

Bath & North East Somerset Council

MEETING/ DECISION MAKER:	Cabinet	
MEETING/ DECISION DATE:	10 December 2020	EXECUTIVE FORWARD PLAN REFERENCE:
		E 3244
TITLE:	Property Services – Service Review	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		

1 THE ISSUE

- 1.1 Covid has had a significant impact upon and how the council manages its' commercial estate
- 1.2 The pandemic has resulted in immediate and permanent changes to our ways of working and our operational estate requirements
- 1.3 Covid related socio-economic impacts, some of which may become permanent, require the organisation to re-position its' estate to respond to this change

2 RECOMMENDATION

The Cabinet is asked to;

- 2.1 Note the content of this report and endorse the focus for our proposed actions (2021):
 - A review of the council's Commercial Estate and note the principles for the review outlined in section 3.2.4
 - Endorse the principles of the 'Preparing for the Future Programme', to reconfigure our Operational (office) Estate (3.3.2)
 - The production of a new Corporate Estate Strategy and
 - A redesign of our estates, maintenance and construction etc functions to enable us to be in the best position to respond to our place shaping and renewal agenda, in support of our communities as we move into Covid recovery in 2021

- 2.2 Delegate decisions relating to the estate to the Cabinet Member for Resources, in consultation with the council’s Chief Operating Officer, Section 151 Officer and Senior Officers in Estates
- 2.3 To engage the Corporate Policy Development and Scrutiny Panel in the emerging Corporate Estates Strategy

3 THE REPORT

3.1 Service dimensions

3.1.1 The council is custodian of 1,200 properties with an asset value of approximately £500 million split across the operational and commercial estates.

3.1.2 The Operational Estate comprises property assets used by the council in the delivery of its services. This estate has been valued at £200 million (1 April 2018).

3.1.3 The Commercial Estate. The Council owns a large and influential portfolio of investment property and land assets. A significant proportion of these assets are retail premises in the centre of Bath. In addition, the council portfolio comprises key sites for regeneration and strategic development. As of 1 April 2018, the capital value of this estate was estimated at £295 million.

3.2 Commercial Estate Review

3.2.1 Covid has had a significant impact on the Council’s commercial estate income and on the levels of commercial voids. The latest data is provided below (April – October 2020):

Activity Area	Baseline	Current	Variance
Commercial Estate Void Levels	3.6%	7.6%	4.0%
Commercial Estate income (£)	(18,805,727)	(12,205,727)	6,600,000

3.2.2 Pre-Covid, the commercial estate provided a reliable source of income, whilst asset values continued to appreciate. The onset of the pandemic has resulted in the sector becoming more unpredictable, rental arrears have increased and the estate requires greater scrutiny and management. The pandemic has accelerated change in areas such as e-commerce and home working. The risk profile of certain sectors of our estate is changing and it is important for the council to assess this shift in how commercial buildings are likely to be used in the long-term.

3.2.3 The council has appointed Montagu Evans to undertake an independent evaluation of our commercial estate, to assess strengths and weaknesses of the portfolio and create an outline strategy for the future.

3.2.4 The principles for the review are as follows:

- To maintain ownership of a commercial estate with the principal aim being to deliver a secure (maximised) income stream
- Within the context of our place shaping and regeneration role as a major landlord
- We acknowledge the need to rebalance the estate
- Our starting assumption is of a need to change redundant retail space into residential property to promote city centre living
- We have declared a climate and nature emergency which will need to be considered in the decisions we make

3.2.5 Montagu Evans have been tasked with:

- A review of the estate and to evaluate potential yield in the context of current market conditions.
- Review the balance of asset type
- Test out the assumption to move to a more residential based portfolio
- Set out any alternative ideas about how to diversify the estate

3.2.6 The outcomes of the review will be an evaluation of the current position of our portfolio, the identification of economic opportunities and threats and a recommended strategic approach. A detailed action plan will include an outline of resources required to reposition the commercial estate. The draft report from Montagu Evans will be made available to the council before the end of 2020, the final document being received in January/February 2021.

