Audit and Governance Committee

Dorset County Council

Date of Meeting	19 January 2018
Lead Officer(s) Richard Bates - Chief Financial Officer	
Subject of Report	**Property Asset Management Report**
Executive Summary	This report provides an update on the performance of the County Council's property assets, which are reported through 10 key performance indicators detailed in the Asset Management Plan. 8 of the KPIs are on target and 2 may potentially fall short. The report also specifies the approach being taken to engage with service directorates, local members and other third party groups on the operation and future use of the County Council's assets, including the roll out of a new procedure for the disposal of surplus properties. It highlights some of the initiatives that are being taken to improve the utilisation of property assets, including sharing accommodation with Dorset HealthCare; the community offer for Living and Learning; and initiatives from service directorates to reduce revenue expenditure on high cost placements.
Impact Assessment:	Equalities Impact Assessment: 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.
	Use of Evidence: The Asset Management Plan makes use of the following sources of evidence: • 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	
	Budget: The Way We Work Programme has a target to generate revenue savings of £1.7m per annum by 2020. To date savings in running costs of £783,000 per annum have been generated. Savings of £205,000 are anticipated to be made in 2017/18 and savings of £367,000 in 2018/19.	
	Risk Assessment: Specific project risk registers are in place to monitor progress and to put forward mitigating measures. Having considered the risks associated with the recommendations below using the County Council's approved risk management methodology, the level of risk has been identified as: Current Risk: LOW Residual Risk: LOW	
Recommendations	It is recommended that the Audit and Governance Committee:	
	(i)	**Notes** the contents of this report and recommends any further property strategies that it considers that the County Council should adopt;
	(ii)	**Ratifies** the principle of refreshing the current Property Asset Management Plan in 2018, pending the likely creation of a new combined authority in 2019.
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 - Progress against Asset Management Plan KPIs Appendix 2 - Land and Property Disposal Procedure	
Background Papers	The Property Asset Management Plan 2015-18	
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1. Introduction

1.1 Following this Committee's consideration of the Quarterly Asset Management Report in September, it requested a further report providing an update on the key performance indicators which are set out in the Asset Management Plan, and an explanation on the approach to improved utilisation of the County Council's property assets. This report outlines that information, it also gives an update on how engagement is undertaken on asset management issues and provides a couple of other updates, as requested by the Committee.

2. Performance Update

2.1 The Asset Management Plan (AMP) sets out the key property priorities and strategies of the County Council over a three year period. There are 10 performance indicators detailed within the AMP which give a snapshot on the progress that the County Council is making in delivering those priorities. Progress against the KPIs is reported in the schedule at Appendix 1. To summarise some of the key issues:

2.2 The programme to dispose of surplus assets is continuing at pace and has enabled the County Council to generate capital receipts of £11.44m since April 2015. The authority is forecast to generate total receipts of £15.17m by the end of March 2018, and a further £12m of capital receipts are projected in the next financial year. The programme has also enabled the authority to target many of its poorer conditioned buildings which has reduced the maintenance backlog from £103sqm to £91sqm and has improved the energy consumption and CO_2 emissions per net floor area too. In each of the past two years the County Council has been able to defer a significant sum of R & M revenue to offset overspends elsewhere.

2.3 Although the original target to dispose of 25% net floor space of the estate by 2015 was not achieved within the timeframe set down, the County Council has now reached that target and has a clear strategy for the ongoing rationalisation of its estate. This is commonly known as 'The Way We Work Property Programme', which has two elements to it.

2.4 The first element is the rationalisation of the County Council's office estate, which entails reducing the number of office buildings that it occupies from 28 to 8. Those 8 offices (situated across the county) are being refurbished and adapted to standard layouts, so that all the workforce work flexibly in a hot desking environment. This work is nearing completion, with the adaptations of the Weymouth local office, the Hanham Centre, Wimborne and Cedar House, Ferndown now complete and work to the North Dorset local office and the Ferndown local office very close to completion. All but three wings of County Hall have been upgraded and the adaptations of the rotunda areas in County Hall have transformed the way that staff are able to work and have enabled more staff to be accommodated within the building. The office rationalisation programme has entailed the County Council to vacate 30.8% of its office estate, reducing the area of office space per FTE worker from 15.25sqm to 10.17sqm and will enable it to generate savings in property running costs of £850,000 pa from the disposal of surplus office space. Capital receipts of more than double the expenditure will also be realised from this programme. A further benefit from this programme is the positive way that staff have embraced the changes, and whilst there was initial resistance to change, when staff have been surveyed after moving into the refurbished accommodation they have been overwhelmingly positive about the new workspaces.

