
Report to Performance and Finance Scrutiny Committee

17 June 2022

Update on Asset Management Policy and Strategy

Report by Assistant Director of Property and Assets

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. This paper reflects on the achievements of the 2018 strategy to date and sets out proposals for the next three years from 2022/23 to 2025/26 and beyond.

The updated strategy will 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 5 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 launch of the new Property Asset Database system, Concerto, in April 2022 will give added opportunities to use property data to better inform decision making and improve how we manage processes. Additionally, there will be opportunities to further improve property data from integration with the new SmartCore system.

The new draft Asset Management Policy and Strategy 2022 is attached as Appendix A.

Focus for Scrutiny

The committee should consider the detail included with the report and Appendix A presented by the Assistant Director of Property and Assets in order to determine any comments it wishes the Cabinet Member to consider when agreeing the up-dated Policy and Strategy.

Key areas for scrutiny include:-

- That the strategy meets the needs of the Council Plan to ensure the priorities and targets of the County Council can be met;
- The strategy continues to be flexible enough to meet the changing needs and work practices of the County Council;
- The strategy includes an understanding and commitment to how the carbon footprint of the Council's assets can be reduced;
- That services have been consulted on their future needs and requirements when reviewing the strategy;
- That the principles of community asset transfer of public assets are included within the strategy to empower and strengthen local communities in order to meet local people's priorities.

1.0 Background and context

1.1 The County Council approved the current Asset Management Policy and Asset Management Strategy in 2018 [FR06\(18/19\)](#). Since this date the Property and Assets (P&A) Directorate has been working to deliver the objectives agreed.

1.2 The overarching aim of the 2018 Policy was:-

"To ensure that assets are used efficiently and sustainably to provide suitable accommodation in appropriate locations to enable the County Council to deliver services and to generate revenues and growth."

1.3 The Objectives of the 2018 Policy were:-

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

2.0 Delivery of the Asset Strategy 2018 to 2022

2.1 Key Achievements:-

- Appointment of a dedicated Assistant Director of Property and Assets.
- Rigorous process for prioritisation of maintenance demands with an auditable maintenance investment in the Corporate and School estate.
- Greater understanding of the estate through convergence of information linked to the Unique Property Reference Number (UPRN).
- Procurement of a new Asset Management Database – Concerto - with migration to the new system completed in April 2022, giving the teams increased functionality.
- A Key Decision to appoint a Joint Venture partner for the commercial development of surplus council land and the progress made in completing the arrangements for the joint venture.
- Acquisition of two significant investment properties for income generation.
- Strengthened Capital Programme Governance including emphasis of benefits delivery.
- Appointment of Multi-Disciplinary Partner (MDC), resulting in a significant increase in the volume of capital maintenance delivery and achievement of the capital delivery targets. The MDC provides access to a range of professionals and specialisms such as accessibility advisors and architects on demand.
- Agreed Service Asset Management Plans (SAMPs) for 21 different service areas across the Council operations. The plans are used to help set priorities for investment in the capital programme. The next step will be to ensure the plans have a strategic approach beyond the immediacy of the next 12 months and consistency of approach.
- Establishment of a Corporate Landlord approach and Corporate Landlords Operations Group (CLOG). Under the corporate landlord approach the ownership of the County Council's assets and the responsibility for their management and maintenance sits with the Property and Assets team. This allows for a corporate overview of the whole estate, the ability to prioritise resources, identify opportunities for rationalisation and improve decision making.
- Establishment of a Property Carbon Reduction Working Group to identify property related carbon reduction opportunities.
- Introduction of the new corporate target to reduce the square meterage of the operational estate by 5% per annum. In 2021/22 the target was to reduce the operational estate by 9,000 sqm; as at the end of March 2022 the estate had reduced by 17,375 sqm - equivalent to 10.75%.

