

FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

CABINET

23 February 2023

**Report of the Executive Director Corporate Services and Transformation,
Executive Director Children Services, Executive Director Place,
Executive Director Adult Social Care and Health and Interim Director of
Finance & ICT**

**Asset Optimisation – To progress the arrangements for 01 April 2023 to
vire the budgets in respect of Tranche 1 assets for Corporate Property to
overview.**

Cabinet Member Corporate Services and Budget

1. Divisions Affected

1.1 County-wide

2. Key Decision

2.1 This is not a key decision because it is not likely to result in the Council incurring expenditure which is, or savings which are significant having regard to the budget for the service or function concerned.

3. Purpose

3.1 This report seeks approval from Cabinet for the arrangements for the virement of budgets from Council departments in respect of Tranche 1 assets (Appendix 2) to Corporate Property on 01 April 2023. The virement is detailed at Appendix 1 Paragraph 1.2.

4. Information and Analysis

- 4.1 This proposal follows the 14 January 2021 Cabinet decision to implement Asset Optimisation through Corporate Landlord which included the recommendation for a review of the impact of Asset Optimisation on resources in Corporate Property, support functions and service areas.
- 4.2 This proposal which includes three options for consideration follows the recommendation from the Asset Optimisation 'Strategic Decision-Making Group' meeting held on 14 October 2022 when it was recommended to progress with Option 3 (as set out in Paragraph 6.1 below).
- 4.3 The required budget arrangements is a prerequisite and integral to ensure the successful implementation and delivery of the Asset Optimisation model.
- 4.4 Derbyshire County Council covers 255,000 hectares and holds a land and property portfolio comprising over 4,469 separately listed assets. The primary objective for holding land and property is to enable the delivery of services to the people of Derbyshire and the strategic aim is to have appropriate and cost-effective buildings from which to deliver these services. Following the virement of the Tranche 1 budgets the Asset Optimisation Programme will then look to analyse and design a new fit for purpose Service Level Agreement as part of the transition to a Corporate Landlord model.
- 4.5 The Asset Optimisation Policy aligns with the Council's strategic approach and three key areas of activity contained within the Council Plan 2021-25: Vision Derbyshire, Enterprising Council and Thriving Communities.
- 4.6 The Council's Property Asset Management Strategy (the 'Strategy') and the Asset Optimisation Policy provide the foundation and a framework by which Corporate Property will operate going forward.
- 4.7 The Strategy has the following objectives:
- Ensuring that we have the right buildings in the right place to support excellent and dynamic service delivery
 - Creating the right kind of flexible spaces that work effectively and efficiently for everyone who uses them
 - Being ambitious and enterprising in how we manage our buildings to maximise value for money, income, and savings

- Strengthening partnerships to support co-location, co-delivery of services and more resilient communities
 - Responding to the climate change agenda by reducing our carbon footprint
- 4.8 Underpinning all of this and to be able to deliver and achieve these objectives is the support resource requirement to be able to capture and budget monitor the income and expenditure of property related revenue budgets from across the whole of the Council.
- 4.9 The current situation includes Services and Directorates undertaking reactive maintenance or project related works which from a holistic corporate estate this remains uncontrolled. The Property running cost budgets are held across the four departments and monitoring and forecasting is completed predominantly by Finance rather than the budget holders themselves. The property running costs (both budget and actuals) are not always recorded on a site-by-site basis and can be included amongst other revenue budgets that are not specifically property related. This not only makes obtaining a true financial overview extremely difficult and therefore resource consuming, it also sub-optimises Council-wide monitoring, control and decision making in alignment with Council strategies. The Council therefore needs to be able to capture how and where these expenditures are occurring as well as budget monitoring the situation moving forward which will be providing a single version of the truth in respect of how the Council is spending on assets across the whole of the Tranche 1 Estate (Appendix 2) initially and then on to the Council wide Estate.
- 4.10 In alignment with the current proposals and the phased approach it was necessary to firstly identify virement of budgets from the departments that are sufficient to fund the actual revenue costs estimated to be incurred in 2023-24. This means the virement of budgets sufficient to cover these estimated costs rather than transferring the 2022-23 budget amounts. Thereafter the centralised budget will be held and managed by Corporate Property, enabling a global view of the Council's Property running costs, both at the aggregate level and at a site-by-site level.
- 4.11 In respect of the delivery of Tranche 1 (Appendix 2) of the Asset Optimisation model (Appendix 3), budget transfers in respect of property and assets will be centralised to Corporate Property and this will be effective from 01 April 2023. On this basis and from 01 April 2023, Corporate Property need to be working with the council wide services to better understand their requirements to deliver in the most efficient, sustainable, and value for money approach.

4.12 The rationale for the outcome and concluded recommendations will be to ensure that:

- Corporate Property maintains effective budget monitoring to ensure value for money for an efficient estate which will be fit for purpose, to deliver the Council's objectives, and to deliver and manage financial savings from 01 April 2023. This requires the virement of budgets, creating cost centres together with adjusting the SAP arrangements.

