

Appendix B

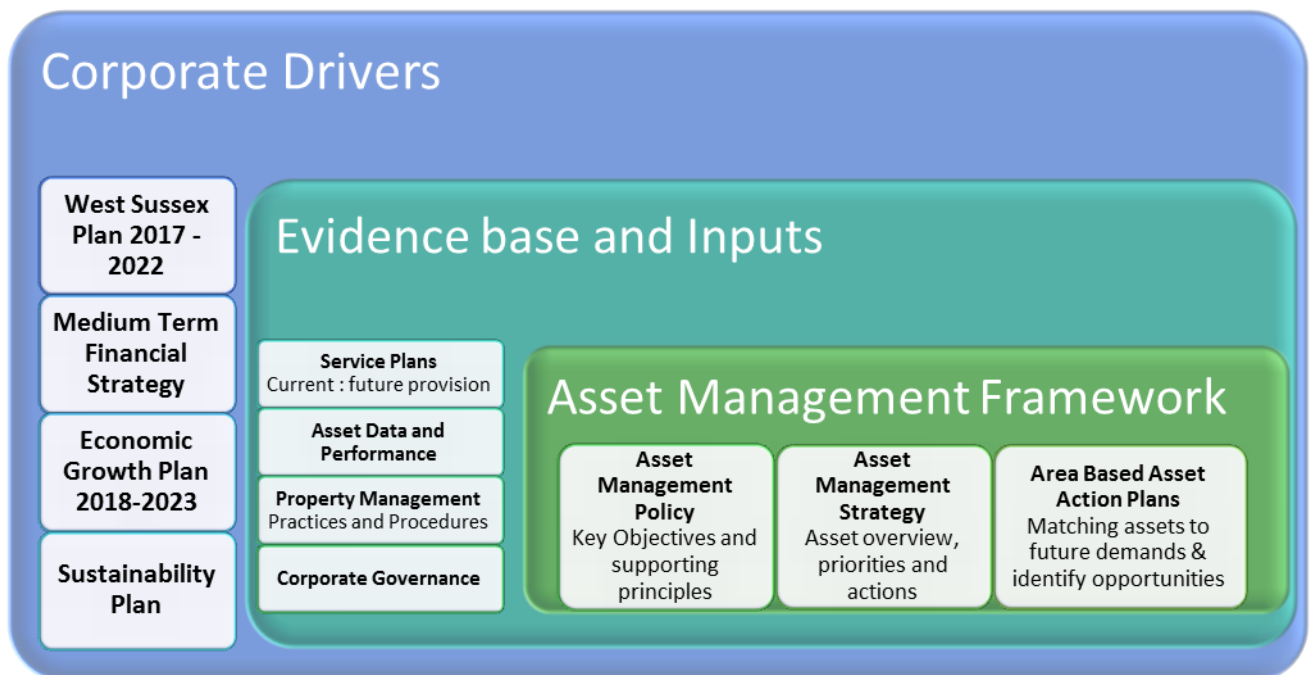
Asset Management Strategy

Introduction

This Asset Management Strategy provides an overview of our land and property estate together with our main priorities for managing and developing that estate over the next twenty years. The Strategy will be reviewed and updated periodically to ensure our estate fully supports the council's goals and contributes to the achievement of the policy objectives for property asset management, namely:

- 1. To plan and manage property as a corporate resource for the benefit of the people of West Sussex;**
- 2. To provide the right property, fit for purpose, in the right place, to meet current service needs and plan for the future;**
- 3. To acquire, manage, maintain and dispose of property effectively, efficiently and sustainably, together with optimising financial return and commercial opportunities;**
- 4. To use land and buildings to stimulate development and growth; and,**
- 5. To promote joint working where it will provide benefit for service delivery and in securing efficiencies.**

The strategy sits within an Asset Management Framework which responds to our corporate drivers and uses other inputs and enablers to support its delivery:



Our Land and Buildings

The Council's property portfolio (excluding our highway network) consists of over 1,300 plots of land totalling in excess of 5,500 acres with 980 establishments included within these plots. The CIPFA book valuation of the establishments (insurance re-build value) is in the order of £1.35 billion, and work is ongoing to maintain an up to date data set. This demonstrates what a considerable resource our buildings and land are, and why we need to carefully manage them.

