exercise, a further 169 premises in the City area have been identified from which office services are delivered. A number of these incorporate both front-office (ie customer-facing) and back-office (ie non-customer facing) functions. This list includes a number of depot premises (eight in number) where we are aware that back-office services (385 staff) are delivered from poor quality buildings.

It is important that any review of the retained office portfolio reflects the principals established during the Town Hall Extension project especially the design of floor plates and flexible work areas adopted currently at First Street in order to achieve corporate standards.

The Council's Asset Management Plan 2009 and 2010 identifies the aim to reduce the space occupied by Council Services by 20% in the medium term, and to occupy fewer, larger and better standard buildings. This needs to be accelerated and challenged in the light of increased budgetary pressure, and greater savings, through transformed working practices, captured. Both working practices and building environments will become more flexible to generate revenue savings. A more flexible estate of consistent quality will also be 'future proof' and adapt to different working practices in the future, and reduce the 'churn' of office moves caused by the current inflexible and cellular estate. This will be assisted by the creation of locality-based back-office 'HQ' facilities throughout the city – a reduced number of more modern, flexible, corporate facilities, reflecting the transformed working practices being introduced at Number One First Street. Workshops have been arranged with representation from SMT and from services to kick-start this transformation project. A proposal with a clear delivery plan and forecast of revenue savings will be drawn up following these workshops, the first of these will take place during August 2010.

The Council is under increasing pressure to reduce its Carbon Footprint and a review of the office portfolio offers potential to contribute to the achievement of the targets

and aims – both through the reduction in floor area, improved energy efficiency, and different operating models, and through personnel policies and procedures, including how employees travel both to work and to meet with customers.

The project could also be a major contributor to the Council's regeneration agenda, creating redevelopment opportunities on sites vacated by the Council, and, through targeting of investment in new facilities in locality areas, help kick-start regeneration schemes in the each selected city locality.

Over recent months Corporate Property have had the opportunity to focus in more detail on the back office portfolio within the New East Manchester SRF area.

This individual area study covers 17 buildings occupied by circa 1837 FTE's in a GIA of 60,660 sqm with a total estimated annual running cost (excl rents) of £2 million and CO2 emissions of 6198 tonnes per annum. Further detailed work is being completed categorising staff into locality based service providers and FTE's which do not require a local/neighbourhood base and could be co-located into a single district back office.

Two models are being considered – one allowing a GIA/FTE of 10sqm, the other of 8sqm. The study will be conducted in parallel to the work being brought forward by DoT with services, agreeing their Target Operating Models, and with Neighbourhood Services Community Hubs and Locality Based Services project. Each work stream has the potential to enable the delivery of rationalisation within the operational estate. Once a model has been agreed that provides locality-based front line services with single back office support this will be used to realign the rest of the estate across the city.

Other recent successes include the early vacation of the Salisbury House office building, in advance of the completion of the Town Hall Extension refurbishment. Working with the Council's Directorates the surrender of that lease, and temporary relocation of the staff to cheaper accommodation, will result in an annual revenue saving anticipated to be in the region of £300,000. This move is scheduled for August this year. As reported above (see section 1.1.2 – Project and Building Management Priorities) we have been working closely with DoT to ensure that the revenue savings available to the Council as a result of the Town Hall Extension and Central Library Decant have been maximised, for example ensuring that the application of vacant Rates has been generated as each unit of accommodation was vacated, and that rating liability for the Council at the decant venues was only applied from physical occupation of each replacement unit. These savings have yet to be fully quantified, but are anticipated as being substantial.

We have also been working with the Corporate Contact Centre team, reviewing options for the relocation of staff to Council-owned accommodation, again generating revenue savings.

Our work with Adult Social Care has resulted in a rationalisation of Resource Centres. This is likely to be delivered during this financial year, and papers are currently being prepared to gain final approval for the proposals. This review will result in the closure of three life-expired Resource Centre properties which are likely

to be demolished. There will be enabling works to a number of the remaining sites to facilitate improved service delivery. It is anticipated that this programme will generate net revenue and backlog maintenance savings, alongside improved service delivery.

There are ongoing schemes to remodel Longsight and Harpurhey District Offices. Both schemes will increase occupational density, result in a direct improvement to both public-facing and back-office provision in these locations, provide opportunities for partnership working, and address both DDA compliance and significant backlog maintenance issues.

Through property review we are also carrying out a comprehensive review of all Council-owned land to identify surplus land for disposal and we are working closely with our colleagues in Planning and Regeneration to ensure that the maximum outputs are obtained for land with development potential.

Section 3.0 Summary

There has been significant progress in identifying surplus and/or underutilised properties. The work on property review is now in the delivery phase and regular monitoring of projected revenue savings and capital receipts is being carried out.

The cross-SMT work on accelerating the rationalisation of the portfolio has begun and a forecast of the potential revenue savings along with clearly identified issues will be worked-up over the next two months.