

Committee: Overview & Scrutiny	Date: 12 March 2013	Classification: Unrestricted	Report No:	Agenda Item: 7.2
Report of: Cllr Sirajul Islam, Chair of Working Group, Scrutiny Lead, Development and Renewal Originating Officer(s): Adam Walther Strategy, Policy and Performance Officer		Title: Asset Management and Value for Money Scrutiny Review - Progress Report Ward(s) affected: All		

1. **SUMMARY**

- 1.1 This report follows up from the review into asset management and value for money which went to Overview and Scrutiny on 8 May 2012. This report reviews the progress against the original recommendations.

2. **RECOMMENDATIONS**

The Overview and Scrutiny Committee is recommended to:

- 2.1 Note the report findings
- 2.2 Consider whether further scrutiny into asset management is required at this time, and should therefore form part of the work programme

3. **BACKGROUND**

- 3.1 The "Asset Management and Value for Money – Report of the Scrutiny Working Group" went to Overview and Scrutiny Committee on 8 May 2012. It scrutinised the extent to which assets are efficiently managed by the council, both in terms of their management and monitoring and their energy efficiency.
- 3.2 OSC Members took the opportunity to question senior officers on a variety of areas. This included reviews into the corporate landlord model as well as challenging officers on our carbon commitment targets. They praised the report for its robust nature, and for providing the scrutiny that an area of such significant council activity and spend warrants.

3.3 The report made five recommendations which were agreed by OSC. The body of this report outlines the progress against these recommendations

4. BODY OF REPORT

4.1 **Recommendation 1 (asset management): That the Asset Management Team provide a report on the viability of centralising asset management, i.e. moving towards a corporate landlord model.**

4.2 A review of the existing operating model was completed in summer 2012.

4.3 A project manager has been appointed to lead on data collection and options appraisal. The council will go ahead with a corporate landlord model and a project board has now been set up to start the process of consolidation.

4.4 The management of the council's non-domestic estate and capital projects will be transferred to the Development and Renewal directorate and this will include the transfer of all property oriented staff.

4.5 The project is expected to formally launch in April 2013 with project being completed by March 2014.

4.6 **Scrutiny comments:** Having investigated the viability of centralising the management of corporate assets, councillors were keen for there to be a robust options appraisal. It struck councillors that during a time of reduced expenditure and size of teams, that a corporate landlord model would be advisable. Tower Hamlets are one of the few councils to have such devolved responsibility for managing building stock. Subsequently, officers have moved swiftly and following analysis and consultation have decided to adopt a corporate landlord model which is supported by councillors on the scrutiny investigation. No further action is recommended at this time, although the transfer of asset management to one team will be subject to ongoing monitoring.

4.7 **Recommendation 2 (asset management): That the Asset Management team develops a framework and provides a resource to enable current and potential external providers to make more efficient use of community assets.**

4.8 The process and procedure for letting and assessing applications, including the eligibility criteria were approved by Cabinet on 4th August 2010. The full cabinet report is accessible online.

4.9 The Asset Management team now has a dedicated officer managing the use and maintenance of community buildings. When community buildings become vacant they are advertised on the council's website and the council's lettings procedure is followed in all cases.

- 4.10 **Scrutiny comments:** The scrutiny members feel that officers have provided the necessary framework and now have a clear process in place for allocating building use. Officers have also demonstrated a clear understanding of how energy is used across the range of council buildings and as part of the Carbon Management Plan, have the processes in place to make Tower Hamlets more energy efficient, whilst maintaining local services. No further review is required.
- 4.11 **Recommendation 3 (energy efficiency): That the Sustainable Development team investigates incentives for all users of council assets to become energy efficient. This would include staff, schools and the third sector.**
- 4.12 A significant proportion of the savings identified in the draft Carbon Management Plan Update 2012- 2020 involve the more efficient use of building energy systems.
- 4.13 The potential savings identified are in the region of 3,700 tonnes and £615,000 per annum (across council buildings, schools and leisure centres). To realise these savings a comprehensive staff engagement strategy is under development.
- 4.14 Phase 1 of the Carbon Reduction Plan for council buildings will become part of the council's Strategic Plan 2013-14. This includes voltage optimisation, a staff engagement programme, and delivering the RE:FIT programme. This will allow for savings of £230,000 per annum after the first year. The strategy covers buildings over which the council has direct control, which may have third sector tenants, as well as schools.
- 4.15 The staff engagement strategy is based on the principle of 'behavioural connections' rather than just behaviour change. This enables building users to interact with their environment in the most efficient way possible through good control systems. It also looks at building data, such as out-of-hours and peak energy use, to determine where the most impact can be made and educating building users on this.
- 4.16 The staff engagement strategy *Enabling building users to maximise energy efficiency* outlines the proposed approach to staff engagement and gives some indicative costs and a timeline for implementation. Costs given are estimates only at this stage and the energy saving activities in each building will need to be identified (Stage 1 of the staff engagement programme) before full costs can be determined. A copy (still draft) is available on request from the Sustainable Development team.
- 4.17 **Scrutiny comments:** The Carbon Management Plan and staff engagement strategy are comprehensive documents addressing the significant need to become more energy efficient. This was a core concern of the review and it has since been addressed. No further action is recommended at this time, although

periodic reviews / reports to OSC at key points in the project would be advisable.

