

Audit and Governance Committee

Dorset County Council



Date of Meeting	13 March 2017
Lead Officer	Mike Harries - Director for Environment and the Economy
Subject of Report	Update on the Property Rationalisation Programme
Executive Summary	In December 2015 the Audit and Scrutiny Committee reviewed the property rationalisation programme and concluded that it was an excellent example of the Council, through innovation, actively challenging the 'status quo'. The Committee made various recommendations in the form of an action plan, which was presented to Cabinet. This report provides an update on progress in the delivery of the Action Plan. It also updates on the property rationalisation programme, the key aspects of which are set out in the County Council's Asset Management Plan (AMP).
Impact Assessment:	<p>Equalities Impact Assessment:</p> <p>The most recent equalities impact assessment was undertaken on the Asset Management Plan and identified the need to ensure that the interests and needs of the six equality groups are addressed at service level as part of the service asset management planning process, including consultation with users.</p> <p>Use of Evidence:</p> <p>The Asset Management Plan makes use of the following sources of evidence:</p> <ul style="list-style-type: none">• The Corporate Plan and Community Strategy• Medium Term Financial Strategy• Outcomes from a Members Seminar on 25 September 2014• Periodic public consultation• Local and National property performance data• Service (property) asset management plans• Highways asset management planning data• Corporate IT strategy

Update on the Property Rationalisation Programme

	<p>Budget:</p> <p>This programme has significant budgetary implications, as it has a key role in reducing the operating costs and overheads of the property estate. Since April 2015 it has generated direct revenue savings of £526,000 per annum on running costs and indirect savings of £2.8m on R & M. It has also generated capital receipts of £7.6m over the two year period.</p>
	<p>Risk Assessment:</p> <p>Specific project risk registers are in place. None of the recommendations relate to or create high or medium risks.</p> <p>Having considered the risks associated with this decision using the County Council's approved risk management methodology, the level of risk has been identified as: Current Risk: LOW Residual Risk: LOW</p>
Recommendations	It is recommended that the Committee considers and comments on matters set out in this report. Specifically, it is asked to note the transfer of youth centres to community bodies, the evolution of the community offer of Living and Learning concept and the good progress that the County Council is making against the key performance indicators set down in the Asset Management Plan.
Reason for Recommendation	A well-managed Council ensures that the best use is made of its assets in terms of optimising service benefit, minimising environmental impact and maximising financial return.
Appendices	Appendix 1 Property Rationalisation Programme Action Plan Appendix 2 Progress on Asset Management Plan KPIs
Background Papers	The Property Asset Management Plan 2015-18
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1.0 Progress on Property Rationalisation Programme – Action Plan

1.1 Appendix One details the progress that has been made over the last year in carrying out the recommendations set out in the Property Rationalisation Programme – Action Plan. This is provided in the column headed Update – February 2017. Some of the key items to highlights are:

- 1.2
- Transferral of Youth Centres to communities groups. In March 2016 the County Council invited the submission of business plans from community groups and town councils to take over the ownership and running of its various youth centre

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buildings. In all but two cases (both where the buildings are held on leasehold agreements) the County Council received proposals from communities to take over the buildings. 18 youth centre buildings are now being run by community groups and they provide a good example of the benefits that can be derived from working with local communities.