2.5 The second element of the programme is the rationalisation of the operational estate. The focus of this work has been to bring service outlets together to offer services that local stakeholders have identified are important to them, under the label 'the community offer for Living and Learning'. To date this programme has concentrated on 6 pilot areas - Blandford, Beaminster, Weymouth, Portland, Wareham and Ferndown. Community engagement has been undertaken and roll out of the schemes in these areas is scheduled to take place during 2018.

2.6 The Way We Work Programme has a target to generate revenue savings of £1.7m pa by 2020. To date savings in property running costs of £783,000 per annum have been generated. The savings target for 2017/18 is £476,000 but only £205,000 of those savings are likely to be achieved. There are three main factors for this. Firstly, a saving of £92,000 was anticipated to be made by transferring the running costs of Monkton Park to Dorset Development Partnership under an option agreement. However, at the Cabinet meeting on 7th June, members resolved to retain the site and so it has not been possible to divest those running costs to DDP. Second, Children's Services initially declared the Horizons building in Weymouth surplus, but subsequently reversed that decision and the building will not be disposed of during the current financial year, leading to a shortfall of £41,000 in savings. Thirdly, there have been slippages in the disposal programme. To some degree this is inevitable due to the nature of property, where unforeseen issues can delay a sale. So, although the overall disposals programme is progressing as anticipated, any slippage in predicted disposal dates will have implications on the 'in-year' revenue savings target (although not the overall WWW savings target).

2.7 The Way We Work savings target for 2018/19 is £504,000. To date, savings of £367,000 have been identified. However, the scope for harvesting additional savings from the full range of front facing, operational assets during the next year is limited due to the need to wait until directorates have completed their respective service reviews, such as the 0 – 5 Family Partnership Zone review which will not be decided until June 2018. It is also probable that there will be some slippage in disposal dates, leading to a reduction in the savings generated for the year.

2.8 Overall, plans are in place to generate savings of £1.7m from the running costs of the property estate, but it is not anticipated that this target will be achieved until April 2021 at the earliest due to the authority being tied into leases which run until then. Furthermore, where the County Council is proposing to assign or sub-let leasehold accommodation there is a level of uncertainty as to when, or if, a tenant can be found and the rent that could be achieved. Each directorate has been notified of the budgetary savings that they are expected to make and the assets that they could possibly dispose of to generate the necessary savings. However, the savings target sits in the corporate centre with the Estate and Assets Service.

3 Engagement with others on Asset Management issues

3.1 A new Land and Property Disposal Procedure has been adopted for use where the County Council is seeking to dispose of any key property asset. The updated procedure is appended to this report (see Appendix 2). The key to the new procedure is to engage with all potentially interested parties, both internal and external, prior to making any firm decision on what should be done with the asset.

3.2 At the point that it is known that an asset will become surplus, Dorset Property will contact the local county councillor; the local town/parish council; a representative from the district council; other relevant public sector bodies; and any third sector body that has previously expressed an interest in the asset, notifying them when the asset is likely to become vacant and giving them the opportunity to make representations to the County Council if they have an interest in the asset. In this way, any local factors can be considered and it is hoped that this will avoid delays later in the process. Although this process is relatively new, engagement with local members does seem to be working well, with members being fully engaged in asset rationalisation.

3.3 The Living and Learning programme has also entailed extensive engagement with local stakeholders and has been well supported by local members. The programme is a cross-directorate approach which brings together County Council service providers and external stakeholders in a place setting. It has helped services integrate and adapt to what is needed in a community. The co-production approach means service delivery decisions are not taken in isolation. It has enabled managers on the ground to be part of the service transformation solutions, which is important to ensure the sustainable delivery of services going forward.

3.4 The estate and integration opportunities being uncovered via this approach are now enabling the delivery of the various emerging service strategies. For example, in Weymouth feasibility work is progressing to incorporate Adult Skills and Learning, Citizen Advice, Community Mental Health Team and Weymouth College's town centre learning base within the town centre library to create a front facing multifunctional hub.

