

## **Report to Councillor Jeremy Hunt, Cabinet Member for Finance and Property**

**August 2022**

### **Asset Management Policy and Strategy 2022/23 - 2025/26**

#### **Report by Assistant Director of Property and Assets**

**Electoral division(s): All**

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#### **Summary**

Since the 2018 Asset Management Policy and Strategy was agreed there have been some major changes that have influenced how the County Council manages its assets; some unforeseen, like the impact of the Covid-19 pandemic and some well-known, like the urgent need to respond to climate change.

The Policy and Strategy has now been updated to support all parts of Our Council Plan 2021-2025, in particular the objective to *Make the Best use of our Resources*, including assets, with a target to rationalise the estate and reduce the operational square meterage by 5% year on year.

Work has been undertaken with all the Council's operational services to understand how assets will contribute to meeting those service's needs and aspirations in the short to longer term, while addressing the need to rationalise the estate. Work is also underway to improve our understanding of what it will take to reduce our carbon emissions.

Investment in the estate over the next five years is set out in the Capital Strategy, agreed at County Council in February 2022.

The proposal is to combine the Policy and Strategy into one new document. The new Asset Management Policy and Strategy 2022 will cover the period until 2025/26, to align with Our Council Plan. The Property and Asset Directorate will endeavour to work towards a longer-term strategy horizon and longer-term Service Asset Management Plans with a 10-15 year view, giving us more effective property development and maintenance planning. It will be reviewed from time to time to ensure it remains relevant to our objectives.

The strategy will concentrate on the use of assets to best meet the needs of the Council's service delivery, including smarter working projects and the rationalisation of the estate.

The approach will include projects to improve the sustainability of the estate and contribute to the reduction in our carbon emissions. There will be a renewed focus on the option appraisal of surplus properties ensuring a range of options are considered including social, community or environmental use. There will be a continued

emphasis on generating income for the County Council through revenue streams and capital receipts.

The new draft Asset Management Policy and Strategy 2022/23 - 2025/26 is attached as Appendix A

## **Recommendations**

The Cabinet Member for Finance and Property is asked to endorse the new Asset Management Policy and Strategy 2022/23 - 2025/26, as set out in Appendix A of the report.

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## **Proposal**

### **1 Background and context**

Since 2018 the following developments and initiatives have necessitated the review of the Asset Policy and Strategy:-

- 1.1 **Our Council Plan 2021 to 2025** –was launched and sets out a framework for the County Council to operate in a way that means we are clear on what we want to achieve and what we will do to achieve the priorities. The plan has a Key Objective to '*Make the Best Use of Resources*' and sets out that "*We will maximise the use of our assets by disposing of surplus assets and looking creatively at how we might use our assets to support economic growth. For retained assets we will reduce our overall energy consumption to meet our ambition of being a net carbon zero organisation by 2030*". There is an associated Key Performance Indicator to reduce the square meterage of operational property by 5% year on year and targets to reduce carbon emissions both of which remain drivers of this strategy.
- 1.2 **Service Asset Management Plans** - Over the last three years, more than 20 Service Asset Management Plans have been developed, based on each service's Business Plan objectives. Whilst still somewhat limited in their horizons, given the 10-15 year optimum horizon for property management and link to business plans, these plans should be seen as the start of the development of long-term plans for how services use assets. There is now a better understanding of the assets each service uses currently and what objectives they have which require an asset solution. Services have been challenged to think strategically about use of property longer term to align with the development of their service and Our Council Plan priorities and to make use of insight data, such as demographics, to support decision making.
- 1.3 **Covid – 19 Pandemic** - Since early 2020, there has been a fundamental change to the way staff use the County Council's office accommodation, driven by the response to the Covid-19 pandemic. There is a need to design our workplaces and align our practices based on the learning and experience of the pandemic so that we can deliver our services well, adopt modern approaches to work and sustain the benefits.
- 1.4 **Vacation of a Corporate Office Hub** - In 2021, as part of our objective to make the best use of our corporate estate, the County Council took a decision to vacate Centenary House, Durrington. This building was underutilised and was

in need of major refurbishment. A smaller replacement office has been leased, which will be supplemented by bringing the Littlehampton County Offices back into use. These two sites will significantly reduce the spare desk capacity, square meterage and carbon emissions. This is an example of how necessity has driven changes in the way we work and provides an example of what can be achieved in certain circumstances when there is a need to do so.

- 1.5 **Carbon Neutral Target** - In April 2019 the County Council pledged to make West Sussex County Council carbon-neutral by 2030. Work on understanding how this can be measured, achieved and the costs of delivering this target in the County Council's property estate is progressing.
- 1.6 **Asset Option Appraisal** - In 2021 the Property and Assets team developed an improved asset options appraisal process, prior to declaring property surplus and established a pilot for Community Asset Transfers, offering three properties surplus to Early Help requirements to the local communities.
- 1.7 **New Asset Database** - In 2021 a new asset database was procured to replace the Atrium system which was life-expired and due to be unsupported from 2022/23. After a procurement and selection process Concerto was chosen and the first phase of delivery went live on 01 April 2022.
- 1.8 **Joint Venture (JV)** - In March 2021, following a competitive tendering process, the County Council set up a JV Partnership to maximise the return to the council by developing some of its surplus land. The partnership contract, which is for up to thirty years, is on a 50:50 joint venture basis with Lovell Partnerships Limited, a subsidiary of the Morgan Sindall Group plc. The principle of the Joint Venture is that the County Council will provide the land and our partner will provide up to the equivalent value in development costs. The net 'profit', after all costs have been deducted, is then split equally between both partners.
- 1.9 **Asset Condition Survey** - A Full Asset Condition Survey has been commissioned to capture the true condition of our properties and highlight anticipated costs to recover and maintain each of them in a safe and sustainable condition.