- 4.18 **Recommendation 4 (energy efficiency): That the Sustainable Development team provides a report on our performance against our carbon management commitments as outlined in the Carbon Management Plan 2009.**
- 4.19 The annual progress report to DECC on our current greenhouse gas Emissions for 2011/2012 was completed in September 2012 and is available on the Tower Hamlets website at: http://www.towerhamlets.gov.uk/lgsl/451-500/496_carbon_reduction.aspx
- 4.20 A draft of the Carbon Management Plan Update 2012- 2020 is available on request from the Sustainable Development team. This outlines our current performance against the targets set out in the 2009 Carbon Management Plan and forecasts further reductions going forward. This also breaks down emissions by 5 key areas: council buildings; schools; leisure centres; transport; and street lighting. Once fully approved this document will be published on the council website.
- 4.21 As part of the staff engagement strategy, figures on carbon emissions and energy costs will be published quarterly, by building and overall, to facilitate transparency around energy use. This will be in addition to the annual greenhouse Gas emissions report.
- 4.22 **Scrutiny comments:** The target for reducing carbon emissions by 25% from 2007 to 2012 will be met by 2013, an impressive achievement despite being missed by one year. The 40% and 60% reductions for 2016 and 2020 respectively appear extremely ambitious and it is not clear whether the council will be able to meet them. Ongoing monitoring of these targets by OSC is recommended.
- 4.23 **Recommendation 5 (energy efficiency): That Corporate Finance provide greater clarity on energy costs and that this is reflected transparently in budget reports where appropriate.**
- 4.24 As part of the current financial improvement project, a new finance system (Agresso) is scheduled to be introduced from April 2013. This system will simplify the budget monitoring process and its enhanced reporting capability will offer the opportunity to provide a much greater level of information and scrutiny. The system currently used by the authority to monitor energy usage (Team Sigma) will be used to enhance the information available.
- 4.25 In the meantime, budget monitoring reports submitted from the second quarter of the 2012-13 financial year have incorporated an assessment of budgetary assumptions relative to the actual position for energy costs. OSC should however be aware that spending data on energy is influenced far more by price

fluctuations than by usage. As part of the budget preparation process for 2013-14, energy costs will be reviewed in detail.

- 4.26 **Scrutiny comments:** The new finance system will increase transparency in monitoring the cost of energy. Both Corporate Finance and the Sustainable Development team are responsible for reporting on energy costs and measures to reduce this. Members of this review group are satisfied this is being met and more robust and transparent monitoring is now in place.

5. COMMENTS OF THE CHIEF FINANCIAL OFFICER

- 5.1 This report updates the Overview and Scrutiny Committee on the progress made in respect of the review into Asset Management and Value for Money following the Committee's consideration of the initial report in May 2012. The report identifies five recommendations which should lead to better use of the Authority's assets and improve efficiency.
- 5.2 The Council's Medium Term Financial Plan incorporates significant future savings targets to be realised as part of the Better Asset Management process. This report supports the proposal to move towards a Corporate Landlord model which, on implementation over the 2013-14 financial year, will put in place an efficient Asset Management structure which will contribute towards these savings being delivered. The proposals for improving the use of the Council's community assets should enhance the income that the Council generates from these buildings.
- 5.3 Three recommendations within the report are related to the promotion and delivery of energy efficiency within Council assets. Although the Council's energy costs are influenced more by price fluctuations than actual usage, these will support the aims of the Council's Carbon Management Plan and will contribute towards the significant savings required in terms of both carbon emissions and cost. These aims will be supported through the introduction of the Council's new finance system which in conjunction with the current energy usage monitoring system will provide more detailed and transparent information to assist in the regulation of energy costs.
- 5.4 Any costs involved with delivering the recommendations in this report will be met from within existing budgets.

6. CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL)

- 6.1 The Council is required by section 9F of the Local Government Act 2000 to have an Overview and Scrutiny Committee and to have executive arrangements that ensure the committee has specified powers. Consistent with this obligation, Article 6 of the Council's Constitution provides that the Overview and Scrutiny Committee may consider any matter affecting the area or its

inhabitants and may make reports and recommendations to the Full Council or the Executive in connection with the discharge of any functions. It is consistent with the Constitution and the statutory framework for the Executive to provide a response. It is reasonable for the Committee to consider progress against its recommendations.

- 6.2 The scrutiny report is primarily concerned with increasing efficiency in the management of the Council's commercial property portfolio. This objective is consistent with the Council's obligation as a best value authority within the meaning of the Local Government Act 1999. Section 3 of the Local Government Act 1999 requires the Council to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness".
- 6.3 To the extent that the Council required any additional source of power to pursue particular recommendations, such as in relation to energy efficiency, this may be found on the Council's general power of competence in section 1 of the Localism Act 2011. The general power enables the Council to do anything that individuals generally may do, subject to such restrictions and limitations as are imposed by other statutes.

7. ONE TOWER HAMLETS CONSIDERATIONS

- 7.1 A consistent approach to assets supports effective service provision. The report recommends that a framework and resource are provided to enable those using our buildings to make more efficient use of council assets. These recommendations are now being effectively addressed.

8. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 8.1 A core part of this report centres on energy efficiency and provides recommendations which further sustainable action for a greener environment. As a consequence the Carbon Management Plan makes significant steps to improve monitoring and the energy efficiency of our buildings - making a lower impact on our environment.

9. RISK MANAGEMENT IMPLICATIONS

- 9.1 Risks relating to the recommendations will be monitored through the council's corporate risk register and directorate risk registers. Risks are assessed for likelihood and impact, and will have responsible owners and programmes of mitigating actions.

10. CRIME AND DISORDER REDUCTION IMPLICATIONS

- 10.1 There are no implications for crime and disorder in this report

11. EFFICIENCY STATEMENT

11.1 The basis of the scrutiny review is to ensure greater value for money and efficiency when managing council assets and delivers on recommendations to this effect.

**Local Government Act, 1972 Section 100D (As amended)
List of “Background Papers” used in the preparation of this report**

Brief description of “background papers”	Name and telephone number of holder and address where open to inspection.
None	N/A

12. APPENDICES

No appendices form part of this report.