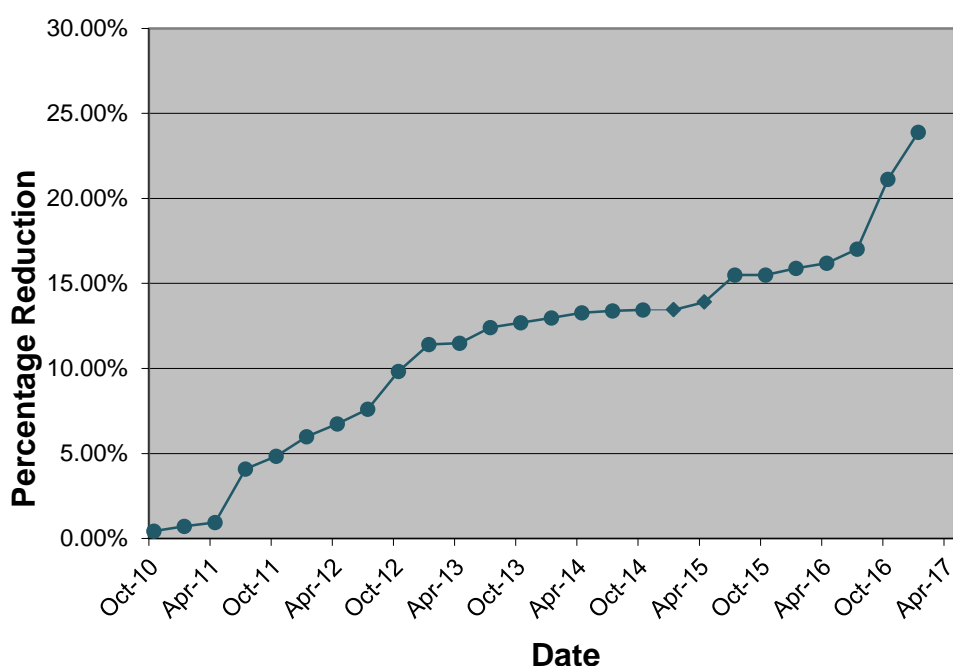
- 1.3
 - The Community Offer for Living and Learning has developed since the start of 2016 and community consultation has taken place in 6 pilot areas. In each of those areas there has been excellent engagement from local communities, led by local members who have supported this programme enthusiastically. The programme has been recognised as being innovative by the Cabinet Office which has awarded the County Council £150,000 in funding through the One Public Estate initiative, to progress its key attributes and effect transformation.
- 1.4
 - There has been good liaison with local members prior to the disposal of assets. For example the local member for Sturminster Newton has been fully engaged and very supportive of the process to dispose of plots at North Dorset Business Park. The local member for Bere Regis has likewise been leading discussions with the County Council and the Parish Council on the disposal of the former primary school site. The response from local members has not always speeded up the disposal process however and whilst generally members have offered their support and have put forward helpful suggestions as to how the County Council might proceed with a disposal, on a few occasions further exploration of community aspirations for buildings has resulted in interventions from members that have slowed the process of disposal and in once instance it has frustrated the disposal completely.
- 1.5
 - Dorset Development Partnership (DDP). Subsequent to the Audit and Scrutiny Committee meeting in December 2015 which was attended by representatives from PSP, the County Council's joint venture partners in DDP, work has been ongoing to identify innovative ways in which the County Council can use DDP. The Partnership is considering a proposal which would provide the County Council with more certainty as to when revenue saving can be harvested. DDP is also looking at ways that it can work with the County Council (and the Dorset Councils Partnership) to assist the authorities to deliver the government's accelerated construction programme, aimed at delivering an additional 15,000 new homes on local authority land by the end of the current parliament. DDP has developed its Member Reporting System (MRS) which is published on Sharepoint on a regular basis and circulated to local members when there is a need to update them.
- 1.6
 - A Disposal Milestone Tracker document has been developed to track the progress and pace of disposals. Any roadblocks can be quickly identified and remedial action taken to ensure that assets are disposed of in a timely manner. The Audit and Scrutiny Committee did recognise that although speeding up the pace of the programme would be welcomed, the reality of achieving this would be very difficult due to the associated disposal processes and market factors. Notwithstanding that, very good progress has been made with the sale of properties over the past year, assisted by a reasonably buoyant property market. The authority has completed 21 sales over the course of the current financial year (excluding Youth Centres), and is forecasting capital receipts of £6.6m during this period. Where it has not been able to take forward sales, this has been principally due to the actions of others, often Government departments. The sale of several schools has been delayed by the DfE in granting Schedule 1 content under the Academies Act. The MoD has been obstructive in the sale of Bovington Park, where it holds a restrictive covenant and Natural England is holding up the sale of Bargates through its insistence on the need for a site for a SANG over and above the size being offered.

3 Progress against the Asset Management Plan (AMP) KPIs

3.1 Progress against the KPIs set out in the AMP is detailed in Appendix 2. A number of the KPIs are assessed annually, at the end of March, so the performance against those indicators will be updated at the end of this month. However, some highlights are:

- 3.2
- To date 23.9% of the non-schools estate has been disposed of since April 2010. This equates to 123 buildings out of an original total of 552. Whilst progress has been slower than initially forecast in 2010, the momentum is picking up and the authority has disposed of 7.7% of its estate over the past year which represents a significant improvement. Furthermore, a further 4.2% of floor area is either vacant or on the market, so this momentum should continue. The graph below details this progress over the past 7 years.