2.2 Benefits and Outcomes

Capital Receipts

| CAPITAL RECIEPTS | 2018/19 £m | 2019/20 £m | 2020/21 £m* | 2021/22 £m | TOTAL £m |
|-------------------------|-----------------------|-----------------------|------------------------|-----------------------|---------------------|
| | 3.181 | 11.178 | 1.406 | 11.808 | 27.573 |

**2020/21 COVID pandemic restricted disposal activity as property viewings were not permitted activity*

Anticipated Future Capital Receipts (As set out in the Capital Programme)

| CAPITAL RECEIPTS | 2022/23 £m | 2023/24 £m | 2024/25 £m | 2024/25 £m | 2025/26 £m | TOTAL £m |
|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------------|
| | 9.000 | 6.500 | 6.000 | 5.672 | 1.000 | 28.172 |

Capital investment in Property and Assets (excludes Highways)

| CAPITAL INVESTMENT | 2018/19 £m | 2019/20 £m | 2020/21 £m | 2021/22 £m | TOTAL £m |
|---------------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------------|
| Total Property Costs | 72.358 | 45.827 | 38.449 | 42.964 | 199.598 |

The above total capital expenditure in property includes the following invested in maintaining the estate:-

| CAPITAL INVESTMENT | 2018/19 £m | 2019/20 £m | 2020/21 £m | 2021/22 £m | TOTAL |
|--|-----------------------|-----------------------|-----------------------|-----------------------|--------------|
| Property Maintenance | 1.791 | 2.853 | 2.720 | 2.644 | 10.008 |
| Schools Maintenance | 6.124 | 7.869 | 11.251 | 10.924 | 36.168 |
| Corporate Landlord <i>Minor Asset improvements - service led</i> | 0.686 | 0.299 | 0.105 | 0.214 | 1.304 |

Investment in the estate over the next 5 years is set out in the Capital Strategy, agreed at County Council in February 2022.

Property Revenue Budgets – All Properties (freehold and leasehold) Excluding Schools

| BUDGET HEADING | 2018/2019 £m | 2022/23 £m |
|--|-------------------------|-----------------------|
| Lease Costs (Rent and Service Charges paid for leased in properties) | 1.051 | 1.661 |
| Rates and Council Tax | 5.337 | 5.250 |
| Facilities Management (Hard & Soft) | 6.731 | 8.137 |
| Utilities | 2.002 | 3.774 |
| Rental Income (Rent and Service Charges received from leased out properties) | -2.140 | -2.269 |
| Investment Property Income (Net Income) | 0.000 | -0.668 |
| TOTAL | 13.001 | 15.885 |

2.3 Key Challenges for the future

- Ensuring consistent overarching strategies for each service from which to derive the Service Asset Management Plans (SAMPs)- many services continue to go through a process of change which has meant their long-term strategy has been in development. To date this has presented challenges in

understanding the medium to long-term requirement for assets that each service has and led to a continuation of tendency to drive forward short-term reactive solutions. Action is underway to continue to work with each service to align their service strategy with the implications for asset use.

- There is a concern that the condition of assets is not fully understood, with focus primarily being on repairing, as and when assets fail. A full Asset Condition Survey has been commissioned now the new Asset Management System (Concerto) has gone live.
- Pressure on resources over past years has created a backlog of works and a cumulative dilapidation of properties. To avoid wasted spend, only properties explicitly identified for long term retention within Service Asset Management Plans are being prioritised for maintenance.
- Resources – benchmarking has proved that the staff and financial resources across the Property and Assets team are less than required to meet the aims and objectives of the strategy. Throughout the last few years this has meant that only emergencies and high-profile work can be addressed. It has been difficult to recruit to vacancies in a strong commercial market for these skills. To address this, key posts have undergone Job Evaluation resulting in some slightly more competitive salaries. Assistance is being sought from HR to improve recruiting success.
- Ensuring the new Concerto database is fully connected into the SmartCore system, to maximise functionality and to support the management of the council's asset base. The teams delivering both SmartCore and Concerto are working together to ensure that the benefits of the systems are fully achieved.
- Inflationary pressures.
- Understanding the practical and financial challenges in making the estate, both existing and future, carbon neutral.

