

**EXECUTIVE  
COMMITTEE**

11th March 2014

**JOINT PROPERTY VEHICLE**

Relevant Portfolio Holder	Councillor John Fisher
Portfolio Holder Consulted	Yes
Relevant Head of Service	Amanda De Warr, Head of Customer Access and Financial Support
Wards Affected	All Wards
Ward Councillor Consulted	None Specific
Key Decision	

**1. SUMMARY OF PROPOSALS**

- 1.1 This report sets out proposals for a Joint Property Initiative ["JPI"] within the public sector in Worcestershire to be delivered by a Joint Property Vehicle ["JPV"].
- 1.2 Members are asked to consider the content of the summary Outline Business Case ["OBC"] attached at Appendix 1 and to recommend progressing the Initiative by the development of a Full Business Case ["FBC"], which will be brought back to Members in due course.

**2. RECOMMENDATIONS**

**The Executive Committee is asked to**

- 1) **consider the Worcestershire Capital and Asset Partnership Outline Business case for a Joint Property Initiative for the development of a joint Estates function across public sector organisations across the Worcestershire region, attached at Appendix 1; and**

**RESOLVE that**

- 2) **the development of a Full Business case, to be brought back to Members in due course, be agreed; and**
- 3) **the Executive Director for Finance and Resources and Head of Legal, Equalities and Democratic Services, following consultation with the Portfolio Holder for Finance be delegated to work with partners to support the development of the Full Business Case for a Joint Property Vehicle, to include exploring hosting and proposed governance arrangements.**

# **EXECUTIVE COMMITTEE**

11th March 2014

---

## **3. KEY ISSUES**

- 3.1 Redditch Borough Council entered into a shared service arrangement with Worcestershire County Council for the delivery of property services in June 2010 with a three year service level agreement, which has since been extended on an annual basis.
- 3.2 The Borough Council benefits from the estates and maintenance management functions as well as services from the risk, asset and design teams within the overall property service of WCC.
- 3.3 For some time officers have been working with partners in the Worcestershire Capital Asset Partnership (WCAP), which is made up of representatives from Redditch Borough Council, Worcestershire County Council, Worcester City Council, West Mercia Police, the NHS and the Fire Service.
- 3.4 The WCAP has been considering how to respond to the challenge of growing pressure on budgets in light of the fact that collectively the partners spend £54m per annum on property. At the same time the partners aimed to look radically at how property management could be best achieved across the public sector family.
- 3.5 Various options have been considered to date, including:
- Option 1 – Cease partnership working.
  - Option 2 – Continue current collaborative arrangements.
  - Option 3 – Enhance hosted shared service.
  - Option 4 – Outsource.
  - Option 5 – Joint Publicly owned Property Vehicle (JPV).
  - Option 6 - JPV with asset transfer.
- 3.6 In January 2013 the Partnership Executive Group (PEG) commissioned a feasibility study to develop a Joint Property Vehicle.
- 3.7 The aim was look at a new kind of organisation, outside of, but wholly owned by the local public sector. A senior property officer from West Mercia Police Authority was seconded to project-manage the work with the support of Ernst and Young and senior property professionals within each organisation.

## **EXECUTIVE COMMITTEE**

11th March 2014

- 3.8 A strategic business case was presented to the PEG in September 2013. PEG agreed to proceed to a more detailed Outline Business Case.
- 3.9 The OBC was developed, with the support of Government funding and presented to PEG in January 2014. Appendix 1 is a summary of the Outline Business Case and estimated benefits to Redditch. The full proposal is available from the Head of Customer Access and Financial Support.
- 3.10 The OBC proposes that the JPV would be an arms-length Company limited by shares, wholly owned and governed by the participating public sector partners. It suggests equal partnership between the partners. The intention is to provide the right mix of public sector resource and commissioned private sector sub consultants, contractors, and developer partners. It would formalise joint working, making it sustainable for the future, driving rationalisation, service transformation, regeneration, growth and efficiencies.
- 3.11 The JPV is underpinned by a 'One Town' approach to public sector estates strategy, and operational management of the property portfolio.

### **Financial Implications**

- 3.12 A number of financial benefits would flow from the development of the Joint Property Vehicle to the Council, which include;
- 3.13 Financial savings arising from both efficiencies that can be delivered from a larger organisation together with reduction in maintenance, facilities and staffing costs realised from greater estate rationalisation and procurement opportunities.
- 3.14 It is estimated that over £400k can be delivered in revenue savings to the Council over a ten year period. This would represent a 31% reduction. In addition there is an aim to release over £118m of capital receipts across all partners during the 10 years of which a proportion would be attributable to Redditch.
- 3.15 Whilst there are anticipated costs associated with the revised staffing structures there is no requirement for these to be funded from the partners at the present time. A full assessment of these costs will be included in the Full Business Case.

### **Legal Implications**

- 3.16 There are no immediate Legal implications attaching to this report in that the decision now sought is whether Members accept the OBC and

## **EXECUTIVE COMMITTEE**

11th March 2014

support the development of a Full Business Case to move the proposal for a JPV forward, which will come back to Members in due course.