## **2 Proposal details**

- 2.1 It is proposed to combine the Asset Policy and Strategy into a single Asset Management Policy and Strategy 2022 document and update Our Mission as follows:-

***Our Mission is to deliver 'Our Council Plan 2021-2025' ensuring assets are used efficiently and sustainably to provide suitable accommodation in appropriate locations to enable the County Council to deliver services, generate revenues and support communities, while contributing to the council's corporate ambition to be carbon neutral by 2030.***

- 2.2 It is proposed to now focus on the following key areas for the next three years,-
  - a) Agreement on assets essential to support Service Asset Management Plans and smarter working initiatives, leading to opportunities for estate rationalisation. The focus will be on the larger corporate office hubs which have the potential to deliver the greatest benefits.

- b) Projects to address climate change, sustainability and reduction in carbon emissions, including opportunities to maximise the value of the natural capital in the estate (natural capital is the stock of natural resources including geology, soils, air, water and living organisms such as trees and crops etc)
- c) Making the most of the new Asset Management Database functionality to support processes and decision making.

### **3 Other options considered (and reasons for not proposing)**

- 3.1 The Asset Policy and Strategy needed updating to bring it into line with Our Council Plan and the pledge to be Carbon neutral by 2030. Doing nothing would mean the strategy would be outdated and ineffective.

### **4 Consultation, engagement and advice**

- 4.1 The Performance and Finance Scrutiny Committee has been consulted on the new Policy and Strategy and its recommendations have been included in the revised document.

### **5 Finance**

#### **Revenue consequences**

There will be consequential savings through the rationalisation of assets. The impact of any rationalisation will be picked up as part of the budget process. Savings or cost avoidance can be achieved in rent payments, business rates, utilities and day-to-day running costs.

Carbon reduction technologies invariably have higher through-life operating costs although some of these costs should be offset by reduced energy bills.

#### **Capital consequences**

There will be consequential capital receipts arising from the rationalisation of assets. The impact of the rationalization will be picked up through the budget process. As recognised in the capital programme, capital requirements to adapt properties to reduce carbon emissions will be required. Individual business cases will be brought forward as necessary. The Business Case template has been updated to support this and states a Heat Decarbonisation Plan for an existing building will be undertaken at Feasibility Stage, giving a clear breakdown of the works required to reduce carbon emissions and improve energy efficiency.

The effect of the proposal:

#### **(a) How the cost represents good value**

Estate Rationalisation reduces the Council's expenditure in property running costs. Effective use of the County Council's assets brings opportunities for efficiencies, income generation and capital receipts. Reducing the estate also contributes to reducing the council's carbon emissions.

Adapting existing properties to reduce Carbon Emissions will incur capital costs and higher through-life operating costs but will reduce some of the energy costs. This approach will also align the Council's Climate Change Policy by reducing the overall carbon production.

(b) **Future savings/efficiencies being delivered**

Potential savings include expenditure on business rates, council tax, utilities, rent and all other day-to-day running costs of properties such as cleaning, repairs, servicing and Health & Safety compliance. Reducing the estate will reduce the number of properties that require adaptations to reduce carbon emissions

(c) **Human Resources, IT and Assets Impact**

Smarter working will have an effect on how staff use and operate from buildings. A reduction in the number of buildings will also reduce the required IT capacity for the Council but consideration will have to be given to the provision of IT support to staff away from the office.

**6 Risk implications and mitigations**

<b>Risk</b>	<b>Mitigating Action (in place or planned)</b>
There is insufficient budget to adapt enough buildings to deliver a reduction in carbon emissions and to maintain the related equipment through life.	Heat Decarbonisation plans will offer a clear guidance on how much work is needed to each asset to deliver carbon neutrality. Once an indicative range of plans is in place the capital and through life operating cost of achieving the ambitions will be clearer.
The Property and Assets team is not resourced to deliver the expectations of the plan	This will be a key risk to delivery of the Policy and Strategy, most posts in the sector are hard to fill. A new resourcing strategy will be required along with support from Human Resources to maximise opportunities to bring in candidates and make posts attractive, as competing solely on pay is not realistic.

**7 Policy alignment and compliance**

7.1 These proposals will ensure that the Asset Management Policy and Strategy 2022/23 - 2025/26 is brought into line with Our Council Plan 2021 to 2025.

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**Appendices**

Appendix A – West Sussex Asset Management Policy and Strategy 2022/23 - 2025/26

**Background papers**

None