4 Dorset CC's approach to the improved utilisation of assets

4.1 The County Council is now taking a more holistic view to its assets - both operational and surplus. Where an asset is declared surplus to a Service's requirements the matter is brought to the Property Management Group, which has representatives from each directorate. This informs the directorates of sites and buildings which are due to become surplus and gives them the opportunity to put forward alternative proposals which may deliver greater benefits than simply generating a capital receipt.

4.2 Such proposals might entail setting the site aside for the development of a new facility, either by the County Council or a third party partner, in order to save the authority ongoing revenue costs on out-of-county or private placements. Recently, for example, Children's Services have put forward proposals for the utilisation of the Bovington Park site for a development by Delta Trust of a school for children with SEMH and autism. This development will avoid the need for many of the out-of-county placements which currently occur, saving the County Council a cost of £36,200 per pupil. In the first year of operation it is estimated that this facility will to save the County Council in the region of £1.09m in revenue costs. Adult Services are similarly developing proposals for care villages in Bridport and Wareham, which will include a care home, extra care and assisted living facilities and key worker housing. It is anticipated that such facilities will be provided to order by third party providers, but at a significantly lower cost than the County Council is currently outlaying to procure these services. Hence, whilst these developments will not generate any income, they will save the County Council a significant amount in revenue costs for services that it currently needs to procure.

4.3 The County Council is mindful of the opportunity to lease spare floor space to third party partners. For example, it is working closely with Dorset HealthCare (DHC) to bring together services which complement each other and maximise available workspace. In Ferndown it is accommodating more DHC staff in the newly refurbished area office, thus enabling DHC to downsize its office accommodation in the locality, and generating an additional income from the refurbished office space.

4.4 The County Council has a 50% stake in a joint venture partnership called Dorset Development Partnership (DDP). The purpose of this partnership is to enhance the value of its assets prior to disposal. This could entail developing a site for income generation and indeed the Partnership did consider undertaking a residential development on a County Council owned site in Weymouth. In that instance there would have been complications in avoiding 'right to buy' legislation (which would significantly diminish any return on the asset) and the rate of return would not have outweighed the risk, so the County Council opted not to pursue that opportunity. However, there is scope to undertake revenue generating developments through DDP, if the County Council is minded to pursue such a venture.

4.5 There is an ongoing debate within local government circles at present as to whether authorities should be able to borrow from the Public Works Loan Board at low rates of interest to invest in commercial property generating a higher yield. A number of authorities have done this to a greater or lesser extent, with possibly the highest profile investment being made by Spelthorne Borough Council, who acquired the BP Campus in Sunbury-upon-Thames for £360m. However, no investment is totally free of risk and most authorities do not have expert knowledge of the commercial property market into which they are investing. To date, Dorset County Council has not been tempted to pursue such an approach, which runs contrary to its policy of reducing its borrowing when the opportunity arises.

5 Other Issues

5.1 Use of assets to provide low cost housing

5.1.1 The County Council continues to release any spare land, for which it has no alternative use, for housing development, either directly through disposing of sites to house builders, or through DDP. In all but the most exceptional cases it will offer the requisite amount of affordable housing in accordance with local planning policy. This is typically between 35 – 40% on developments of 10 units and over. It is also working with the Homes and Communities Agency (HCA) to promote house building opportunities within the county and to identify suitable sites for development of Starter Homes. During the past year it sold a former school site in Southwell for starter homes and the former Royal Manor School, also on Portland, is under offer to the HCA for a similar development. In Lyme Regis it is working with the Lyme Regis Development Trust to promote the redevelopment of the library site for an intensified use to include the re-provision of library and community facilities and at least 4 affordable housing units.

5.1.2 There is a recognition that in Dorset it is difficult to recruit workers into certain roles, such as nursing and care workers, in part due to the high cost of housing. Therefore, as part of the review of the provision of social care facilities the County Council is seeking to procure some key worker housing within care village developments. Discussions with providers are still at an early stage and it is probable that the County Council would have to subsidise any such provision.

