

For general release

REPORT TO:	SCRUTINY AND OVERVIEW COMMITTEE 20TH DECEMBER 2011
AGENDA ITEM:	5
SUBJECT:	CAPITAL AND PROPERTY STRATEGY
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CABINET MEMBER:	DUDLEY MEAD- DEPUTY LEADER AND CABINET MEMBER FOR FINANCE AND ASSET MANAGEMENT

ORIGIN OF ITEM:	This item is contained on the Committee's Work Programme.
BRIEF FOR THE COMMITTEE:	To consider priorities for the development of a Capital Programme for the next twenty years; to consider the findings of the property review and the ways that these will influence future asset strategy

1. EXECUTIVE SUMMARY

- 1.1 This report provides an update for the Scrutiny and Overview Committee on the implementation of the Capital Strategy and the Property Strategy both of these strategies have been agreed by Cabinet in the past 12 months and are central to the Council long term plans for the infrastructure of the borough.
- 1.2 The report provides detail on how both strategies are being delivered and the current challenges being faced

2. CAPITAL STRATEGY

- 2.1 A 20 year capital strategy was agreed by Cabinet in November 2010. The first 5 year programme guided by this strategy was agreed by Council in February 2011 and is now being delivered as part of the in year budget. Appendix 1 sets out that strategy. Alongside this step change in investment agreed, the Council needed to rapidly develop corporate capacity to effectively deliver the Borough's ambitious built environment and infrastructure programme.
- 2.2 Historically, the delivery of capital projects has not always been sufficiently coordinated across the Council. Although there are pockets of excellent practice, the existing model is dependent upon procuring external project

management support and does not make best use of category management or intelligent commissioning. As a result, the Council is not always able to maximise value for money through the supply chain.

- 2.3 Externalising or outsourcing all management and delivery will not provide the required control to best protect the Council's interests. Accordingly, a review of capital project delivery was undertaken as part of the Step Change Croydon Programme, focusing on the structure and resources required to create an intelligent client commissioning and delivery hub. Establishing a central Capital Delivery Hub (CDH) enables the Council to operate a robust gateway approach, ensuring appropriate governance of capital investment for built environment and infrastructure schemes. The CDH will also significantly reduce organisational risk, improve procurement practice and eliminate perceived conflicts of interest.
- 2.4 The proposed structure supports is based on examination of best practice models in similar size complex organisations in both the private and public sectors. By entrusting future commissioning and delivery to the CDH, departments will be able to focus on their core business: ensuring efficient delivery of high quality services. To ensure that departmental needs are met, the CDH reorganisation will also establish intelligent client functions working directly to service departments. With a clear understanding of service-specific business needs, the client function will act as the departmental commissioner for capital delivery, maintaining an overview of the department's capital delivery projects and programmes.
- 2.5 In July 2011, the Council formally commenced consultation with staff from across the organisation whose role involves the delivery and management of projects and programmes within the built environment and infrastructure capital portfolio. The proposal will not lead to a reduction of posts. However, the reorganisation of functions and responsibilities within the proposed structure may result in redundancies. Following closure of consultation staff in scope will be matched to roles within the new structure. Any remaining vacancies will be filled in line with the Council's recruitment procedure. The CDH is expected to be operating with a full complement of staff early in the new financial year.
- 2.6 A complementary programme of activity is underway to establish appropriate operating protocols aligned to the corporate project management methodology and gateways process, and to rationalise existing procurement arrangements so that the services required to deliver the Council's built environment and infrastructure programme can be intelligently commissioned.

3 CAPITAL GATEWAYS

- 3.1 A key principle of the Capital Strategy, in ensuring the Council's significant capital investment is managed effectively is the development of a best in class appraisal and funding decision process. Since the adoption of the strategy the Council has developed and road tested a new capital gateway process which has included:

- extensive stakeholder engagement to ensure the gateway process balances assurance with the pace of delivery
- road testing a number of capital projects through the gateway process to ensure it is fit for purpose
- benchmarking with other organisations considered best in class
- ensured that it aligns with the members decision- making process at key gateways.