3.3 Operational Estate Review & Redesign (Office Accommodation)

3.3.1 In line with many other organisations, the onset of the pandemic resulted in a radical and immediate shift in the way many council teams delivered their services. Over 1,200 staff moved to homeworking arrangements in March 2020. There are excellent examples, across the council, of how teams have adapted and innovated to ensure the continued delivery of front-line services and to retain effective internal and external communications.

3.3.2 The council has used the last six months to start restructuring its' use of the office estate. Our 'Preparing for the Future Programme' will deliver changes to how we work. The overarching principle is that *work is what you do not a place you go*. The objectives of this change programme are:

- To reduce the number of office buildings we use in Bath
- Reduce the number of leasehold arrangements
- Increase income through the letting of office space we no longer require in Bath
- Temporarily re-design the office space in Keynsham and the Guildhall to meet the necessary social distancing rules

- Medium Term, permanent redesign of the Keynsham Civic Centre (KCC) to increase occupancy rates and to provide modern, collaborative, and flexible office space for a greater number of staff. Providing more effective and efficient use of our office
 - Review our digital strategy to support remote and flexible working arrangements
- 3.3.3 Good progress has been made, office leasehold arrangements have been reduced, two floors of Lewis House have been let and a small number of key staff are working in Covid secure arrangements (Guildhall and KCC).
- 3.3.4 Most staff continue to work from home, in accordance with government guidance. Plans are being developed to amend the layout of KCC to modernise facilities to support new ways of working. It is envisaged that the council will adopt a 'blended' approach to work patterns. Teams working from home part of the week and attending KCC several days each week. Detailed plans for the accommodation changes at Keynsham will be available during the latter part of December and will be shared with Cabinet and staff to gain feedback. It is envisaged that works (subject to appropriate Cabinet, Council approvals) will take place during the first half of 2021.

3.4 Estates Strategy (Asset Management Plan)

- 3.4.1 The current council property strategy was published in 2012 and requires review. It is intended to develop a new council strategy in the first part of 2021.
- 3.4.2 The context for this forthcoming Estates Strategy will be provided by the Council Corporate Strategy (2020-24), Community Asset Transfer Policy, the pending Montague Evans Report, the impacts of the pandemic and our recovery, renewal and place shaping vision (developed with engagement of partners).
- 3.4.3 The new Estates Strategy will be developed in accordance with the following principles:
- The value of our investment portfolio is grown and optimised, contributing to capital programming and medium-term financial planning
 - Our operational estate is fit for purpose, well maintained, flexible and capable of adapting as we change our delivery models and ways of working
 - Effective Corporate Landlord arrangements to be put in place
 - Our estate contributes towards making B&NES carbon neutral by 2030
 - The expectations that all Council sponsored or supported development meets carbon reduction objectives, including schools (whether maintained or academies)

- Our estate contributes to our renewal (as we emerge from the pandemic) and broader place shaping objectives

3.5 Service Redesign

3.5.1 The council has commenced a review of its' Estates, Construction, Maintenance, Facilities Management and Business Intelligence Functions

3.5.2 The intention of this review is to reposition the service to deliver on both the changing commercial and operational estate requirements and to support the broader council priorities.

3.5.3 Areas to be covered include a review of key processes and procedures, digital solutions and staffing structures. This will ensure that we have the most efficient processes in place, robust policies and procedures and adequate staffing resource. Previous review work has highlighted a skills gap and resource in some areas, such as energy.

3.5.4 The review work has commenced, and the initial focus has been on the Construction, Maintenance and Facilities Management functions. Activities to date include a focus on developing our supply chain.

3.5.5 Traditionally, the performance dashboard for estates has comprised two key indicators; the commercial estate void level and income generated. The service wide revenue cash limits and capital programme are agreed as part of the annual budget setting processes each February. Financial data is reported upon as part of broader council arrangements. The aim of this programme is to develop the performance monitoring dashboard/indicators to provide greater detail and transparency on activity across estate functions. GIS mapping of assets is already underway and will be available to view.

3.5.6 A revised system of governance will be put in place. Responsibilities and decision-making processes will be reviewed and defined.