5.1.3 Whilst the County Council is doing what it can to promote low cost housing, it must be borne in mind that it is not a housing authority and to date the Cabinet has not expressed a desire to use the County Council's general powers of competence to dispose of its assets at an undervalue to further promote low cost housing.

5.2 The improvement plans for Dorset Innovation Park

5.2.1 At its meeting in September 2017, the Cabinet approved that resources of £2,276,000 (including a 20% contingency) be made available as a loan for up to a ten year period from the County Council for improvements to the Dorset Innovation Park. Work has been ongoing to identify and cost a schedule of works that are required to be undertaken to the Business Park, although this has been hampered due to a lack of resource, because of the delay in the appointment of the Enterprise Zone Manager by the Dorset LEP.

5.2.2 Certain works have been identified as a priority, including replacement of the signage to the park, which has now been completed. It is also proposed to demolish the existing gatehouse building, which was the former guardroom and armoury for the Winfrith establishment. This will be replaced by a modular building. These works are in hand and will take place at the end of this month, after the official launch of the Enterprise Zone.

5.2.3 Other works to be carried out include the replacement of the windows in Chesil House and upgrading of the heating and hot water systems and the enhanced landscaping of the Business Park, through a new landscaping contract with the Coast and Countryside Service.

6 Summary

6.1 A lot of work is being undertaken within Dorset Property to rationalise the County County's property assets, disposing of those that are surplus and improving those that it has an ongoing need for. The priorities are to reduce the overall running costs of the estate, to generate capital receipts and promote the better utilisation of properties through co-locating complementary services and sub-letting vacant space.

6.2 Several initiatives are evolving which will impact on how the authority uses its assets. The development of the Care Village concept is an exciting opportunity to work with partners to define and develop the type of care facilities that will be needed going forward. Children's Services are working with the ESFA to develop schools for children with special educational needs. A recent Memorandum of Understanding agreed between Purbeck District Council, the CCG, DHC and the County Council promoting the joint utilisation of assets in the Purbeck locality is a positive step towards joint working; and the community offer for Living and Learning offers an opportunity to redefine the service offer to local communities and adapt accommodation accordingly.

6.3 The current Asset Management Plan was first published in 2015 and is due to be re-written this year. However, with the Secretary of State's statement that he is minded to approve local government reorganisation in Dorset, there will be much work required to define and identify the appropriate assets of the new combined authority, if LGR goes forward. With that in mind, it is proposed to refresh Dorset County Council's current Asset Management Plan (AMP) this year to reflect the revised property strategies. It is anticipated that a new AMP will be developed on the creation of any new combined authority.

6.4 The Audit and Governance Committee is asked to comment on the contents of this report, to recommend any further property strategies that it considers the County Council should adopt and ratify the principle of refreshing the current Asset Management Plan.

Richard Bates
Chief Financial Officer

January 2018

Progress against Asset Management Plan KPIs

Performance Indicators	Progress	Comment	RAG Status
To reduce the net floor area of the non-schools estate by 50% by March 2020	24.82% of the non-schools estate has been disposed of since April 2010.	The authority has identified the assets to be disposed of to reduce the floor area of the estate by 50%, albeit not by the target date.	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 £1.7m by March 2020	To date the running costs of the non-schools estate has been reduced by £783,900 per annum.	The base figure for gross property spend on non-schools estate at the 2014/15 year end was reviewed due to the removal of Tricuro properties from the estate. The revised base figure is now £4.2m and the savings target has been adjusted accordingly.	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 1April 2017 is £91 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 2017 the non schools building energy consumption was 156.48 kWh/m2. This represents a decrease of 7.1%	Baseline: The non schools building energy consumption wef 1 April 2015 was 168.37 kWh/m2 - 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 2017 the non schools building CO2 emissions per net floor area was 0.0467 tonnes CO2/m2. This represents a decrease of 18.78%	Baseline: The non-schools buildings CO2 emissions per net floor area wef 1 April 2015 was 0.0575 tonnes CO2/m2 - It is proposed that this target is updated annually.	Green