5. Consultation

5.1 Not applicable. No formal consultation has taken place.

5.2 Officers have liaised internally at all levels within the organisation to ensure the recommendations are equitable, transparent and can be administered efficiently

6. Alternative Options Considered

6.1 The options considered include:

- 1) (Do nothing) Continue with the status quo with the dispersed and limited budgeting monitoring arrangement across all council wide services and directorates.
- 2) Undertaking the cost centres adjustments and linking the new cost centres to the assets UPRNs.
- 3) The virement of all Tranche 1 Budgets and undertaking the cost centre adjustments and linking the new cost centres to the Asset UPRNs.

Option 1 (Do nothing)

Continue with the status quo with the dispersed and limited budgeting monitoring arrangement across all council wide services and directorates.

Option 1 would continue the current arrangements providing limited budget monitoring across the wider Services and Directorates.

Benefits

- Reduces upfront resource cost to arrange

Drawbacks

- No single version of holding costs

- Admin cost to monitor and report holding costs.
- Disconnected revenue budget expenditure.
- Lack of known spending on an asset-by-asset basis.
- Lacking a strategic and professional property management approach and delivery

Option 2

Undertaking the cost centres adjustment and linking the new cost centres to the assets UPRNs

Benefits

- Corporate Property would be able to see and report the costs of running the assets.

Drawbacks

- The control of costs and budgets would remain with the services
- Not achieving any of the benefits as highlighted.
- Lacking the scope or ability for Corporate Property to challenge and thereby maintain robust cost and budget control.

Option 3

The virement of all Tranche 1 Budgets and undertaking the cost centre adjustments and linking the new cost centres to the Asset UPRNs.

This option will provide identified and correctly allocated revenue budgets and costs across the whole estate on an asset-by-asset basis in respect of all services and directorates with Corporate Property taking ownership of all budget requirements, spending, undertaking, and arrangements.

Benefits

- Correctly identified and allocated budget revenue costs on an asset-by-asset basis.
- Aligns with the objectives of the Asset Optimisation model.
- Providing a planned maintenance approach to maintenance.
- Providing improved Customer Experience.
- Ability to report true holding cost of an asset and the estate.

- Speed of implementation accelerated as resource can be brought in quickly.

Due to the budget monitoring efficiencies expected to be realised through centralisation the reduction in budgets should be more than commensurate to the resource requirement to be relinquished.

Drawbacks

- None

7. Implications

7.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

8. Background Papers

8.1 14 January 2021 Cabinet decision to implement Asset Optimisation through Corporate Landlord

9. Appendices

Appendix 1 Implications
Appendix 2 Tranche 1 Assets
Appendix 3 Asset Optimisation Policy

10. Recommendation(s)

That Cabinet approves:

- a) The Virement of Tranche 1 asset budgets to the Corporate Property budget from 1 April 2023 as at Appendix 1 Paragraph 1.2.

11. Reasons for Recommendation(s)

11.1 To provide identified and correctly allocated revenue budgets and costs across the whole estate on an asset-by-asset basis in respect of all services and directorates with Corporate Property taking ownership of all budget requirements, spending, undertaking, and arrangements.

12. Is it necessary to waive the call-in period?

12.1 No

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Appendix 1 Implications

Financial

- 1.1 The Council's Financial Regulations states amounts greater than £100,000 per annum resulting in a virement of funds between Departments requires the approval of the Cabinet.
- 1.2 The Revenue Budget Virement from each Service Department is based on Estimated 2023-24 Costs.

	Revenue Budget Virement £
PLACE	1,612,356
Adult Social Care & Health	1,610,338
Childrens Services	739,601
	<hr/> 3,962,296 <hr/>

- 1.3 The figures above are net of the inflationary impact which will be funded by the General Reserve for 2023/24.
- 1.4 Property running costs which are not funded by revenue budgets, including grant or income received in the Service Department, will be recharged back to the Service Department.
- 1.5 To avoid the double-counting of planned budget efficiencies and savings across departmental plans, there will be no virement of affected revenue budgets. The associated costs will be recharged back to the Service Departments and the committed savings and efficiencies will remain within the Service Department's plans and excluded from Corporate Property's Savings Plans

Legal

2.1 None

Human Resources

3.1 None

Information Technology

4.1 None

Equalities Impact

5.1 Asset Optimisation will enable the Council to deliver strategic objectives such as carbon reduction, stewardship and enhancing communities.

5.2 The benefits of Asset Optimisation have been highlighted in section 4 (Information and Analysis) of this report. Corporate Property will align to the Enterprising Council and the Council Plan. The aim is to create opportunities within Corporate Property and the Council for all of the current workforce and external appointees.

A consistent approach to property decisions will enable strategic delivery of accessibility and inclusion objectives.

Corporate objectives and priorities for change

6.1 This paper is the first stage to deliver the following Council Plan Key Action:

‘Completed a programme to centralise ownership, management, and responsibility for all of the Council’s land and property assets and budgets, within Corporate Property, to ensure the most effective use of land and buildings.’

In addition, the ability to report quickly and accurately will assist in speeding up the rationalisation of the Estate.

Other

7.1 Environmental Considerations

Asset Optimisation will enable the Council to deliver strategic objectives such as carbon reduction, stewardship and enhancing communities.

