



## Cabinet

Item  
**7(iii)**

Date: 22 November 2023

Report of	Strategic Director	Author	Mandy Jones  282501
Title	Asset Management Review: Corporate Landlord Model (transfer of functions from Colchester Borough Homes)		
Wards affected	All		

### 1. Executive Summary

- 1.1 A report undertaken by the Chartered Institute of Public Finance and Accountancy (CIPFA) reviewed how the Council manage, maintain and invest in the Council's (non-housing) future land and property assets and outlined the need to transform our approach to the delivery of our assets functions. CIPFA proposed the creation of a **'corporate landlord team' model** within the Council.
- 1.2 Currently asset management functions are dispersed and managed in each of the Council's companies. Moving these functions into the Council is the first step to a longer-term transformation towards more co-ordinated delivery of asset management, where decisions concerning the use of assets are taken corporately against a delivery framework, policy, strategy and asset management plan. This corporate landlord team model strengthens the Council's oversight of assets, allows for more effective decision making and a 'single view' of all assets for future planning, improving standards and minimising risk. Better support for the Council's strategic priorities are underpinned by more effective and efficient delivery mechanisms enabling assets to further support future Council budget challenges.
- 1.3 This transformation to a corporate landlord model will make the best use of all the skills and talents of the staff involved through a better set of arrangements, including more robust governance and decision-making frameworks, a future strategy, policy and asset plan, enhanced data management systems and improved business processes to allow for better oversight, planning and delivery.
- 1.4 This report details the rationale for the corporate landlord team model and its future development as part of the Council's Transformation programme. It proposes, as a first step, bringing teams currently in Colchester Borough Homes who are undertaking non-housing assets functions, such as capital works, facilities management and maintenance, back into direct Council governance and management.
- 1.5 This approach is aligned to a report to this Cabinet meeting of the Managing Director (interim) of Colchester Commercial Holdings Ltd entitled 'Amphora Future Strategy' which proposes investing estates management functions, currently in Amphora Trading Ltd, back into the Council. Both these reports taken as one will allow for all teams undertaking assets functions to be consolidated, enabling further transformation to a corporate landlord team model.

## **2.1 Recommended Decision**

- 2.1 To approve the transfer of all functions and associated staff relating to General fund (non Housing Revenue Account) property and facilities management from Colchester Borough Homes into the Council to support the development of a centralised corporate landlord team by 1 April 2024, with shadow management arrangements to be provided by the Council preceding that date to allow for a managed transition.
- 2.2 To approve future changes to the management agreement, service level agreements and the associated fees paid to Colchester Borough Homes to reflect these revised arrangements.
- 2.3 To delegate authority to the Chief Operating Officer in consultation with the Leader of the Council to undertake all subsequent operational decisions related to the transfer that arise following this decision.
- 2.4 To make changes to the Council's Constitution to reflect these changes in the responsibility for functions.

## **3. Reason for Recommended Decision**

- 3.1 Bringing functions, teams and budgets together in the Council is the first step of a transformation to a corporate landlord team as recommended by CIPFA. It is part of the development of a strategy, policy and delivery framework that responds to a number of external factors since the development of the Council's last Asset Management Strategy in 2016 (refreshed in 2019 prior to Covid-19) and will facilitate a more co-ordinated, efficient and effective approach to maintaining and utilising Council land and buildings.

## **4. Alternative Options**

- 4.1 The principal alternative option would be continuing with the current arrangements. However, a decentralised approach would not facilitate the co-ordinated up approach recommended by CIPFA.

## 5. Background Information

5.1 In addition to Council housing, the Council owns a large property portfolio of land and buildings, which has been acquired, gifted or inherited over many years. This amounts to a book value of approximately £238 million on 31 March 2022.

Categories of assets for accounting purposes include:

- a. **Operational properties** which are 'operational' that is, used for direct provision or operation of services such as the Town Hall, Rowan House and Shrub End depot)
- b. **Community leased properties:** Properties that are held in Council budgets but which are leased to tenants such as community groups and sports clubs, for example the Headgate Theatre and the Abbeyfield Community Centre.
- c. **Investment properties:** those held for income but that also support economic growth for instance, such as Amphora Place and some local parade shops.
- d. **Surplus land and property:** property and land declared surplus or those that are regeneration sites (mostly at Colchester Northern Gateway)
- e. **Assets held for sale:** these are sites which were under offer at the time of valuation (such as the Turnstone site in Colchester Northern Gateway during the last valuation in 2021).
- f. **Vehicles, Plant and Equipment** (however, this stream of work is **not** included in the CIPFA review or corporate landlord team model proposals as separate functions cover these – this amounts to approximately £9m of the total value of assets).