To generate a minimum of £12.5m in capital receipts by March 2018	The County Council has generated capital receipts amounting to £11.441m since 1 April 2015.	It is forecast to generate £15.171m in capital receipts between 2015 and March 2018.	Green
To increase the operational surplus of the County Farms Estate by 6% by March 2018	The operational surplus for 2016/17 was £586,348, an increase of 12.93% on the base figure.	The operational surplus generated by the County Farms Estate for 2014/15 (against which the uplift is measured) was £519,193.	Green
To reduce the net floor area of the office estate by at least 15,000 m2 by March 2020	To date, the County Council has disposed of 12,533 m2 of office accommodation, which equates to 30.78% of the overall floor area.	The net area of the County Council's office estate wef 1 April 2015 was 40,717 $m^{2.}$	Green
To reduce the average office floor space per office based employee to below 9m2 per employee by March 2018	Based on a recent assessment of staff numbers, the current occupancy level is 10.17 m2/fte.	The average floor space per employee has reduced (from 15.4m2 in 2015). The figure will fall further when surplus buildings have been disposed.	Green
To deliver 95% of major construction contracts within +/- 5% of budget, which includes a 10% allowance for optimism bias	Three major building projects (>£500k) were completed in 2016/17. All three were within +5% of the original budget, which equates to 100% against the target going forward of 95%.	In overall budgetary terms the three projects were delivered with a £288k saving against their aggregated budget which represents just over a 1.5% saving on the total original budget. It is proposed that this target is updated annually.	Green

LAND & PREMISES DISPOSAL PROCEDURE

Service or Corporate Landlord determines that all/part of a property will no longer be required for its current purpose and brings the matter to Property Management Group (PMG), including specifying when it anticipates that the property will become vacant.

If property is low value (under £250k), non-strategic and it is intended to sell it to current or adjoining occupant (e.g. garden land, small land plots adjoining bidder's land):

Dorset Property (DP) writes to local county councillor giving him/her 28 days to make representations about the proposed disposal

Time: I month

If no concerns are raised:
DP proceeds to dispose of asset by private treaty

Time: up to 3 months

If representations are made or any alternative use is put forward, including community use:
the matter is referred to Managing Our Assets Group (MOAG) for a steer and then to Cabinet seeking a resolution to retain or dispose.

Time: Recommendation to go into next QAMR

N.B. Right to Buy sales are excluded from this process as these sales are governed by statute

If property does not fall into the adjacent category:

A general assessment of the asset is undertaken to review alternative uses for it and the financial impact of its disposal (which will include assessing its capital value and any revenue generating opportunities). Also whether a capital receipt has been factored in to any business case.

Dorset Property will invite bids from within the authority for alternative uses for the asset, to be supported by a business case demonstrating the value of any such use.

Dorset Property will write to the local county councillor; the local town/parish council; a representative from the district council; other relevant public sector bodies; and any third sector body that has previously expressed an interest in the asset, notifying them when the asset will be vacated and giving them a minimum of 28 days to make representations to the County Council in respect of the future use of the asset.

Dorset Property will consider the most appropriate and expeditious method of disposing of the asset, including via Dorset Development Partnership.

Time: Min of 2 months, but may be extended depending on complexity of asset and when it will become available

If it is considered that DDP can add value to the asset, the matter will be brought to the next DDP Operations Board meeting for consideration.

Time: Next DDP Ops Board meeting

If DDP Ops Board agree that DDP can add value, it commissions an E2 report.

Time: I month

If E2 assessment is positive, the proposal is taken to next DDP Members Board

Time: Next DDP Members Board meeting

If DDP Members Board approves proposal, the matter is brought back to the Cabinet for ratification

Time: Next QAMR report

A further report is brought to PMG by Dorset Property setting out the options for the asset. PMG considers report and makes a recommendation to Cabinet via Managing Our Assets Group (MOAG) on either the retention and alternative use of the property; its disposal; or any disposal at an undervalue.

Time: Recommendation to go into next QAMR

If the recommendation to the Cabinet is to dispose of the asset:
DP considers the most suitable and expeditious method of disposal (either via auction; marketing via an agent having obtained at least two fee quotes; or directly to an interested party).

Time: By date of the Cabinet decision, so that the asset can be marketed immediately thereafter

If the recommendation is to retain the asset for an alternative use:

DP works with Service seeking to retain the asset, ensuring that it is able to implement its plans expeditiously. In the event of undue delays the matter will be brought back to the Cabinet for further consideration.

Time: Variable