3.2 The gateway process adopted is outlined below. (Appendix 2 provides more detail in relation to the gateway processes).

Gateway	Purpose	Outcome
One	Strategy Adoption	<p>The Strategy Adoption Gateway ensures all capital projects and programmes that enter the Capital Portfolio address Croydon's Corporate Strategic objectives and Vision. By validating all strategies and projects and programmes at this early stage, the risks of projects and programmes being decommissioned at later stages is minimised and consequent costs will be reduced.</p> <p>A Strategy can be prompted by:</p> <ul style="list-style-type: none"> • A local innovation related to Croydon Vision • A response to an opportunity created • A need to change an existing strategy • A need to comply with new Government policy or legislative requirement.
Two	Capital Portfolio	<p>The Capital Portfolio Approval Gateway will provide assurance around the outline business case for each capital project and programme proposal, resulting in project being re-prioritising as part of the Capital Portfolio. There outline business cases will include a series of options for delivery.</p>
Three	Commitment to a single preferred option	<p>Gateway Three focuses on the 'preferred' option for delivery. It ensures that all stakeholders are confident the preferred option is the best solution for the Council and offers the best possible chance of successfully delivering the project or programme and realising the wider benefits. The business case will provide all the evidence to provide assurance that the</p>

		preferred option is the right one and allow the project or programme to move into the commissioning decision gateway.
Four	Commissioning Decision	<p>The development of a fully integrated business case with any appropriate procurement strategies and subsequent contract award decisions.</p> <p>This gateway is aligned to the Council's procurement governance through the Contracts and Commissioning Board/ Executive Director of CRCS and the Corporate Services Committee/ Deputy Leader (Statutory) and Housing, Finance & Asset Management</p>
Five	Operational Effectiveness	The purpose of Gateway Five is to manage any uncertainties in achieving specifications and requirements set out in the business case and planning documents, it will evaluate the project's effectiveness. This gateway will be used on an exception basis when there are red risks identified around budget, schedule or delivery of the expected benefits within individual projects or programmes
Six	Project or Programme Closure	<p>The purpose of the Project Close Gateway is to confirm the closure of the project, and to ensure any realised or anticipated outcomes and benefits have been achieved.</p> <p>This Gateway includes:</p> <ul style="list-style-type: none"> • Sign-off the lessons learnt and closure report and confirm the archiving of processes will be performed effectively • Sign-off the Benefits to be realised and confirm a plan is in place and supported by ongoing management of benefits for the business by the business – handover to the business

3.3 The Capital Gateway process is supported by the Council's Corporate Programme office and overseen by the Capital Gateway Panel (CGP). The CPG is chaired by the Director of Regeneration & Economy with a range of officers from across the organisation including representation from Finance, Legal and Strategy, Commissioning, Procurement and Performance.

3.4 The CGP consider the following five tests at each gateway:

- Is it needed?
- Is it value for money?
- Is it viable?
- Is it affordable?
- Is it achievable?

They then recommend and provided assurance to the key decision makers including where member decisions are required that the capital project or programme proceeds.

3.5 The new Gateway process will ensure:

- Money is well-invested
- Proposals are thoroughly assessed, with strong risk management
- Change is delivered to a high standard
- Projects and Programmes are delivered on time, to budget and quality
- Benefits are clearly-defined from the outset, and achieved.

3.6 The Gateways and governance around the Capital Strategy is comprehensive but not bureaucratic. It is proportionate in the way it examines and supports projects and programmes at key decision points in their lifecycle. Each gateway will review progress to date, providing assurance to enable successful progress to the next stage. The principle will be that the minimum of time should be taken, to provide the necessary assurance and where appropriate Gateways are combined.

4 CORPORATE PROPERTY STRATEGY & ASSET RATIONALISATION

4.1 In September 2011 the Council's Corporate Property Strategy was formally approved by Cabinet and the policies therein adopted. This strategy sets out how the Council will manage its property portfolio over the next 5-10 years and challenge services on their use of property. The full strategy is contained in Appendix 3 . The property strategy provides a clear direction and a set of asset challenge criteria to achieve a reduced and centralised estate.