Percentage Reduction in Floor Area of Estate (since 2010)



- 3.3
- The running costs of the non-schools estate have been reduced by £525,900 pa. It should be borne in mind that the target to reduce the running costs of the non-schools estate by £3.2m per annum was based on total running costs of £7.3m. Since the target was set however, day centres and residential care homes have been leased to Tricuro and so are no longer in scope. Furthermore, the technical financial management savings from depreciation have also been taken out of scope so this target will need to be re-based in due course. This does not mean that the savings are being lost to the County Council, just identified against a different budget.

- 3.4
- The County Council is predicted to generate £23m of capital receipts over a three year period, substantially in excess of its target of £12.5m. It anticipates receipts of £10.25m over a two year period from 2015 – 17. These capital receipts will enable the County Council to use up to £3m flexibly to support revenue costs of transformation falling between 2016/17 and 2018/19.

- 3.5
- The County Farms Estate has already exceeded its target to increase its operational surplus by 6.00% over three years, and to date is showing an increase of 7.6%.

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- 3.6
- The County Council is well on target to reduce the net floor area of its office estate by 15,000m² by 2020. To date it has vacated 11,278m² of office space under the office rationalisation programme which has enabled it to increase occupational density in County Hall as well as in the 7 other local offices, where work is underway to adapt those buildings to support flexible working and accommodate more staff.
- 3.7
- The capital programme continues to deliver good quality buildings on time and below budget. Last year seven projects were delivered with a £2,111,000 saving against their aggregated budget which represents a 9% saving on the total original budget. The ongoing programme has, in part, enabled a re-profiling of the repairs and maintenance budget, generating savings in its budget of £2.8 in the current financial year.

4.0 Summary

- 4.1
- Whilst there is always scope to do more, the KPIs demonstrate that the property rationalisation programme has made good progress over the past year. This has been driven in part by services identifying ways in which they can deliver their services to local communities in different ways and staff adapting to a change of culture with the roll out of flexible working and occupying their accommodation more efficiently. The Community Offer for Living and Learning is evolving from concept to reality and the Dorset Development Partnership has identified some innovative ways in which the County Council can maximise value from its assets and support the Government's accelerated construction strategy.
- 4.2
- The forward programming of rationalisation and disposals provides confidence that the programme is meeting its objectives and will enable and deliver significant financial and non-financial benefits to the County Council.

Mike Harries

Director for Environment and the Economy
March 2017

Property Rationalisation Programme – Action Plan

Appendix 1

Introduction

The Audit and Scrutiny Committee reviewed the property rationalisation programme at a meeting on 15 December 2015 and concluded:

- That the programme was an excellent example of the Council, through innovation, actively challenging the “status quo”.
- That the programme sought to deliver both transformation and financial savings, in pursuit of improved outcomes for the residents and communities of Dorset.
- That the Committee recognised that the financial targets that have been agreed for the programme were necessary, challenging and ambitious.
- That a relentless focus on culture and behaviour and new ways of working across the Council was fundamental to its ultimate achievement.
- That whilst the importance and potential opportunities associated with joint and collaborative working was fully recognised, in order to deliver the challenging targets, the Council must not be distracted or diverted from its own clear principles and programme.
- That it was recognised that although speeding up the pace of the programme would be welcomed, the reality of achieving this would be very difficult due to the associated disposal processes and market factors.

