

Place & Resources Scrutiny Committee

11th May 2021

Property Strategy & Asset Management Plan Quarterly Monitoring Report

Portfolio Holder: Cllr T Ferrari, Economic Growth, Assets & Property

Local Councillor(s):

Executive Director: J Sellgren, Executive Director of Place

Report Author: Dave Thompson
Title: Corporate Director of Property & Assets
Tel: 01305 221339
Email: dave.thompson@dorsetcouncil.gov.uk

Report Status: Public

Recommendation: That the Scrutiny Committee: -

1. Review and comment upon progress in achieving the actions identified in the Property & Asset Management Strategy -Action Plan and areas needing to be given priority.

Reason for Recommendation:

Like a number of local authorities throughout the country the Council faces significant financial challenges coupled with pressures on its services, particularly, as the population ages and the demand for housing (namely affordable housing) increases.

The Council's property portfolio is extremely diverse and multi-faceted comprising a wide variety of assets. The use of property impacts on every aspect of the Council's activities and as such is an inherent part of the Council's plan and a key component in ensuring the Council achieves its goals. As such it is essential that the Council takes a holistic view of its asset base and 'adopts a one Council' co-ordinated approach to its management to ensure that it is effectively, efficiently and safety managed, fit for purpose and able to meet the needs of its service users whilst at the same time ensuring that the value/potential value of the estate is fully realised.

The effective use of the asset base will help enable the Council to meet its social and financial challenges through asset disposals, generation of capital receipts,

savings in costs through the reduction, rationalisation and improved efficiency of the estate and more importantly the generation of value through income generation and the repurposing, redirecting and reuse of land and buildings for housing, schools and other essential service needs.

On the 29th September the Place and Resources Scrutiny Committee considered and supported a report of the Corporate Director of Property & Assets which set out the approach and methodology to be used as the basis for the review of the Council's assets and the basis for determining the future shape and size of the estate.

The Property Strategy & Asset Management Plan as endorsed by Cabinet in November 2020 is a key component of the Council's transformation strategy in order to help services meet their changing service needs and assisting the council in meeting its statutory obligations, its social and economic aspirations whilst at the same making a significant contribution to overcoming the financial challenges that it faces.

Whilst the Place and Resources Scrutiny Committee had previously considered and supported a report on the asset management methodology in Sept 2020 the report subsequently considered by Cabinet in November 2020 included further detail on areas including timescales and processes together with points previously raised by Scrutiny. As a result the report was brought back to a Scrutiny Committee in December 2020 for information and assurance and in a response to a request by the Committee the Corporate Director of Property & Assets agreed to provide a quarterly monitoring report in respect of the eleven point action plan, as shown at Appendix 1, that formed part of the November 2020 Cabinet paper.

This report is the first such update, the status and progress of which is reflective of the early stages of the implementation programme following completion of the following phases:-

- Discovery and Research
- Restructuring and Resource mobilisation

1. Executive Summary

The Council has a wide and diverse variety of property interests geographically spread throughout and across Dorset.

The Council Plan identifies that the effective utilisation of the Council's property assets forms one of the six transformational programmes that the council is undertaking.

The Council's primary aims are to: -

- Rationalise the property estate, reduce costs and identify assets that are suitable for disposal or redevelopment
- To improve the condition of the estate and reduce its environmental impact
- Adapt the council's office accommodation in order to alter its estate and modernise its workspace to meet the needs of future agile working and the aims of the Dorset Workplace
- To seek to maximise the value of the estate by creating income generation opportunities, disposing of or repurposing poor performing assets in order to create greater social, commercial and economic returns

In order both to achieve its wider goals and in the face of continual financial pressures the Council needs to review the size, efficiency and occupation of both its operational and commercial estate and have a clear mechanism, rationale and process for determining property need, the best use of property and ensuring it achieves best value from its estate through disposal or re-development of assets.

The Property Strategy and Asset Management Plan sets out an action plan and delivery programme of how this will be achieved against which progress can be monitored and reported.

2. Financial Implications

Through the rationalisation of the property estate and the re-provisioning of existing assets the Council will be able to generate not only efficiency savings and capital receipts but also generate income and both commercial and social value through the repurposing and redirection of the existing estate in order to meet the Council's social, economic and financial needs and aims.

Costs and benefits will be approved and reported on an individual project basis in accordance with the Council's governance and approval processes and procedures.

3. Climate implications

The Council has declared a climate and ecological emergency and is committed to taking direct action to reduce the negative environmental impact of our services.

Included within the Council's Draft Climate & Ecological Emergency Strategy is a Buildings & Built Assets Detailed Technical Paper which has established a series of objectives and an action plan for the estate to ensure that it becomes zero carbon by 2040.

The Property Strategy and Asset Management Plan recognises the above objectives and as part of any Asset Review and new Council developments will

work to implement the necessary actions in order to reach the Council's carbon-reduction target.

4. Other Implications

The implementation of the Dorset Workplace, any possible office closures or changes together with the implementation of new or different ways of working may require employee and Trade Union consultation will be considered on a project by project basis.

In addition, certain changes particularly those that may affect or impact on service or other public provision may also require public consultation.

Acquisitions, disposals and the creation of any form of joint venture or new legal entity will require Legal and Finance input.

5. Risk Assessment

Having considered the risks associated with this decision, the level of risk has been identified as:

Current Risk: Low

Residual Risk: Low

6. Equalities Impact Assessment

It is envisaged that there will be a series of individual projects that will emanate from this strategy. As individual projects are developed and brought forward for approval a separate EQIA will be prepared for each.