3.0 Updating the Strategy 2022 to 2025

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

- 3.1 **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 the strategy.
- 3.2 **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 medium, and 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.

- 3.3 **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.
- 3.4 **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. By necessity this is driving through changes in the way we work and provides an example of what can be achievable when there is a need to do so.
- 3.5 **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 are progressing.
- 3.6 **Asset Option Appraisal** - In 2021 the 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.
- 3.7 **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 1st April 2022.
- 3.8 **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.
- 3.9 **Asset Condition Survey** - A Full Asset Condition Survey has been commissioned to capture the true condition of our properties and highlight anticipated costs for each of them to recover and maintain them in a safe and sustainable condition.

4. Proposed updates to the Policy and Strategy

- 4.1 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.

- 4.2 It is proposed to now focus on the following key areas for the next three years,-
1. **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.**
 2. **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)**
 3. **Making the most of the new Asset Management Database functionality to support processes and decision making.**
- 4.3 Plans for how the County Council will deliver **Smarter Working** are outside the scope of this paper but will undoubtedly have a major impact on the Asset Strategy. Smarter Working will lead to an appraisal of the property portfolio and surplus assets will be disposed of in accordance with the established Council Strategy. It is anticipated the plans for Smarter Working will emerge during the summer of 2022.
- 4.4 It is proposed the **Strategy Objectives** for the next three years be updated as follows to reflect the new areas of focus-
1. **To plan and manage property as a corporate resource for the benefit of the people of West Sussex in line with 'Our Council Plan 2021-2025', providing the right property, fit for purpose, in the right place, to meet Service Asset Management Plans and plan for the future with a focus on delivering Smarter Working and asset rationalisation.**
 2. **To manage, maintain, acquire and dispose of surplus property effectively, efficiently and sustainably, together with optimising financial return.**
 3. **To promote joint working with partners where it will provide benefit for service delivery and in securing efficiencies.**
 4. **To ensure an options appraisal of all potentially surplus assets giving due consideration to a range of options including social, community or environmental use, particularly where this could complement the Council's ambitions relating to climate change where it is viable.**

5. To ensure both new and existing assets contribute to the corporate ambition of becoming carbon neutral by 2030.

5. Projects to address Climate Change, sustainability and reduction in carbon emissions

- 5.1 In April 2019 the County Council made a commitment that the Council would work to achieve net carbon zero status by 2030. The target is monitored in the Corporate KPIs.
- 5.2 It is recognised that the works to the estate, including the school estate, will not achieve a net carbon zero position and that off-setting will be required.
- 5.3 Initiatives to contribute to this ambition include investment to support works above and beyond normal capital maintenance to future proof our assets to meet the climate change challenges.
- 5.4 Much of the current carbon emissions from the County Council for which we have reliable data, are from the Property Estate and most of this is known to be from the schools, that subscribe to the County's energy provision Service Level Agreement. The Council does not have direct control over how schools manage their utility usage and supplies, however the Council has a role in influencing behaviour and encouraging investment in greener technologies. The majority of the initial Climate Change carbon reduction projects have been across the school estate.
- 5.5 The Capital and Asset Board took a decision in December 2021 to adopt a more holistic approach to the decarbonisation of assets, in so much as all in-flight projects (RIBA 0-3) are to have Heat Decarbonisation Plans (HDP) developed and all Feasibility Studies should include an HDP.
- 5.6 Further work is underway to start to understand the value of the natural capital of the estate and the opportunities this presents for offsetting, carbon sequestration and other emerging initiatives.
- 5.7 The County Council cannot deliver the Carbon Strategy alone and will need to work in partnership with Government and others to secure investment and funding.

Andrew Edwards
Assistant Director of Property and Assets

Contact Officer: Elaine Sanders, Head of Assets,
elaine.sanders@westsussex.gov.uk

Appendices

Appendix A - Draft Asset Management Policy and Strategy 2022

Background papers

None