If we do not manage them appropriately there is significant potential to waste public money in keeping buildings that are not fit for use or unnecessary. Equally, each asset has a value and if they are no longer required we might be able to sell them to unlock that value and use the money elsewhere. We may need to invest in new assets to ensure we provide services fit for the future and to maximise benefit to the people of West Sussex.

Assets are fundamental to the efficient and effective operation of Council services – providing accommodation for staff, making services accessible to the local community, generating income and enabling development and service contributions by third parties. Financial and other pressures on the council’s resources will require all services to transform, be flexible, innovative and entrepreneurial and to develop operating models that are agile and able to respond to the changing context and customer’s needs. Our portfolio and individual assets will also need to adapt to support the council as it moves forward. Having a longer term Asset Management Strategy in place, coupled with Area Based Asset Action Plans, which are informed by service planning will help ensure that decisions are timely and plans are transparent.

There are a wide range of assets within our current portfolio. They comprise offices, day centres, elderly people homes, car parks, public conveniences, leisure facilities, depots, schools, assets leased to community organisations and premises used to generate a commercial income. The reason for holding these assets will vary and as a result we may need to measure their performance in different ways. Performance of each asset therefore must be linked to the strategic purpose for holding it.

The following table provides an overview of our property estate by asset type, providing a number for each type of asset and an approximate book value (which is held for accounting purposes and does not reflect actual or expected market value should the asset be prepared for sale).

Asset Type	Number of Assets	Approximate Book Value as at March 2017
AGRICULTURAL	69	£21,996,568
COMMERCIAL	83	£103,010,125
COMMUNITY	108	£44,054,128
DEVELOPMENT PROPERTY	2	£814,170
EDUCATION	332	£967,812,622
ENERGY ASSET	1	£7,590,000
FIRE STATION	26	£20,951,339
LIBRARY	36	£42,405,044
OTHER LAND	91	£55,460,856
RECREATION	51	£12,699,102
RESIDENTIAL	157	£82,677,046
Total	980	£1,359,471,000

Some of our assets deliver front line services, others are used for indirect service provision or in supporting local communities. Some assets are held in order to retain market leverage or to influence development and place making. The Council also has a significant agricultural estate as the County is rural in nature. This is typically managed for income generation and future leverage as developments on adjacent land comes forward. We don’t just own assets for the sake of it, they need to have a purpose and we need to be actively reviewing and challenging this purpose.

Our Money and Investments

Like other councils West Sussex is seeing funding reductions and we need to make careful choices in where we prioritise our expenditure. This is especially true in relation to property, as an expensive resource we need to ensure that every pound we spend is spent in the right way.

REVENUE BUDGET

CATEGORY	2018-19 BUDGET*
LEASE COSTS	£1,050,500
RATES	£13,473,780
FM (HARD & SOFT)	£7,411,000
UTILITIES	£5,199,500
INCOME	-£2,140,200
Total	£24,994,580

*N.B. Based on total WSCC budget for these categories of expenditure or income. Utilities budget is low compared to 2016-17 figures as each school budgets for these separately and this is not reflected on SAP. Rates have increased significantly due to the recent NNDR revaluations.

Capital Programme

On 15 December 2017, the County Council approved a five-year programme totalling £800.5m. The programme invests in assets across services to meet the needs of residents and deliver the West Sussex Plan.

All investments are subject to the approval of a business case in accordance with capital governance rules.

Major Property Investments within the Medium Term include:

❖ One Public Estate (OPE)

OPE is a national programme jointly run by the Cabinet Office Government Property Unit and the Local Government Association. WSCC is one of 159 Councils who have been awarded a share of £7.5m, resulting in a grant of £640k to explore how best to share buildings, sell off surplus assets and reduce running costs.