5.2 Effective asset management is an enabler to all strategic objectives and contributes to the delivery of some of the major challenges faced by the Council. These include:

- **Climate Change** – reducing carbon emissions and improve sustainability (decarbonisation of assets core is our 2030 climate emergency target).
- **Financial resilience and commercialisation** – helping to realise gains in efficiency through rationalisation of assets and energy reduction, for example. Capital receipts can be gained from assets we no longer need and improved income from our estates.
- **Place shaping:** to improve quality of public realm and economic well-being and regeneration.
- **Health well-being, housing social value:** Health and well-being hubs, public open spaces, leisure, arts, museums, community leases, allotments all contribute, as well as the benefits of our land to future housing delivery.
- **Exceptional service delivery:** assets support how we do business and work together for local democracy (for instance the Town Hall and Shrub End depot)
- **Transformation and partnerships:** Enable the introduction of new working practices and help trigger cultural organisational changes. For instance our new working hub, Rowan House. has enabled co-location and future knowledge sharing with our County Council and Health colleagues.
- **Inclusion and Equality** – our assets can improve accessibility and support inclusivity.

5.3 In May 2023 the Council commissioned CIPFA to review current arrangements for managing assets and develop the outline for an asset strategy and policy with the purpose of ensuring a co-ordinated approach to how we plan for, and react to, different strategic priorities and pressures in the management and organisation of land and buildings. The Council's last Strategic Asset Management Document (Asset Management Strategy) was produced in 2016 and refreshed in 2019 prior to the

Coronavirus pandemic, but numerous changes occurred both prior to and since that time that have an impact on our future strategy and the management of our current assets and future investments. The reasons for the review are outlined below:

- National research has shown that over the past decade, local authorities have demonstrated a reduction in the amount of resource needed to keep assets safe and maintained in the light of challenging budgets, leading to increased risk and a reduction in standards of maintenance. In addition, a lack of awareness of the importance the impact Councils' assets can have on future financial forecasting (both positively and negatively) has also been recorded.<sup>1</sup> This prioritises the need to focus on future Asset strategies, policies, and delivery mechanisms.
- Currently the responsibility for Asset Management is dispersed, with various functions discharged to different parts of the Council family. The 'Estates' function is currently divested to Amphora Trading Ltd (the Council's wholly owned trading company), whilst facilities management and the delivery of our building maintenance and capital works are delivered by Colchester Borough Homes.
- Whilst there are excellent staff operating across the Council family, the current dispersed structure and way of operating has led to a lack of clarity of roles, some strategic gaps and a need for more cohesive decision making. In addition, the recording and co-ordination of data needs improving alongside improved monitoring and performance management, and both informal engagement, and formal governance arrangements.
- Changes in requirements affecting the use of property assets and accessing Council services ways of working as a result of Covid-19 (and prior to the pandemic) have had an impact on the way we do business, leading to less face to face interactions with customers, for instance.
- A challenging economic environment, inflationary pressures specific to property construction, including increased operating costs and fragility in construction and property management supply chains, alongside significantly increased interest rates and subdued property values have had an impact on the ability to invest in our assets.

5.4 The CIPFA review examined existing property, land and financial data and undertook interviews and workshops with staff and Members to gain a fuller picture of our current arrangements. This culminated in a report which outlines a 'framework' for Asset management: an outline for a future strategy and an asset management policy (including the development of a corporate landlord team) and some further recommendations for improving asset management. The report is included at Appendix A for information.

5.5 The strategic objectives suggested by CIPFA Council, are for the Council to provide a land and property portfolio which:

- Ensures excellent value for money, with priorities driven by our current service and community needs whilst ensure planning for the future.
- Is fit for purpose and represents our organisation, celebrating our heritage and culture.
- Tackles the climate challenge and leads on sustainability.
- Supports the growing of a fair economy so everyone benefits.
- Is managed corporately to support all of the Council's key strategic priorities.

5.6 Whilst these objectives have a clear fit with the Council's strategic plan, the strategy and policy will need further development prior to formal Cabinet consideration. However, CIPFA have been clear that a fundamental first step to maximising our assets as part of

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<sup>1</sup> Chartered Institute of Public Finance and Accounting (CIPFA) (2020) **A Guide to Local Authority and Public Sector Assets Management.**

that strategy is the development of the **corporate landlord team model**. This is the strategy for **how** the Council is set up to manage our land and buildings as corporate resources against our strategic objectives. This needs to involve the right stakeholders and ensure robust decisions are made in the context of contracting resources and competing priorities.