The following recommendations were agreed and the management response is set out below in an action plan:-

Recommendation	Management Response	Officer Responsible	Timescale	Update – February 2017
That the importance of the ‘One Council’ programme required a clear understanding at all levels across the Council and, as such, its successful delivery was the responsibility of all managers and staff.	Past experience has demonstrated that the implementation of strategies ratified by the Cabinet and CLT can encounter resistance or simply inertia further down the organisation. Directors/Heads of Service therefore need to communicate the vision clearly to all staff and be willing to step in to clear any road blocks which may occur.	Service Directors	Ongoing	The response to the programme from services has been mixed. In certain cases services have understood the need to rationalise their assets and in the case of the Youth Service, for example, have successfully developed an alternative way to deliver the service. In other cases however, there is still too great a reliance on premises and a reluctance to contemplate divesting of them. In certain situations senior managers have created the greatest roadblocks

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				<p>to change and have supported, rather than confronted territorial behaviours, by refusing to work in an open plan environment.</p> <p>The Community Offer for Living and Learning has been developed with a view to providing multi-functional buildings and initial engagement on this concept from services and staff has been excellent.</p>
<p>That increased member awareness and early engagement would help to ensure any local issues and opportunities are better understood and help inform decision-making.</p>	<p>It is acknowledged that local members have valuable knowledge and understanding of local needs. It is recognised that local members should be consulted at an early stage in respect of property proposals, in particular the roll out of Living and Learning Centres, and they will be involved during the community consultation exercise and kept informed in line with the principles of the member protocol.</p>	<p>Estate and Assets Service Manager/ Strategic Estate Manager</p>	<p>Ongoing</p>	<p>In the six pilot areas where Living and Learning consultations have taken place the engagement seminars have all been led by the local member, each of whom has been actively involved in the process of defining the appropriate offer for their local communities. Where assets have been transferred to local community bodies, the local member has often been involved with the body taking over the asset.</p>
<p>That members should be involved at the earliest stages of property identification for disposal.</p>	<p>The Estate and Assets Service Manager will write to all members to explain the property rationalisation programme, outline the WWW property saving target and ask members to put forward suggestions as to how this target can be achieved, including possible assets in their division that might be suitable for disposal.</p>	<p>The Estate and Assets Service Manager</p>	<p>Ongoing</p>	<p>Members were notified of the asset reduction strategy and the concept of Living and Learning Centres.</p> <p>There has been very good support from local members to the wider property rationalisation programme. Prior to any asset being declared surplus at the Cabinet engagement has taken place with the local member. Responses from local members has been mixed and whilst</p>

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	Where an asset is identified for disposal, the local member will be consulted prior to the matter going to the Cabinet for ratification (in accordance with current policy).			generally members have offered their support, on a few occasions intervention by members has slowed the process of disposal. Members did provide very good support in the transferral of youth centres to communities and in a number of cases they actually led the bids.
That the quarterly reporting against the property rationalisation programme targets to the Cabinet and the Audit and Scrutiny Committee should continue, supported by the enhanced reporting mechanisms proposed by the Dorset Development Partnership.	The Quarterly Asset Management Report, which goes to the Cabinet and Audit and Scrutiny Committee, will be used to update members on progress towards the property rationalisation programme, including performance against a set of 10 KPIs, as set out in the Asset Management Plan.	The Estate and Assets Service Manager	Ongoing	The key performance indicators are now published on Dorset for You on a quarterly basis, with a link from the Quarterly Asset Management Report which goes to the Cabinet. Dorset Development Partnership has continued to develop its Member Reporting System (MRS) and this is circulated to members of the DDP Members Board on a regular basis.
That consideration should be given to the commissioning of professional support, available through the Dorset Development Partnership, to supplement the Council's resources to maintain the required momentum.	Dorset Development Partnership currently works with the County Council to enhance the value of its assets prior to disposal. Whilst this has generally led to an uplift in the value of assets being disposed of, it has not speeded up the disposal process. A meeting has therefore been arranged to consider whether DDP can assist the County Council further in its delivery of the property rationalisation programme,	The Director for Environment & Economy as chair of DDP Operations Board	Completed	PSP, the County Council's partner in Dorset Development Partnership (DDP) has significantly increased the number of staff that it employs, and it now has a Regional Director who is responsible for progressing DDP schemes. The County Council has also allocated a Valuer to the dedicated role of managing disposals, including through DDP, and this has enabled it to maintain the momentum of its disposal programme.