The objectives set out by the West Sussex OPE Partnership Board are set out below.

- A 1% target reduction in the size of the estate that will generate in the region of £1.3m annual maintenance savings and significant capital receipts.
- A number of opportunity sites that could deliver in excess of 1,600 homes and a significant quantum of Grade A employment space whilst rationalising public assets, improving service delivery and supporting regeneration of town centres
- A real commitment to build trust and capacity to secure an effective and lasting partnership that delivers key outcomes.
- Bringing a more structured approach to the operation and management of the estates and developing a more collaborative programme will remove many of the current management barriers at source, opening up the opportunity for more creative thinking to optimise the shared benefit for all partners across the whole county.

The West Sussex OPE Programme currently includes seven key projects, including Crawley Town Centre and Centenary House, Worthing. The commitment is to develop these sites to rationalise the public estate (including that of other public bodies) to

provide effective and efficient community-based services whilst securing a range of economic growth outcomes and new homes.

❖ **Asset Improvement Programme**

The Asset Improvement Programme will identify County Council owned assets that require major improvement works over the medium term. It identifies the feasibility requirements to bring forward a Strategic Outline Case to deliver an improvement project as part of a programme of works.

The Major Assets Improvement programme will consist of a number of significant projects across the County Council's asset estate. Strategic Outline Cases for each of the projects will be brought forward as the concepts are defined and will set out the economic case.

Projects will be identified through the County Council's Asset Strategy, with a range of options explored in high-level studies on specific sites. Dependent upon the outcomes in the high-level studies, Strategic Outline Cases for each of the schemes above may be brought forward for consideration in accordance with the capital governance rules.

❖ **Schools and Basic Need (extra pupil places)**

The schools programme involves the delivery of additional and/or new educational facilities (Primary Schools, Secondary Schools, Special Schools and Alternative Provision).

❖ **PropCo**

West Sussex County Council has commenced a residential led development initiative, referred to as 'PropCo'. The arrangement is identified as a work stream under the direction and support of a dedicated management panel and is not a separate company; all operations and contracting are directly with the council. The objectives are to generate income above the return that might be expected from a straightforward land sale and in doing so enable wider economic benefits for West Sussex that might not follow if the land were sold to a commercial developer. Appropriate sites to develop initially come from assets that have been declared surplus to operational use. Prop Co may also consider holding appropriate buildings to generate an investment portfolio.

Our Objectives and Priority Actions

In order to develop a more robust approach to strategic asset management we will deliver our policy objectives, focussing on an agreed set of priority actions that underpin them. The remaining actions contained in the Asset Management Policy will be continuously reviewed and prioritised in future versions of this strategy.

Objective 1: To plan and manage property as a corporate resource for the benefit of the people of West Sussex

Priority action 1.1: We will work to establish and maintain a full data set for our assets across the county ensuring it is accurate, current and comprehensive

Since 2016, significant progress has been made collating and validating asset data for the whole portfolio and identifying gaps in that data. A complete set of asset data consists of:

- Core data on location, areas and tenure/use (asset register)
- Asset management data (condition/costs/income)
- Performance data including occupancy (baselines/benchmarks)

- Fit/suitability for current operation or purpose plus historic and planned works

Costs included in this data are for the year 2016/17 and will be updated over the summer to reflect year end March 2018 data. A proportionate approach is proposed to be taken to gathering missing data, due to the scale of the work involved. Priority for funding and resources will be given to those assets which have been identified for some 'property activity' over the next 0-5 year period – for example, either because of potential new uses or specific Council liabilities.

The next phases of asset register development will be:

1. to implement processes and protocols to gather and update asset data in a more robust way
2. to continue to improve the quality and accessibility of the data held
3. to rationalise the large number of different systems in use across the County Council
4. the procurement and deployment of a replacement asset register system.

