

ABERDEEN CITY COUNCIL

COMMITTEE	Strategic Transformation Committee
DATE	9 February 2018
REPORT TITLE	Asset Review – Business Case
REPORT NUMBER	CG/18/018
DIRECTOR	Steven Whyte
REPORT AUTHOR	Stephen Booth

1. PURPOSE OF REPORT

- 1.1 This report summarises the key issues from the business case prepared with regard to the Council's property asset base, and makes recommendations on short and medium term actions.

2. RECOMMENDATIONS

- 2.1 It is recommended that the Committee:
- i) Approves the business case attached as an appendix to this report and notes that the Director of Resources is to implement the Corporate Landlord Model; and
 - ii) Agrees the savings of £737k for 2018/19 and that these are reflected in the budget for 18/19.

3. BACKGROUND

- 3.1 The future Council operating model is focused on commissioning services to improve outcomes for people and place, which necessitates working across organisational boundaries, consolidating service provision, and empowering communities to self-support. The Council's operational assets (e.g. schools, depots, administrative offices etc.) play a key role in influencing the way services are organised and delivered to individuals and communities. The Council's asset base (excluding its social housing portfolio which includes over 22,000 units) exceeds 1,250 properties and is increasing to meet pressure on the school estate. The configuration of the Council's estate will be either a major barrier or enabler to the Council's transformation.

- 3.2 Property running costs are the Council's third highest category of revenue expenditure, equating to £41.2 million (in financial year 2016/17), with an asset value of approximately £1 billion, and a backlog maintenance of £56.9 million (18% of which is considered high priority). Financially, the Council's asset base is significant and therefore has a key contribution to make to the Council's budget challenge.
- 3.3 The Council generates external income of around £6.3 million from its commercial property assets (excluding those held within the Common Good Fund). These include industrial and retail units located across the city.
- 3.4 The Full Business Case, included as an appendix to this report, focusses on the Council's operational assets, commercial estate, community and social assets. The Housing stock, which is managed through the Housing Account for the benefit of the tenants, is out of scope. Assets currently operated by the Council's Arm's Length Organisations (ALEOs) are also out of scope at this time. The business case identifies opportunities available for immediate implementation along with areas of work and opportunities which will require further development to achieve operational efficiencies and budget savings.
- 3.5 The business case considers the opportunities around the establishment of a Corporate Landlord model and identifies this as the platform to take forward further reviews on all the Council's property assets to align with and support the needs of the future Council, reduce operating costs, and maximise commercial revenue. This model was approved as part of the target operating model on 11th December 2017.
- 3.6 The next stage will be to implement the proposed actions to deliver 2018/19 savings and develop an implementation plan for longer term efficiencies and rationalisation across the estate.

4. FINANCIAL IMPLICATIONS

- 4.1 The Business case establishes revenue savings on property assets of £737k which can be delivered in financial year 2018/19. It also identifies further projects which will require to be progressed in order to deliver additional revenue budget savings from financial year 2019/20 onwards.
- 4.2 It should be noted that to deliver the full savings some costs will be incurred around demolition of redundant buildings and property relocation costs. These will be identified in detailed project delivery plans and in future reports with any associated budget implications.

5. LEGAL IMPLICATIONS

- 5.1 There are no significant legal issues identified at this stage. It is anticipated that conveyancing and procurement input will be required to give effect to the potential savings identified. If approved by Committee, the budgetary implications will be intimated to the London Stock Exchange.

6. MANAGEMENT OF RISK

- 6.1 A Project Plan is being developed around the Business Case and will be advanced when the Business case is approved. A number of operational risks around resilience and ICT Infrastructure have been identified which will be considered in project delivery and may impact.
- 6.2 The following categories have been considered; Financial, Employee, Customer/Citizen, Environmental, Technological, Legal and Reputational. No risks were identified at this stage, but will be carefully monitored in the delivery of the business case and as part of its risk planning.

7. IMPACT SECTION

7.1 Economy

The rationalisation of the Council's estate will create wider economic and redevelopment opportunities for others as sites and buildings are brought forward for alternative use.

7.2 People

The plans to rationalise the estate around 'better and fewer' assets will allow the council to focus resources on the retained estate improving the experience for staff and customers.

7.3 Place

The Council's assets have a role to play in the wider creation of place, in how they look, are maintained and in the services they provide to communities.

7.4 Technology

The Council's physical property assets and its digital assets are interlinked in many ways and require careful consideration in how they are maintained connected and managed. The ICT issues around property will be considered in the delivery of the Business Plan.

8. BACKGROUND PAPERS

None

9. APPENDICES (if applicable)

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10. REPORT AUTHOR DETAILS

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