

## Warwickshire Police and Crime Panel

18<sup>th</sup> July 2014

### Joint Property Vehicle (JPV)

#### 1.0 Summary

- 1.1 This report outlines progress to date on the establishment of a Joint Property Vehicle to take on responsibility for all aspects of property and estates management for a number of public sector bodies in the Warwickshire and West Mercia areas.
- 1.2 The Police and Crime Commissioners (PCCs) for Warwickshire and West Mercia, supported by the two Chief Constables, have recently agreed to participate in the production of a Full Business Case (FBC) for the establishment of the JPV.
- 1.3 The FBC is timetabled for completion in October, after which it will be considered by each of the participating organisations for them to decide whether they wish to progress to the establishment of a single Joint Property Vehicle.

#### 2.0 Background

- 2.1 Supported by the Department of Communities and Local Government, the Capital Asset Pathfinder Partnership was formed in 2011. Led by Worcestershire County Council, a group of local public bodies came together to facilitate closer collaboration on property and wider estate management issues.
- 2.2 A number of joint projects have been developed and implemented in the Worcestershire area which have resulted in the co-location of services, produced additional revenue from asset sales, reduced costs, enhanced services and delivered local economic and social benefits. These projects have been delivered using the existing management processes and resources within each organisation.
- 2.3 Success to date led the partners to commission a feasibility study to identify the benefits of forming a Joint Property Vehicle – a single property unit – that will manage all aspects of their public sector estate. The unit would be established as a company, using the “Teckal” exemption, which would allow each of the members to contract with the company without going through a competitive process. The company would employ all of the Property staff used

by the partners, but, importantly, ownership of all land and property would remain with the individual partners.

- 2.4 The police seconded Jim Stobie as the JPV Manager to develop the work and take the feasibility to an Outline Business Case (OBC). Jim was previously the Estates Manager for the Alliance. Following agreement of the OBC, Jim is now leading the project to deliver the Full Business Case.
- 2.5 The organisations initially involved in the partnership were Hereford and Worcester Fire and Rescue Service, Redditch Borough Council, Warwickshire Police and West Mercia Police, Worcester City Council, Worcestershire County Council and Worcestershire Health and Care NHS Trust. Herefordshire Council has also recently decided to join the partnership and consequently the Joint Property Vehicle (JPV). The Worcestershire Health and Care NHS Trust has had to withdraw from membership of the JPV for legal reasons (it is unable to be a member of a company), but intends to continue to play as full a role as possible in the initiative. The project team will be approaching all local authorities across the area in due course to determine whether there is further interest in joining the partnership.

### **3.0 The Outline Business Case**

- 3.1 An Outline Business Case has been considered by and agreed by each of the participating organisations. In agreeing to progress to the development of the Full Business Case, in the case of the Strategic Alliance, the two PCCs made their agreement conditional on addressing what they see as a critical governance issue, which is explained later in this section.
- 3.2 Following approval of the Outline Business Case, a Shadow Shareholder Board has been established with representation from each organisation. David Clarke, the Treasurer, represents the PCCs on the Board, and Richard Elkin, the Director of Enabling Services, represents the Forces. The ultimate role of the Shareholder Board will be to scrutinise performance against the agreement/contract and the business plan as well as review investment plans and risks. It will provide regular oversight and scrutiny of the financial plans and monitor progress against the published asset management strategy.
- 3.3 The Strategic Objectives to be derived from the creation of the JPV are to:
- Deliver revenue savings
  - Improve customer service delivery
  - Maintain and protect front line services
  - Facilitate service integration
  - Drive operational efficiency
  - Drive capital receipts
  - Enhance the quality of the property portfolio
  - Drive cross organisational working
  - Drive regeneration and growth

- Increase revenue generation

3.4 The OBC identified the potential to save £3.7m across the partnership in the first year of operation, rising to £15.7m p.a. by 2025, on a current cost base of £56m. In other words, it is expected that, ultimately, 28% of the current revenue budget can be saved. Cumulatively, savings of £110m could be generated over a ten-year period, across all partners.