Priority action 1.2: Property will be managed corporately ensuring an effective balance is maintained between priorities, use of budgets and governance

The concept of a Corporate Landlord (CLL) approach is that the ownership of an asset and the responsibility for its management and maintenance is transferred from service areas into the corporate centre. The service area therefore becomes a corporate tenant and their priority is to plan and deliver their service to the best of their ability. The CLL function is to ensure all services are adequately accommodated and to maintain and manage the land and property assets.

The CLL responsibility extends further to the acquisition, development and disposal of land and property. The CLL is responsible for asset planning, review, feasibility and options appraisal taking into account the needs of all service areas but most importantly, making decisions based on overall corporate priorities. The CLL function is not widely understood, accepted or adopted across the County Council. This leads to duplication of resources, conflicts of interest (especially where capital receipts are planned), missed opportunities and poorly co-ordinated responses to issues.

Our five key actions for the development of the CLL function are:

1. Fully define and confirm CLL responsibilities and activities
2. Re-structure the property service to fully support the CLL function across the organisation
3. Centralise all property related activity, including decision making and budget management, and to prepare service standards, agreements and guidance to ensure service needs are met
4. Ensure the function is reflected and embedded in the Council's Governance arrangements including corporate and service planning processes.
5. The Minor Assets Improvements allocation is intended to support the County Council's Corporate Landlord function. It will fund a rolling programme of capital improvement works identified by services and prioritised by the Corporate Landlord Operations Group.

Objective 2: To provide the right property, fit for purpose, in the right place, to meet current service needs and plan for the future

Priority action 2.1: We will work with our services to understand their longer term requirements

By working with services to identify their asset requirements for service delivery over the long term (up to 20 years if possible) assets held can be matched with that need in a way that is deliverable in the optimum timeframe and at an optimal cost.

This requires services to consider not just best practice in their service area, but next practice - to seek opportunities to improve outcomes and save money by reducing the future demand for assets where possible. With some services this is more straightforward, such as highways depots, but with others it is complex and sensitive, such as social care. Consideration of future demographics, target operating models, gap analysis of provision, pipeline projects and opportunities and a range of options that could meet future demand will all help define future asset requirements.

We also need to keep under review the changing corporate and financial context in which we develop our asset strategy and on major programmes of work or initiatives where our assets may play a fundamental role, such as the One Public Estate programme.

A summary of the service planning work is contained in the Service Plan document which supports the asset management framework. It includes existing and future operating models and a potential strategic asset pattern that may need to be put in place to deliver the future model.

The key actions for building on this work and understanding our asset needs are:

1. Develop protocols, roles and responsibilities for completing and reviewing service plans annually
2. Develop processes for linking and representing the Asset Strategy arrangements to major programmes of work and corporate initiatives

Priority action 2.2: We will prioritise and deliver these requirements as part of our area based asset action planning regime

We are completing the process of capturing data on each of our assets and why we hold it and what opportunities or risks are associated with that asset. Our strategies for managing our assets well while we are responsible for them will highlight opportunities to improve asset and management performance and our work with services is defining our future needs. Using these tools to match assets to future service demand we can create options that will meet that demand and create a long term plan for each asset we hold.

This long term plan is set out in our Area Based Asset Action Plans. Each Area plan sets out the planned future for each asset and creates a pipeline of capital projects for assets to be retained that can be funded and delivered at the right time following the consideration of the strategic case for each proposal. The Area Plans also present a list of the surplus assets that can be used for income generation or disposal and a list of assets that need to be acquired, both of which are important for longer term financial planning.

There are two broad principles that apply to designing the future options for assets to deliver services:

- disaggregating services and breaking them down to be delivered in more local and community based way in smaller assets ('spokes'), such as for social care; and
- bringing services together into fewer but larger delivery 'super-hubs', such as for highways depots.

The Key actions for creating Area Based Asset Action Plans are:

1. To complete the 7 area plans;

2. The 'hubs and spokes' model should be adopted in order to facilitate service delivery in the most efficient and effective way;
3. Governance of the plans to be strengthened so that strategic cases will support all asset decisions (options appraisals); and,
4. Strategic cases/options appraisals will be supported by additional material such as feasibility studies and impact assessments.