- 5.7 With a corporate landlord team model, all budgets, decision making and activities are centralised within a team in the Council. This consolidation of property functions aims to improve standards of maintenance and provide greater efficiencies and effective management of land and buildings, enabling better utilisation to deliver on strategic plan priorities and minimising risk. Decisions concerning assets are taken corporately rather than through individual services areas, with functions centralised in the Council to ensure improved ownership of resources and more effective asset management. Bringing the teams under direct Council governance and management enables is the vital first step in enabling the transformation to a corporate landlord team model.
- 5.8 Although bringing teams together in the Council is fundamental to establishing a corporate landlord model, this is only the first step. In order to realise the objectives outlined by CIPFA and create a robust corporate landlord model, further transformation will need to occur. This could include optimising team arrangements, making the best use of all the skills and talents of the staff involved through a better set of arrangements including a robust governance structure, integrated data, systems and business processes, consistent policies and procedures, improved engagement with Members, staff and communities and strengthened partnership working to enable rationalisation across estates.
- 5.9 This transformation to a corporate landlord team model, if undertaken and planned effectively will facilitate greater strategic oversight of assets, mitigate risk, optimise use of assets against strategic priorities, improve standards through better planning and performance management, enable efficiency and effectiveness in asset management and allow for better planning of future capital investment.
- 5.10 As part of this Transformation, CIPFA have suggested an asset challenge framework could also be created for the Council's corporate buildings, where, prior to decision making, the performance of individual corporate assets are measured against a set of criteria and alongside each other, to outline whether costs can be reduced, an asset could be retained for use and invested in, or, for assets surplus to requirements, whether disposal is recommended.
- 5.11 This report proposes the adoption of the corporate landlord team model and as a first step, the transfer all functions and associated staff relating to General fund (non Housing Revenue Account) property and facilities management from Colchester Borough Homes into the Council by 1 April 2024 with shadow management arrangements provided by the Council preceding that date to allow for a managed transition. This proposal is aligned to a report to this Cabinet meeting of the Managing Director (interim) of Colchester Commercial Holdings Ltd entitled 'Amphora Future Strategy' which proposes divesting functions related to estates management from Amphora Trading Ltd and investing back into the Council.
- 5.12 As this has staffing implications, consultation with all Colchester Borough Homes staff involved has been commenced. Without pre-empting decisions made by Cabinet in relation to the corporate landlord model and approach, transition planning is underway. This will cover staff communication and consultation on the implications of the proposed transfer of function and consideration of how the teams that would transfer into the Council would be accommodated within the Council's management arrangements.

5.13 Should Cabinet take the decisions contained in this report the timeline for the transformation to a full Corporate Landlord Team model, including all the elements outlined in item 5.8 will need to be considered alongside other priorities in the Council's Transformation programme, as it will involve considerable organisational capacity, particularly in relation to the Council's corporate services (for example, ICT, Governance, Finance and Human Resources).

## **6. Equality, Diversity and Human Rights implications**

6.1 The proposals set out in this report (and contained in Appendix A from CIPFA) are designed to help the Council achieve its objectives and obligations. Issues of equality and diversity in relation to land and buildings will be considered centrally as part of these obligations.

## **7. Standard References**

7.1 There are no particular references to the Strategic Plan; consultation or publicity considerations or financial; community safety; health and safety or risk management implications.

## **7. Strategic Plan References**

7.1 The proposals set out in this report support enable the Council's assets to be managed more effectively against all of the Council's Strategic Plan priorities (see Appendix A section 2). [Strategic Plan 2020-23](#).

## **8. Consultation**

8.1 The implementation of the proposals will entail appropriate staff consultation.

## **9. Publicity Considerations**

9.1 The rationale for the corporate landlord team model will help with any public explanation of these proposals and should enhance public confidence in the ability of the Council to manage it's current and future assets.

## **10. Financial implications**

10.1 Detailed work is currently being undertaken by officers to capture the costs of these functions within Colchester Borough Homes, so we can determine the cost that will transfer back to the Council, and also ascertain the related reduction in the management fee paid to CBH and any other financial implications.

10.2 It is proposed that the financial implications, including adjustments to the budget and the management fee will be reflected in the 2024/25 Budget, which will be presented to Cabinet at its January 2024 meeting.

## **11. Health, Wellbeing and Community Safety Implications**

11.1 The proposals outlined will help manage assets more effectively and efficiently against all priorities, including those with health, wellbeing and safety implications. These will be considered in any decisions made around the future use and management of Council assets.

## **12. Health and Safety Implications**

- 12.1 These proposals will allow for a more co-ordinated approach to the maintenance of Council assets and enhanced mitigation of any future associated risks.

## **13. Risk Management Implications**

- 13.1 Risks involve the potential loss of staff if the delivery of the proposals are not managed properly and engagement with staff is lacking. A detailed transition plan will be put in place to mitigate this risk and ensure staff are engaged with, and fully aware of, the need for change and the process itself. The proposals could also reduce health and safety risks by co-ordinating data, records, processes and governance.

## **14. Environmental and Sustainability Implications**

- 14.1 Co-ordination of Assets functions should allow greater oversight of how assets as a whole (and separately) contribute to the Council's Climate Change and carbon reduction priorities. This will enable the development of the Council's carbon management plan to be considered alongside other Council priorities, with a more joined up approach and greater emphasis given to environmental and carbon reduction objectives in future Asset Management Strategy, Policy and plans.

## **Appendices**

Appendix A: Colchester City Council Property Asset Management Framework – incorporating suggested Policy, Strategy and Action Plan