3.5 Additionally, it is anticipated that capital receipts of £118m will be generated over a ten-year period, equivalent to 18% of the current portfolio value.

3.6 Notwithstanding the significant potential of the partnership to deliver financial benefits, in considering the OBC, there were three issues on which the PCCs required reassurance before agreeing to proceed, and these are explained below:

- a) The first concern relates to the current partners being predominantly based in Worcestershire and Herefordshire. The benefits within the OBC fall out in several layers; the joint estates team, collaborative procurement and a 'one town approach' to addressing property rationalisation with JPV partners. It was clear that both forces would benefit from the first two. However, the last point creates a problem. Concerns were raised that we would not benefit from the total projected savings if the "one town approach" were only to be used with JPV partners. Clearly, at this point in time, the partners were very limited in many geographic areas – in both Warwickshire and Shropshire there are no other JPV partners. The project team clarified the position that this would in no way restrict working with any number of partners inside or outside of the actual JPV. This would mean, for example, that a review of local front counter support in Warwickshire would be managed and delivered by the joint team who would work with the right partners in that location to deliver the strategies of the PCC and Chief Constable.
- b) We questioned the strategy of using a "Teckal" company as the mechanism for delivering the collaborative venture. In particular, we explored why this could not be delivered through a collaboration and whether there had been specific legal advice concerning any external trading, which can be limited by the use of this arrangement. We were reassured that the OBC is not built upon any assumptions around external trading, although this would be an additional element to be considered at the appropriate time. The legality of the extent of external trading will be considered further at the final business case stage. In addition, we were comfortable that the establishment of a jointly owned company will assist in driving change and behaviour across the partners.
- c) The final issue considered in-depth remains a work in progress which is being addressed by a working group of the Shadow Shareholder Board on which Richard Elkin sits. The issue is that of the voting mechanism on the Board. The OBC proposal is that each member of the Board will have a single vote. The Commissioners have expressed a concern that this does

not allow them to protect their interests with regard to the setting of priorities for the JPV and the deployment of its staff. The Commissioners expressed the view that they would like to see the use of a golden vote or right of veto, and their agreement to progress to the production of the Full Business Case has been made conditional on finding a satisfactory solution to this issue. The Working Group is trying to address this as a matter of urgency.

#### **4.0 Future Development of the JPV**

4.1 Subject to future decisions on the outcome of the Full Business Case, the projected timescales for future development of the JPV are as follows:

<b>April / May 14</b>	Form Shadow Shareholder Group
<b>April 14</b>	Implementation Team formed
<b>October 14</b>	Full Business Case (FBC) delivered
<b>October 14</b>	Commencement of One Town Reviews.
<b>October – December 14</b>	Approval to proceed with forming JPV
<b>October – Dec 14</b>	Appointment of shadow management team
<b>Jan – March 15</b>	Formation of new company
<b>April 15</b>	JPV Target “Go Live” date

4.2 It is estimated that the start-up costs of the JPV will be around £1.5m, excluding redundancy costs. The full cost of establishing the JPV is expected to be well below the level of savings in the first year. Additionally, because of the innovative nature of the arrangement, significant financial contributions have been secured from outside the partnership. These include.

- £400,000 from the Department for Communities and Local Government Transformation Challenge Award
- £100,000 from the West Midlands Regional Improvement and Efficiency Partnership
- £50,000 from the Cabinet Office as a wave 3 pilot
- £210,000 from the Worcestershire Partnership
- £25,000 from the Local Government Association

4.3 Reflecting the profile of the project within Government, and a desire to ensure that problems which need input or action from Government departments can be swiftly resolved, the Cabinet Office has agreed to provide an independent Chair for the Shadow Shareholder Board, and this is Bruce Mann, the Director of Finance and Resources at the Cabinet Office.

4.4 It will be appropriate to bring a further report to the Police and Crime Panel following the production of the Full Business Case.

**Office of the Police and Crime Commissioner**  
**8<sup>th</sup> July 2014**