3.5.7 In order to progress this project at pace it is intending to engage some temporary staffing resource, within approved council revenue budget provision.

3.5.8 Timetable for activity:

Date	Activities
December 2020	<ul style="list-style-type: none"> • Draft Montagu Evans Report produced (Commercial Estate Review) • Emerging capital requirements, 2021/22 budget • Procurement activity completed • Appointment of resource to head service redesign work

	<ul style="list-style-type: none"> • Interim performance dashboard produced • Design option agreed for KCC
Q1 2021 (January-March)	<ul style="list-style-type: none"> • Final Report – Montagu Evans • Capital Programme and Cash Limits for 21/22 agreed • Commence work on new Corporate Estates Strategy (agree scope, internal engagement) • Commence review of service structures, internal governance and decision-making arrangements, key policies and procedures (context of revised senior management arrangements) • Early engagement of Cabinet Member/s and Scrutiny Panel • KCC space redesign
Q2 2021 (April – June)	<ul style="list-style-type: none"> • New service structures/arrangements implemented • Draft Strategy produced – internal and external engagement • Commence delivery of revised Commercial Estate Strategy • New performance management arrangements and dashboard in place • KCC – new blended working arrangements introduced
Q3 2021 (July – September)	<ul style="list-style-type: none"> • Corporate Estates Strategy to Cabinet for consideration

4 STATUTORY CONSIDERATIONS

- 4.1 The report itself raises no immediate legal issues but as the review progresses it is essential the legal input is provided to ensure the review addresses both the organisational changes to be introduced and the wide range of property and safety legislation applicable to the Council's operational and commercial estate functions.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 5.1 There are no specific resource implications associated with this report. Further reports will be shared with the Cabinet Member for Resources, Cabinet and Council as business cases are developed and in accordance with the council budget setting and governance frameworks.

6 RISK MANAGEMENT

- 6.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision-making risk management guidance.

7 EQUALITIES

- 7.1 Equality Act 2010. The Council has a public sector equality duty to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between different people carrying out their activities.
- 7.2 All Capital investment will be fully compliant with equalities legislation.
- 7.3 As part of the redesign and refurbishment of KCC we will secure improvements to access arrangements, lighting and signage. This work will be undertaken in consultation with the council's equality leads and with full engagement of equalities groups.

8 CLIMATE CHANGE & ECOLOGICAL EMERGENCY

- All decisions will take account of the Council's declaration on climate and ecological emergencies
- All Capital investment will seek to deliver the Council's policy of reducing energy consumption. The emerging capital programme includes dedicated capital for retrofit activities, for Member consideration as part of the 2021/22 budget setting process
- All new development or major refurbishment of buildings to be net zero carbon in operation, or carbon positive generating more renewable energy than it uses
- All works will consider how they minimise embodied carbon e.g. using local, natural materials, timber frame, limiting use of concrete and steel
- Buildings to be designed for the future climate e.g. storms, flooding, heavy rain, overheating
- Reducing car dependency - works will seek to retain parking provision for disabled users, but work towards reducing car dependency by considering options such as providing covered secure cycle storage and considering links to public transport
- The streamlining of our office buildings and blended working approach will reduce the need to travel to and from work, contributing to the core policy of addressing the climate emergency

- Service redesign – there is recognition additional resource is required in the energy team. This will be addressed as part of the review of structures

9 OTHER OPTIONS CONSIDERED

- 9.1 For the reasons outlined, Covid has necessitated a requirement to move forward at some pace on developing a new Corporate Estate Strategy. A review of policies, procedures and resource planning are essential to support delivery of the council's Corporate Strategy. The repositioning of our estate function is necessary to aid effective community recovery and renewal.
- 9.2 Options will be developed through the workstreams identified in this report and will be considered through the agreed governance and decision-making processes.

10 CONSULTATION

10.1 Cabinet Members, Monitoring and Section 151 Officers.

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Background papers	Asset Management Plan 2012 Budget and Council Tax Meeting, Council 25 February 2020
Please contact the report author if you need to access this report in an alternative format	