

From: Gary Cooke, Cabinet Member for Corporate & Democratic Services
And
Paul Carter, Leader and Cabinet Member for Business Strategy, Audit and Transformation

To: Policy and Resources Cabinet Committee – 16 January 2015

Decision No: **14/000150**

Subject: **Facing the Challenge – Property Future Service Delivery Model**

Classification: **Unrestricted**

Past Pathway of Paper:

P&R Property Facing the Challenge Update Paper (July 2014)

Future Pathway of Paper:

Cabinet Member Decision

Electoral Division: All

Summary: Property and Infrastructure Support, since the implementation of the Corporate Landlord model, has been continuously improving its service delivery model and was selected as a Phase 1 service as part of the Facing the Challenge (FtC) Review Process. The aim of the review was to evaluate the current service offer and consider alternative delivery models and how the service can best meet the continuing needs of the Council and the financial challenges the County Council over the medium to long term as Central Government funding reduces.

Following a detailed analysis of the current property service offer and an appraisal of the alternative service delivery options, a Local Authority Trading Company (LATC) model is considered as the option which best meets the challenges faced by the council as well as providing the best opportunity to deliver medium to long term financial benefits to the authority. The business plan for this option has been further developed and modelled to ensure that the proposed option is both deliverable and viable.

The main conclusions from the detailed Business Plan are:

A LATC will offer Strategic Estate Management Services, Operating Building Management services, and Project Services

The same level of services can be maintained for KCC, which KCC can afford to pay for using planned budgets and any income generated.

Following the outcome of the detailed financial plan it is recommended that a decision is now progressed to implement a LATC for the delivery of Property Services.

Recommendation(s): The Policy and Resources Cabinet Committee is asked to consider and endorse or make recommendations on the proposed decision to be taken by Cabinet Member that:

1. In consultation with the S151 Officer, Monitoring Officer and subject to the comments of the Trading Activities Sub Committee (Governance and Audit) the County Council establishes a wholly owned Local Authority Trading Company to deliver its Property Service based on the principles outlined in this report. The Local Authority Trading Company (LATC) will be established as soon as possible but trading will not commence until the necessary resources, approvals and commissioning functions for KCC are in place.

2. Subject to the proposed decision set out in recommendation 1 being taken, authority be delegated to the Director of Property and Infrastructure Support in discussion with the Cabinet Member, to put in place the necessary arrangements to facilitate the establishment of the Local Authority Trading Company.

Introduction

1.1 Property was considered as part of the 'Facing the Challenge: Delivering Better Outcomes' phase 1 review process. A key part of this activity included market engagement alongside challenging key assumptions as to current service delivery, which is based around two property service, Strategic Asset Management which involves the active management of the KCC estate (asset reviews, acquisitions, disposals, lease management, etc.); and Asset Agency Services which involves P&IS acting as a manager or agent of a supply chain to design, build, modify and operate individual assets.

1.2 The detailed analysis of the current delivery model and options appraisal identified that P&IS concentrated around two core services:

- Strategic Asset Management, which involves the active management of the KCC estate (asset reviews, acquisitions, disposals, lease management etc.). The KCC estate is managed in two portfolios, an operational portfolio and a disposals portfolio. A small external supply chain of professional services are used to support this element of the business; and
- Asset Agency Service which involves P&IS acting as a manager or agent of a supply chain to design, build, modify and operate individual assets. This part of the business uses two major supply chains, a design and construction supply chain and an FM supply chain (which will be largely sourced through the forthcoming Total FM contract).

1.3 The following delivery options were considered:

1. Do nothing
2. Remain in-house but make efficiency savings and trade at cost
3. Outsourcing
4. Externalise and establish a Local Authority Trading Company that is 100% wholly owned by KCC
5. Externalise and establish a Joint Venture Company
 - (a) with a private sector company and
 - (b) a Teckal JV with another Local Authority Trading Company.

1.4 It was concluded that the option which offered the greatest opportunity to meet the Councils objectives was Option 4: Externalise and establish a Local Authority Trading Company that is 100% owned by KCC. The benefits of were identified as providing the best opportunity for income growth; efficiency savings and increased portfolio performance.

1.5 Following an analysis of the current service offer and consideration of the service delivery options the business case was developed focussing on income generation being the primary mechanism for delivering the budgetary savings required, via:

- Greater return from KCC property
- Growth and margin from trading
- Capturing Supply Chain profit from existing KCC supply chains
- Income from property development

2. Financial Implications – Due to the commercial sensitivity around the financial analysis, full details of the financial implications can be found in the exempt report.

3. The Report

3.1 The final name will be chosen during the transition phase should the County Council wish to proceed with this model. Due to the commercial sensitivity around the details of the business, the full report section can be found in the exempt report.

4.0 Legal & Governance Structure – Due to the commercial sensitivity of this proposal, full details of the Governance Structure can be found in the exempt report.

5.0 Risk

- 5.1 The key risk and mitigation measures have been identified and full details can be found in the exempt report. The Business Plan was reviewed by the S151 officer, the 151 report was supportive and acknowledged the financial plan was prudent and robust. In addition the Business Plan was reviewed by the Corporate Portfolio Office, and its comments were addressed within the final version of the Business Plan.
- 5.2 The Commissioning Advisory Board were satisfied with the proposed establishment of a LATC for the delivery of Kent County Council's Property Services. A specific action from the Board was to ensure that all Members of the County Council be provided with a training opportunity on the Local Authority Trading Company as a delivery model. The training will explicitly cover the role of the elected Member in the LATC, and as such P&IS have included this training requirement within our establishment programme.
- 5.3 The project is now under the review of the Corporate Portfolio Office and a monthly status report is issued to the CPO which highlights progress against target.

6 Conclusion

- 6.1 The proposal to establish a LATC for the delivery of property services has been considered as part of a structured review and analysis appraisal which concludes that a LATC is the most viable option for Property to deliver its departmental savings target; drive efficiency and culture change whilst achieving revenue surplus and maintaining current service levels. In addition this proposal meets the council's long term aspirations to provide transformation through a whole council approach and deliver a surplus back to the authority.
- 6.2 The LATC as a company, will also have a strong emphasis on social value and delivering a return for reinvestment back into Kent County Council services as the Shareholders consider appropriate and that in terms of the management of KCC property, KCC very much is still in control of setting its policy.
7. **Next Steps** – Due to the commercial sensitivity of this proposal, the next steps are detailed in the exempt report.

8. Recommendation(s):

The Policy and Resources Cabinet Committee is asked to consider and endorse or make recommendations on the proposed decision to be taken by the Cabinet Member that:

1. In consultation with the S151 Officer, Monitoring Officer and subject to the comments of the Trading Activities Sub Committee (Governance and Audit) the County Council establishes a wholly owned Local Authority Trading Company to deliver its Property Service based on the principles outlined in this report. The Local Authority Trading Company (LATC) will be established as soon as possible but

trading will not commence until the necessary resources, approvals and commissioning functions for KCC are in place.

2. Subject to the proposed decision set out in recommendation 1 being taken, authority be delegated to the Director of Property and Infrastructure Support in discussion with the Cabinet Member, to put in place the necessary arrangements to facilitate the establishment of the Local Authority Trading Company.

9. Contact details

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