- 3.17 The OBC provides that the legal framework for the proposed JPV is for the partners to establish a trading company, limited by shares but wholly owned by public sector partners and that the governance will be “Teckal compliant”.
- 3.18 EU Regulations [currently the Public Contract Regulations 2006] governing public procurement require public bodies to only award contracts over a certain value to a 3<sup>rd</sup> party (which the company would be) after an open competitive procurement process has been undertaken. So in principle, awarding the contract to this company could pose a procurement difficulty for the local authorities unless it is “Teckal compliant”.
- 3.19 The Teckal case established that a contract let to a 3<sup>rd</sup> party will not count as a public service contract requiring the procurement process if the local authority exercises control over the entity which is similar to that which it exercises over its own departments and at the same time that entity carries out the essential part of its activities with the controlling local authority (or authorities). These requirements are called the “control and function tests”. So as a “Teckal compliant company, the JPV proposed governance means that no procurement exercise will be required for the participating authorities to have their services delivered through the proposed company.
- 3.20 The proposed new procurement Directive provides that at least 90% of the activity of the company must be for its public sector owners. This has become the recognised lever required to satisfy the “function” test. Any “open market” activity would have to be restricted to 10% of the company activity (ie turnover).
- 3.21 The shareholding in the JPV company will be equal between members. There are references in the OBC to further development of services and partners but these will require further exploration and legal advice as part of the FBC.
- 3.22 The proposal will require a Service Level Agreement between partners and the JPV for the services to be provided back to the partners. This will supersede the current Administrative Collaboration Agreement Relating to the provision of Property Services, between Worcestershire County Council, Worcester City Council and Redditch Borough Council, which has been in place since 2011.

## EXECUTIVE COMMITTEE

11th March 2014

- 3.23 There are no TUPE transfer implications for the Council as all staff within the property service are currently employed by Worcestershire County Council.

### Service/Operational Implications

- 3.24 It is the aim of the partnership that by removing layers and duplication of management a JPV would deliver a streamlined property management organisation.
- 3.25 Redditch will have an equal shareholding in the JPV. It will also have access to a wider scope of professional services than through the current arrangements for a reduced overall cost. Through equality of voting rights it will have influence over decision-making, providing it with a unique opportunity to shape the future of the joint estate.
- 3.26 Other service benefits include:
- a) **Enhanced scope for revenue generation / sharing in JPV revenue generated**  
Redditch has a substantial investment portfolio, which the JPV would seek to enhance, and maximise returns on the asset, working with LEP's etc. to attract new inward investment.  
  
Any further business development will be subject to legal compliance as referred to in 3.21 above.
  - b) **Drive revenue savings**  
The ability to deliver a 8% reduction in revenue base budget (13/14) in Year 1, and a total of 31% reduction over 10 years. With a 20% reduction in workforce by end of Year 1 operation.
  - c) **Maintain and protect front-line services**  
The scale of savings identified would assist in protecting investment in supporting roles in localities, maintaining service to the community.
  - d) **Drive operational efficiency**  
The One Town approach to strategic estate management will also be adopted and applied to operational management of the joint portfolio, i.e. single Facilities Management to take responsibility for all properties in Redditch being locally based and more responsive to requirements.
  - e) **Drive capital receipts**

## **EXECUTIVE COMMITTEE**

11th March 2014

Through the development of a combined strategic estate strategy thus being able to release assets for disposal

- f) **Enhance quality of property portfolio.**  
The ability to share property with partners will allow greater investment to maintain the quality of the property portfolio.
- g) **Drive cross organisational working and improve service integration.**  
The JPV will improve and enhance the authorities' ability to work more closely with stakeholders in its area, providing innovative and strategic solutions on co-location possibilities.
- h) **Drive regeneration and growth**  
The JPV will develop closer working relationships with LEP's and Economic Growth teams to ensure regeneration is planned and actioned, with public sector assets being used as catalysts to development (see Bromsgrove).
- i) **More sustainable service**  
Access to a larger property team, co-owned by Redditch Borough Council with greater resources available and flexibility to respond to urgent issues.  
  
This would include access to an energy management team to control Redditch Borough's Carbon Footprint and ensure it meets its reduction targets.
- j) **Strategic Estate Management**  
Delivered through an innovative proposal maintaining services within public sector control, whilst maximising efficiencies and embracing a more commercial ethos to property management

3.26 If approved next steps will see the formation of a Shareholder Group and a Delivery/Implementation Team to take the project forward. A Final Business Case will be prepared for approval by members of the potential partners.

3.27 The intention of full implementation and staff transfer to take place on 1<sup>st</sup> April 2015.

### **Customer / Equalities and Diversity Implications**

3.28 Joint use of public sector buildings can provide easier access to services and improved customer service.

# **EXECUTIVE COMMITTEE**

11th March 2014

---

3.29 The approach could support the work of the Locality teams by increased co-location of services.

3.30 There are no specific equality or diversity issues.

## **4. RISK MANAGEMENT**

A full risk assessment has been completed and is attached at 5.11 of the Outline Business Case. The key risks are:

- a) Savings are not delivered
- b) Service deteriorates
- c) Partners not fairly represented
- d) Service interruption during transition
- e) Lack of ability to respond to changes in partners' requirements
- f) Lack of ability to respond to legislative changes
- g) Deterioration of partners' reputation

## **5. APPENDICES**

Appendix 1 - Joint Property Initiative Outline Business Case - Summary

## **6. BACKGROUND PAPERS**

Held by Property Services

## **AUTHOR OF REPORT**

Name: Amanda de Warr  
E Mail: [a.dewarr@bromsgroveandredditch.gov.uk](mailto:a.dewarr@bromsgroveandredditch.gov.uk)  
Tel: (01527) 64252 ext 1241