7.2 Health Considerations

Deliver a safe, clean, and welcoming asset base for employees and visitors.

7.3 Transport Considerations

Service delivery assets will be located in the most sustainable and accessible areas.

7.4 Prevention of Crime and Disorder Considerations

Asset Optimisation will identify and reduce the number of underutilised high-risk assets. This will reduce crime, secure cost savings, and reduce targeted crime specifically against Council assets.

7.5 Social Value Considerations

As detailed in section 4.5 and 4.6, Asset Optimisation will align with the Council's Strategic objectives.

7.6 Risks

Failure to allow the overview transfer and centralising costs could lead to the Council being unable to meet its statutory obligations relating to ensuring that a professional property approach is being taken towards the value for money objectives to be achieved through the Asset Optimisation delivery model as was recommended and approved by Cabinet on 14 January 2021.

No	Date	Description	Likelihood	Severity	Countermeasure
1		Budget monitoring and forecasting is not completed in accordance with cabinet reporting deadlines	High	High	
2		Budget monitoring resource ensures the accuracy of costings and forecasting - the risk is loss of reliable evidence base for strategic decision making leading to cost of suboptimal decision taking	Likely	High	Explore alternative options
3		Savings plans are based upon reliable and accurate budget information – if this is not maintained accurately actual savings realised will deviate from planned targets	Likely	High	

7.7 Interested Parties / Stakeholders

The stakeholder analysis below depicts the positioning of stakeholders to the project that sit outside of the project team. The analysis should be considered dynamic, as the positioning of stakeholders may move depending on how the project progresses and information becomes available. This could also increase the interest or power of stakeholders.

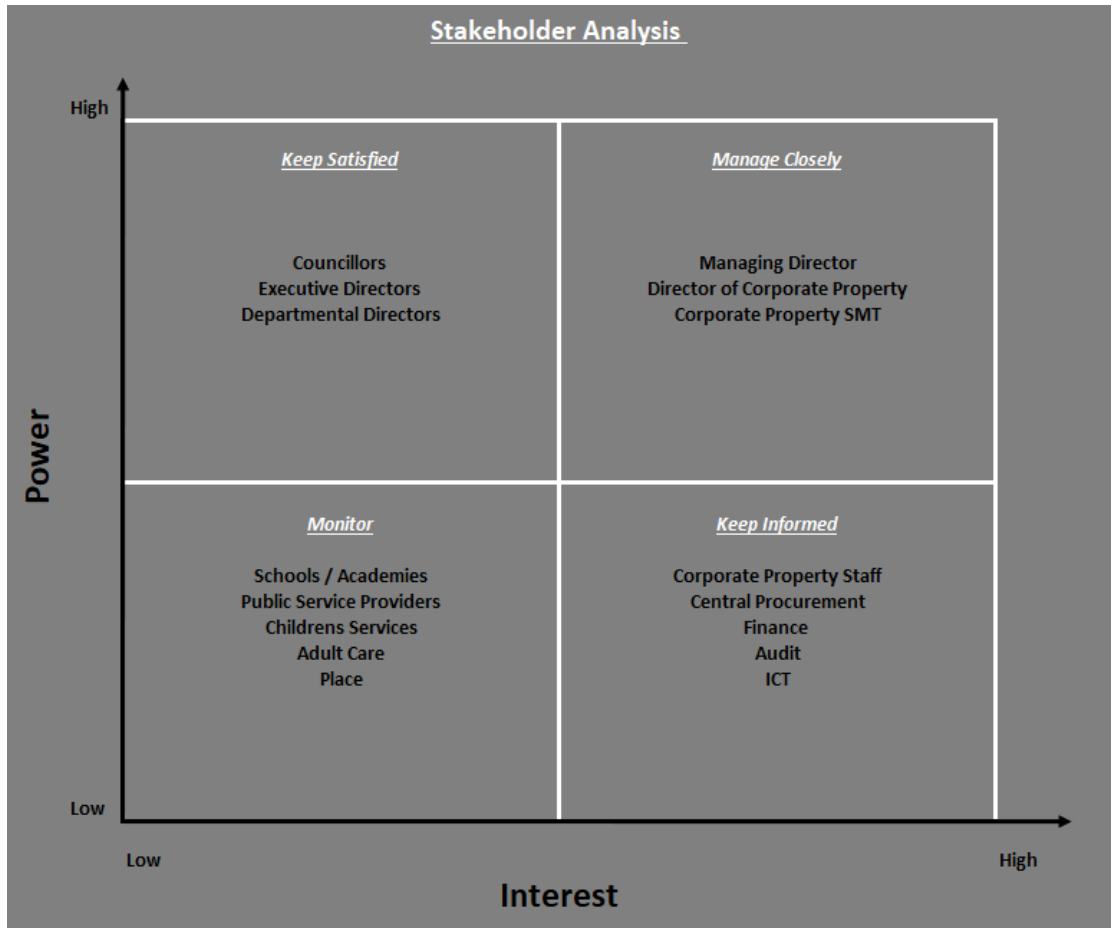


Figure 1 - Stakeholder Analysis