Process

4.2 The strategy document sets out the following key criteria against which each property will be assessed:

- Corporate suitability/fitness for purpose – does it support the aims and aspirations of the Council and meet future service and customer needs
- Location/Accessibility – is it in the right location both for current and future needs
- Utilisation – both current utilisation and reduced future need for accommodation through new ways of working (e.g. mobile/ home working and improved management of our information and storage requirements).
- Development Potential –does the site have significant alternative use/development value

- Liability – backlog maintenance, DDA and H&S investment
- Sustainability - Carbon footprint/energy efficiency investment required
- Income and Cost – does it or could it produce income and how expensive is it to retain

4.3 Based on the criteria above each site will be assessed whether they should be retained in the short/medium and long term and whether the facility could be re-provided, taking into account the challenge criteria and policy direction.

Progress and Benefits/Savings

4.4 The strategy is being delivered via two main work streams:

4.5 **Quick Wins** – identification of the easier solutions that will allow the early release of properties. This has been centred on leasehold buildings and underutilised freehold properties that are no longer fit for purpose.

4.6 To date this has led to the agreed release of 7 leasehold properties offering full year savings of £300,000. A further 4 properties have been identified for release in 2013/14 offering further savings of £650,000pa

4.7 **Corporate Accommodation Strategy** - this provides a comprehensive view of how the corporate accommodation can be reduced and centralised over the next 3-5 years to achieve the journey from a widely dispersed offer to a more focussed centralised offer.

4.8 Corporate Property and Facilities Management officers have completed work on a programme which has mapped the Councils current portfolio usage and their future requirements. The draft programme has indicated that over the next five years as much as £10m in capital receipts could be achieved by disposing of under utilised buildings. This would in turn lead to additional revenue savings of circa £800k over and above the quick win savings detailed above.

5 THE ASSET MANAGEMENT SYSTEM

5.1 Key to the Council being able to benchmark and understand the real cost of using property for service delivery is the ability to readily access portfolio data, through a single asset management system, including :-

- Lease charges
- Condition information
- Capacity and utilisation rates
- Suitability and CO2 emissions
- Cost of utilities and maintenance expenditure

5.2 The Asset Management System is a key enabler to making the Corporate Property Strategy a reality and ensuring that officers have all the required information in one place and immediately accessible for key decision making to take place. At the moment officers rely on multiple systems, both electronic

and paper based, which are not integrated and don't give a single picture of the property portfolio.

- 5.3 Officers are currently project managing the implementation of an Asset Management Information System which can capture the Council's property asset base, enable effective Strategic Asset Management and provide performance information and reporting for those assets. By using the system to manage Health & Safety compliance the Council can reduce the risk of serious incidents in its buildings and ensure that they are providing a safe environment for their staff, school children and customers.

Benefits & Savings

- 5.4 It is anticipated that following implementation revenue savings in the order of £434,000 could be achieved over the next four years. These savings come from better procurement of surveys by enabling suppliers to use smart technology and directly access Croydon's systems, savings from license fee's, hosting and help desk charges and also savings from a reduction in the Council's carbon tax charges.

Progress to date

- Business & ICT requirements documents completed and approved by Project board
- A full detailed business case was agreed by the Councils ICT Steering group on 31st October 2011.
- Property reconciliation and data cleansing started 14th November 2011

Procurement

- 5.5 The proposed procurement route will be to purchase through a framework managed by Surrey & Hampshire County Council's. This framework is OJEU compliant and has been tendered this year. The framework will be available to 'call off' from in January 2012 and represents a significant saving to the Council in both time and money from the alternative routes that would be available.
- 5.6 The total one off cost of this project is estimated to be in the order of £600,000, which is allocated in the Council's agreed capital programme. This cost includes the purchasing of the software, data cleansing and migration, project management and business process re-engineering.

Appendices

Appendix 1 – Capital Strategy
Appendix 2 – Capital Portfolio Process Map
Appendix 3 – Property Strategy

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BACKGROUND DOCUMENTS: None