Objective 3: To acquire, manage, maintain and dispose of property effectively, efficiently and sustainably, together with optimising financial return and commercial opportunities

Priority action 3.1: We will ensure property is managed with probity and within budget constraints

It is vitally important that the Corporate Landlord looks after and is accountable for our assets. Our strategy is to ensure that our maintenance resources are prioritised to appropriate buildings where the money is needed most. We identify these priorities by conducting a targeted programme of condition surveys which aims to understand life cycle need over a 25 year period and by cross referencing this with the future plans for buildings within the Area Based Asset Action Plans. Decisions will be made in good time to be able to plan and combine work packages rather than simply reacting to emergencies as they crop up.

Our four key aims for robust Building Maintenance are:

1. To ensure our buildings are safe and secure;
2. To allocate funding to projects that will achieve the maximum positive impact;
3. To achieve an efficient balance between planned and reactive maintenance work;
4. To maximise efficiencies in the way we procure building maintenance work.

Priority action 3.2: We will monitor and challenge the cost of property activities to highlight opportunities for performance improvement

Making the right decisions and demonstrating that those decisions have a positive effect on the performance of our assets is important over the course of implementing a strategy. Baselineing the costs when validation is complete and applying metrics to assess the performance of the portfolio, such as the Operating Expense Ratio (OER) or the cost per square meter for running the estate, can give a comparative indicator which can be considered against a changing estate.

The key actions for improving the performance of the estate are:

1. To define and agree a set of performance indicators and benchmarks for the portfolio, including
 - Building condition and required maintenance
 - Operating and space/occupancy efficiency measures
 - Fitness for purpose indicators (suitability, accessibility, etc.)
2. To use performance data to promote a culture of continuous challenge and improvement;
3. To set out governance proposals for performance monitoring and reporting;
4. To link improvement targets to Area Based Asset Action Plans.

Priority action 3.3: We will seek efficiencies in occupancy and utilisation and challenge the use of assets which may be appropriate for disposal

Our aim is to ensure that the buildings we retain are well looked after and fully utilised so that we receive the maximum return on our investment. Co-location opportunities are promoted for this benefit and for the benefit of:

- Efficiencies from scale, reducing our costs;
- Services working together, focused around service users;
- Shared experience/knowledge and practises; and,
- Re-enforcing corporate ownership of assets.

Where co-location and rationalisation of space allows us to close a building we must ensure that the appropriate decisions are made about that building in accordance with the strategic case made in the Area Based Asset Action Plan.

Disposal plans must be implemented as soon as the decision to vacate is made so that the building is not at risk of long term un-occupancy or, if it is to be held vacant for future disposal or use, the appropriate vacant property procedures must be implemented to reduce the costs and risks over the vacant period.

In part vacant or vacant property, consideration will be given to use by Council partners and other sectors such as charities or local agencies that are well placed to manage community facilities in their area. They already make extensive use of these assets and their local knowledge and hands-on management often results in lower overheads and better value-for-money.

The key aims for managing our under-utilised or vacant assets are:

1. To reinforce the Corporate Landlord role in managing or disposing of these assets corporately and in accordance with the Area Based Asset Action Plans;
2. To define an activity checklist and monitoring regime for vacant/part vacant assets;
3. To introduce a more robust management of the vacant properties budget;
4. To develop criteria for sub-leasing and disposal of assets to partners and other local service providers (including preferential terms, Community Asset Transfers, concessions on rents/costs, etc.).

Objective 4: To use land and buildings to stimulate development and growth

Priority action 4.1: We will use key assets to support regeneration and growth

The use of assets to achieve longer term economic growth outcomes has a multiplier effect, over-riding the purely financial case of asset retention versus disposal. For example, ensuring that small businesses can start and grow is vital to a town's long term sustainability and the asset strategy may need to provide appropriate and affordable incubator spaces to support this objective.