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	<p>specifically to speed up the reduction of running costs of the property estate.</p> <p>Any professional support provided through DDP would come at a cost to DCC and so careful consideration would need to be given to ensure that it was adding value. DCC currently has an effective project team with a comprehensive knowledge of the County Council’s property estate, which is taking forward the strategic thinking on the future of the estate and engaging with the service users. This team must be permitted specify what specific resources it requires in order to accomplish its brief.</p>			
<p>That the announcement by the Chancellor of the Exchequer in the Autumn Statement suggesting proposed changes to the use of Capital receipts to support revenue spending on transformation required close examination.</p>	<p>The Autumn Statement specifies that: ‘to reform services and make them more efficient, local authorities will have new flexibilities to spend 100% of their fixed asset receipts (excluding Right to Buy receipts) on the revenue costs of reform projects. The detail on how this will work will be set out by DCLG alongside the Local Government settlement in December 2015.’</p>	<p>Chief Financial Officer</p>	<p>Completed</p>	<p>The January MTFP update report to Cabinet recommended that up to £3m of capital receipts be used flexibly to support revenue costs of transformation falling between 2016/17 and 2018/19.</p>

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	<p>The County Council’s policy for dealing with capital receipts from the sale of its property assets is set down by the Chief Financial Officer, who will give careful scrutiny to the detail provided by the DCLG when it is clarified.</p>			
<p>That the Council should continue to actively explore any additional benefits that might be available through a wider association with the Dorset Development Partnership.</p>	<p>A meeting has been arranged with Dorset Development Partnership specifically to consider this issue.</p> <p>Further dialogue will be maintained through the DDP Operations and Member Boards.</p>	<p>The Director for Environment & Economy as chair of DDP Operations Board</p>	<p>Ongoing</p>	<p>Discussions are ongoing with DDP to identify innovative ways that the partnership can add value to the County Council. For example, the Partnership is considering a proposal which would entail it taking on operating costs of County Council assets prior to their eventual disposal, thus enabling the County Council to reduce the operating costs of its estate.</p>
<p>That feedback from those members serving on the DDP Member Board would help to raise awareness and increase member engagement.</p>	<p>The Member Reporting System (MRS) has been developed by PSP in order to keep officers and members informed of project progress; provide greater transparency and an early warning of potential delays to projects and an understanding of the overall LLP’s performance, thus enabling early engagement of officers in pro-active problem solving and members in strategic decision making in order to speed up the process; and to engage with members appropriately</p>	<p>Estate and Assets Service Manager</p>	<p>Ongoing</p>	<p>The MRS is now in active use and is circulated to members who sit on the Members Board and from time to time to local members to update them on progress with schemes in their areas.</p>

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	<p>where delays to outcomes occur (including formal and informal methods) ensuring that delays to outcomes are minimised and managed appropriately.</p> <p>The MRS sheets can be forwarded to any member wishing for an update on progress of all, or any, project being undertaken by DDP. The Audit and Scrutiny Committee is invited to comment on whether they wish to review the MRS sheets and if so, how frequently.</p>			
<p>That the Cabinet consider reviewing the asset management register on at least an annual basis.</p>	<p>It is proposed that, subject to the Cabinet's agreement, a register of property assets owned by the County Council is brought to the Cabinet at least once a year, as an appendix of the Quarterly Asset Management Plan.</p>	<p>Estate and Assets Service Manager</p>	<p>By end of December 2016</p>	<p>A schedule of properties that the County Council owns will be brought to the June Cabinet within the Quarterly Asset Management Report.</p>
<p>That although Local Delivery Groups which supported the Joint Asset Management Board were working well in many local authority areas, the establishment of Groups in Weymouth and West Dorset had stalled. It was</p>	<p>This matter has been discussed with Stephen Hill, Strategic Director of the Dorset Councils Partnership serving: North Dorset District Council, West Dorset District Council and Weymouth & Portland Borough Council. He has agreed to look into the matter with a view to convening a LDG for the areas within his responsibility.</p>	<p>Strategic Estate Manager</p>	<p>Completed</p>	<p>There has been better engagement with the Dorset Councils Partnership in the last 12 months on property matters. This includes working closely together to promote the Community Offer for Living and Learning in Blandford, Beaminster, Portland and Weymouth. All three of its authorities have entered into agreements with PSP, so there is now the opportunity to work together on a joint scheme, through DDP.</p>

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suggested that this be referred to those Council' Senior Leadership Teams.				
The process of identifying properties still awaiting disposal should be reviewed to speed up the process.	A schedule of property assets that could be disposed of at pace has been drawn up and will be presented to the WWW Board on 25 th January 2016. Subject to the comments of that board, the disposal of those assets will be prioritised. Further schedules will be taken to that board on a periodic basis.	Strategic Estate Manager	Completed.	A Disposal Milestone Tracker document has now been drawn up which records the progress of disposing of all those properties that have been declared surplus. This has enabled the County Council to closely monitor and speed up its disposal programme and to take remedial action where required. The outcome has been 21 sales over the past 12 months, generating capital receipts of £6.6m.

