

DECISION-MAKER:	OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE		
SUBJECT:	PSP PLC – UPDATE		
DATE OF DECISION:	11 <sup>TH</sup> SEPTEMBER 2014		
REPORT OF:	CABINET MEMBER FOR RESOURCES & LEISURE		
<b><u>CONTACT DETAILS</u></b>			
<b>AUTHOR:</b>	<b>Name:</b>	<b>Mark Heath</b>	<b>Tel: 023 8083 2371</b>
	<b>E-mail:</b>	<b>Mark.heath@southampton.gov.uk</b>	
<b>Director</b>	<b>Name:</b>	<b>Mark Heath</b>	<b>Tel: 023 8083 2371</b>
	<b>E-mail:</b>	<b>Mark.heath@southampton.gov.uk</b>	
<b>STATEMENT OF CONFIDENTIALITY</b>			
None.			

### **BRIEF SUMMARY**

This report provides an update as requested by the Chair of OSMC in relation to the work being undertaken by PSP plc.

### **RECOMMENDATIONS:**

- (i) That the Committee is requested to consider and note this report.

### **REASONS FOR REPORT RECOMMENDATIONS**

1. The Chair requested an update in relation to this issue.

### **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

2. None.

### **DETAIL (Including consultation carried out)**

3. Work is currently being undertaken on a new Property Strategy. The key principles underlying the current draft is that the property portfolios should be:
- Fit for purpose, sustainable and of suitable quality
  - Managed and owned corporately and in line with best practice principles
  - Used efficiently
  - Funded adequately
  - Maintained to an appropriate and defined standard
  - Reviewed regularly
  - Retained only where justified
4. The Council's property portfolio has a book value of in the region of £685M (as at 2014 and excluding Council dwellings within the Housing Revenue Account and highways).

5. The Council is facing a period of considerable change. The key driver is the Council's financial position which requires total revenue savings of £66m to be made over the next 3 years (from a controllable budget of £160m pa). Total property costs are in the region of £30M per annum. A comprehensive review of the Council's approach to property will help to enable transformational change, service improvement and regeneration, and contribute to securing savings.
6. The Council principally holds property to meet service need, contribute to social and environmental improvement and enable the requirements of modern local government. Like all public authorities, the Council can no longer consider its assets in isolation. The financial challenge means the Council has to exploit opportunities for joining up assets and services, and in doing so releasing surplus buildings to generate receipts and savings.
7. There are a number of strands of work being undertaken in relation to property. As stated, a new property strategy is being prepared. In parallel with the Council's transformation process, service properties are being reviewed to challenge value for money, ongoing need, fitness for purpose and the extent to which they support overall Council objectives. The review process will involve collaboration with other public bodies, the voluntary sector and the private sector to ensure more effective use of combined assets. A single property database for the City will allow the Council and all partners to use and share property information more easily to take forward this agenda. The establishment of a PSP needs to be seen in that context.
8. Following on from Cabinet's approval that the Council enter into the necessary legal agreements with PSP plc on the 15<sup>th</sup> July 2014, the necessary legal agreements have now all been signed, and the governance arrangements are now in place.
9. There are two boards: one an Operations Board (for officers) and a second Members' Board. Neither have formally yet met, but a shadow meeting of the Operations Board did take place with representatives from PSP in order that work could commence sooner rather than later by PSP in order to identify project opportunities.
10. The first part of work to be undertaken by PSP is information gathering and assessment. A considerable amount of information has been supplied to PSP by Council officers around both operational and non-operational assets, meetings have taken place to discuss that, and that information is now being assessed by PSP. PSP estimate that they will take about 12 weeks to complete that assessment.
11. In simple terms, the properties fall into one of two categories:
  - a. Operational; or
  - b. Non-operational (ie, income generating, regeneration / development sites, or legacy assets).
12. There are three potential outcomes (which are not mutually exclusive) in terms of property opportunities:
  - a. Revenue saving;

- b. Revenue creating;
  - c. Capital creating.
13. In general, PSP's experience is that it is easier / quicker to bring forward projects on non-operational assets since there is not normally a need to engage with services or establish re-provision / relocation requirements. As a consequence, PSP often feel there is more scope for driving value for non-operational assets since they do not require / incur direct replacement costs, but all will be assessed. However, earlier opportunities may, as a result come from non-operational assets.
14. In addition, it should be noted that the Council is undertaking its own review (but this will be fed into and will be considered by the PSP) in relation to service properties, and following the establishment of a Public Sector Property Board, work is also being undertaken with colleagues across the public sector in the City to identify opportunities for property rationalisation across the public sector.
15. At this stage, PSP has not identified any specific projects, as they are still in the assessment phase. However, they will be looking at the following areas:
- a. Revenue Savings:
    - i. Operational assets:
      - Rationalisation of estate to reduce occupancy costs;
      - Review of leasehold properties to establish scope for PSP to become landlord and Council to share in benefits of so doing;
      - Release of assets.
    - ii. Non-operational assets:
      - Use of PSP to actively manage and invest in estate to reduce management costs;
  - b. Revenue Creating:
    - i. Existing investment assets can be actively managed and invested in by the PSP to drive additional income;
    - ii. Assets suitable for development can be built out to create revenue income subject to creation of capital to fund delivery costs.
  - c. Capital creating:
    - i. Value can be added to assets prior to disposal to enhance sales receipts by (for example) land assembly around Council assets creating marriage value;
    - ii. Capital value can be created within an investment portfolio by active management making it worth more;
16. A specific opportunity has arisen to acquire land around a public sector owned site with a view to creating marriage value and is currently being assessed by PSP.

17. Finally, it should be noted that the Council's community asset transfer arrangements continue unchanged, as do the current approved disposals.

**KEY DECISION?** No

<b>WARDS/COMMUNITIES AFFECTED:</b>	All
------------------------------------	-----

**SUPPORTING DOCUMENTATION**

**Appendices**

1.	None
----	------

**Documents In Members' Rooms**

1.	None
----	------

**Equality Impact Assessment**

Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.	Yes/No
--	--------

**Other Background Documents**

**Equality Impact Assessment and Other Background documents available for inspection at:**

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
------------------------------	--

1.	None	
----	------	--