Actions to achieve this objective are:

1. To collaborate with economic development teams to review the evidence and identify the gaps in land/property provision that would stimulate additional growth across the region;
2. To challenge the 'presumption of disposal' for assets by providing an options appraisal in each case to test out the maximum benefit any asset could provide to the council in both economic and financial terms;
3. To build on the role of Growth Team delivery leads – coordinating work in localities.

Priority action 4.2: We will manage our commercial portfolio effectively and deliver a programme of commercial property investments

A well-managed, balanced commercial property portfolio provides the opportunity to generate income at a greater level than traditional sources. This revenue can support service provision and the potential for the portfolio to appreciate in value make this a

prudent strategy. Investment in a broader commercial estate can also ensure the County's economic, social and environmental wellbeing over the longer term.

Our aim is to

1. invest in commercial property to establish a revenue generating portfolio;
2. establish a £50m portfolio;
3. achieve a balanced portfolio;
4. establish appropriate governance to manage commercial property investments.

Objective 5: To promote joint working where it will provide benefit for service delivery and in securing efficiencies

Priority action 5.1: We will work with other agencies and partners to seek and promote co-location and joint service delivery

Initiatives such as the One Public Estate Programme and local Growth Deals seek to build trust and capacity to secure an effective and lasting partnership that delivers mutually beneficial outcomes.

The key actions are:

1. Bringing a more structured approach to the asset management function, clearly identifying lead contacts and opportunities for developing collaborative programmes;
2. To promote and facilitate the co-location of services and partners during all asset planning activities, principally as part of future modelling of services;
3. To work in partnership with district and borough councils Growth Deals, aligned to this strategy, to identify priority projects to bring local improvements for residents, businesses and visitors that:
 - are delivered as part of a partnership approach between the public and private sector;
 - promote local economic growth, including new homes and new jobs;
 - attract and bring together investment;
 - provide a clear set of formal working principles for how we will work together.

Our Delivery

To deliver our key objectives and our asset priorities we need to be certain of the resources that can be deployed and of the governance in which our programmes will operate:

❖ Resources

Property Services is being improved and reorganised, establishing clear roles and responsibilities for their functions in asset management and across the Council as a whole, including:

- A Strategic Assets Section incorporating Valuation and Estates, Property Data and a new Strategic Asset Management Team to provide corporate coordination in property management and planning;
- Reorganisation and increased staffing within the Valuation and Estates function to better prioritise workload and provide more of a corporate profile;
- A refocussed and reorganised Capital Planning and Contract Management function to adequately manage, support and deliver the ambitious capital programme;
- The relocation of the Supplies and Accommodation, PFI contract management and Capital Maintenance functions to Facilities Management where there will be better synergy between operations;
- The identification of relevant stakeholders and leads across the Council that can

contribute the achievement of our objectives, maximising opportunities for collaborative working and use of resources.

❖ **Governance**

The asset management strategy and the capital investment programmes will be overseen by more robust governance arrangements. A Capital Assets Board will be established with membership including the Leader, Cabinet Portfolio Holder for Finance and Resources, Executive Director for Economy, Infrastructure Environment, the Director of Economy, Planning and Place, the Director of Finance and the Director of Law and Assurances.

The capital programme each year will be informed by initial or strategic-level business cases showing the purpose of a scheme and its value. That will enable officers to develop detailed business cases and seek member approval for projects. Approval will also be sought for changes needed in response to developments, either service-related or due to external factors, and to deal with month-by-month financial adjustments – costs increasing or decreasing, other funding sources becoming available or changes to the scope or timeframe of a scheme.

Co-ordination and decision making relating to asset management will be made at the right level and stakeholders across the authority will understand their own roles within the overall structure. There will be greater consistency in the way asset decisions are made and recognition of corporate control of assets. Fundamental to this are the Corporate Landlord Operations Group (CLOG) and the Capital Assets Board (CAB) and their roles are key to strategic coordination in order to demonstrate that property is a corporate resource. The asset strategy is overseen by the Cabinet Member for Finance and Resources and the OPE is overseen by the Leader.