Progress against Asset Management Plan KPIs			Appendix 2
Performance Indicators	Progress	Comment	RAG Status
To reduce the net floor area of the non-schools estate by 50% by March 2020	23.9% of the non-schools estate has been disposed of since April 2010.	This is up by 2.8% since October 2016 as a result of the disposal of various assets through the asset reduction strategy.	Amber
To accurately capture the gross property spend and to meet the Forward Together Property savings target to reduce the running costs of the non-schools estate by £3.2m by March 2020	To date the running costs of the non-schools estate has been reduced by £525,900 per annum.	The base figure for gross property spend on non-schools estate at the 2014/15 year end was assessed as £7,290,000. However, this is being reviewed due to the removal of Tricuro properties from the estate. A revised figure and savings target will therefore need to be agreed in due course.	Amber
To reduce the cost of required building maintenance from £103.00 m2 to £81.00 m2 by March 2018.	The cost of building maintenance wef 1 April 2016 is £95 m2.	This target is updated annually. The programme to dispose of poor quality buildings is helping to reduce the maintenance backlog.	Green
To reduce the non schools buildings energy consumption per net floor area (kwh/m ²) by 10% by March 2018.	In March 2016 the non schools building energy consumption was 162.37 kWh/m ² . This represents a decrease of 3.6%	Baseline: The non schools building energy consumption wef 1 April 2015 was 168.37 kWh/m ² - It is proposed that this target is updated annually.	Green
To reduce non-schools buildings CO ² emissions per net floor area (tonnes CO ² /m ²) by 10% by March 2018.	In March 2016 the non schools building CO ₂ emissions per net floor area was 0.0536 tonnes CO ₂ /m ² . This represents a decrease of 6.78%	Baseline: The non-schools buildings CO ₂ emissions per net floor area wef 1 April 2015 was 0.0575 tonnes CO ₂ /m ² - It is proposed that this target is updated annually.	Green

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<p>To generate a minimum of £12.5m in capital receipts by March 2018</p>	<p>The County Council has generated capital receipts amounting to £7,573,000 since 1 April 2015.</p>	<p>It is forecast to generate £23.00m in capital receipts between 2015 and 2018.</p>	<p>Green</p>
<p>To increase the operational surplus of the County Farms Estate by 6% by March 2018</p>	<p>The operational surplus for 2015/16 was £558,672, an increase of 7.6% on the previous year.</p>	<p>The operational surplus generated by the County Farms Estate for 2014/15 was £519,193.</p>	<p>Green</p>
<p>To reduce the net floor area of the office estate by at least 15,000 m² by March 2020</p>	<p>To date, the County Council has disposed of 7,651 m² of office accommodation, which equates to 17.67% of the floor area. A further 3,627m² of space is currently on the market or under offer.</p>	<p>The net area of the County Council's office estate wef 1 April 2015 is 43,285 m².</p>	<p>Green</p>
<p>To reduce the average office floor space per office based employee to below 9m² per employee by March 2018</p>	<p>Based on a recent assessment of staff numbers, the current occupancy level is 12.56 m²/fte.</p>	<p>The average floor space per employee is reducing (from 16.4m² in 2015), but more work is needed to better occupy our accommodation.</p>	<p>Amber</p>
<p>To deliver 95% of major construction contracts within +/- 5% of budget, which includes a 10% allowance for optimism bias</p>	<p>Seven major building projects (>£500k) were completed in 2014/15. Of these, six were within +5% of the original budget, which equates to 86% against the target going forward of 95%.</p>	<p>Whilst one of the projects exceeded its budget by more than 5%, in overall budgetary terms the seven projects were delivered with a £2,111k saving against their aggregated budget which represents a 9% saving on the total original budget.</p> <p>It is proposed that this target is updated annually.</p>	<p>Green</p>