7. Appendices

- Appendix 1 Property & Asset Management Strategy Action Plan

8. Background Papers

- The Dorset Council Plan 2020-2024
- Dorset Workplace
- Property Strategy & Asset Management Plan
- Property Strategy & Asset Management-Methodology Report

9. Background

9.1 In 2019 Avison Young were commissioned following Local Government Reorganisation (LGR) to undertake a review of the Estate.

9.2 They identified that the Authority owned or leased 1,409 property assets

(land and buildings) consisting of 36 different classifications of assets and distributed across 22 locations throughout Dorset.

- 9.3 The Council owns a total of 608 sites which have buildings on them for which it is responsible (excluding schools).
- 9.4 The property portfolio can be broken down into two main elements namely Commercial Assets of which there are 355 from which it earns income from third parties and Operational Assets (including any heritage and community assets) for the provision of services which consists of 1,054 assets.
- 9.5 For the purposes of the Action Plan these two groups (excluding schools and recreational sites accounting for 304 assets) were broken down further into the following three groupings: -
- 223 Operational Assets consisting of offices (excluding those leased to third parties and those leased from NHS for which no rent is paid and reciprocal arrangements are in place) , libraries, day centres, youth centres, residential homes, family centres, adult education centres, nurseries, museums, depots and stores.
 - 355 Commercial Assets from which rental income is obtained which includes hotels, farms, industrial and retail units.
 - 520 Other assets such as housing (freehold and leasehold), cemeteries and crematoria, leisure and outdoor education centres, markets, car parks, public conveniences, allotments, harbour assets, land parcels, Gypsy and Traveller sites, Infrastructure assets, Garages, Access Rights and miscellaneous assets.
- 9.6 In addition there are currently seven former operational and educational assets that have been declared surplus which are in the process of either being disposed of or repurposed.

10. The Eleven Point Action Plan

Action 1 Review of 223 Operational Assets

- 10.1 Of the designated Operational Assets 53% are recorded as offices, depot and storage locations. A significant amount of work is currently being undertaken with regard to the Office Estate as detailed in paragraphs 10.7 to 10.14 below.
- 10.2 Avison Young identified that there were currently 86 depots, workshops, stores and a variety of waste collection, waste processing, recycling and highways facilities located throughout Dorset. A number of these sites, however, whilst being identified as stores are, in fact, small land parcels

providing storage capacity for asphalt and chippings with little or no value. Eunomia a leading waste and logistics consultancy were commissioned to support a property review in order to ascertain the type of asset held within the portfolio. A project Group has been established to review the Council's waste facilities and future requirements.

- 10.3. Of the remaining assets which are predominantly within Adult's, Children's and Customer Services a review of the property assets would form part of any Service reviews being or to be undertaken and as such a programme or plan for which has yet to be established.

Action 2 Development of Service Planning & Property Requirements

- 10.3 The property requirements needed to maintain and improve services sit at the heart of the process. Services will develop outline property requirements upon which decisions can be made.
- 10.4. A review of the Property Portfolio within each service area is being undertaken which will align with Service plans and requirements from which a set of priorities and a plan can be established based upon the 4 Box Model as set out in the Property Strategy & Asset Management Plan.
- 10.5 Arising from the reviews will be a series of individual strategies, development projects, acquisitions or disposals focused on particular assets or groups of assets which will align themselves to the Council's Economic Growth Strategy, Climate and Ecological Emergency Strategy together with the Draft Local Plan, Waste Local Plan, future Housing Strategy and key service strategies namely Children's 'Blueprint for Change' and SEND strategies together with Adult Services 'Building Better Lives.
- 10.6 Work in this regard has commenced and is progressing in accordance within the proposed timeframes.

Action 3 The Office Estate & Agile Working

- 10.7 The Council employs around 4,500 people (excluding schools based staff) of which 3,000 work from office environments either for all or part of their time. The majority of these staff are located in Dorchester and this is where the bulk of the desk capacity is currently located.
- 10.8 The asset register and the Avison Young study shows that the Council owns and leases 64 offices and administration buildings of which 7 to date have been identified as surplus to requirements, 16 are leased entirely third parties, 17 are leased/licensed from other NHS bodies at no cost as space is reciprocated within Council buildings, 9 offices are

occupied by a single service within the Council, 14 are multi-functional offices occupied by the Council and there is 1 Weymouth office on a long lease. The Council's primary focus is to rationalise, consolidate and reduce further the 24 offices which it currently occupies. It should be noted, however, that within these numbers County Hall is made up of three sites (County Hall, South Annexe and East Annexe), the history Centre is also included although it has limited office space and that the 3 Harbour authority offices have also been included.

- 10.9 Whilst the concepts of 'hot desking' and agile working have been introduced in a number of organisations in recent years changes to technology and access to information has allowed for work to be done differently and more flexibly. More recently the necessary response to the Covid 19 pandemic have accelerated and accentuated this and has presented the need to work remotely in different ways. This has brought about a change at a rate that previously could not have been imagined, both in working practices and to attitudes staff and managers had about working remotely. This has been reflected in recent staff feedback from surveys and various forums and as reflected in recent discussions with senior managers when discussing future service requirements.
- 10.10 Property formed one of the workstreams within the Dorset Workplace and the review and work undertaken by the Administrative Offices team informed a major element of the paper presented to Cabinet in October 2020 on the Dorset Workplace
- 10.11 Prior to Covid following LGR work had already commenced on a review of the office estate and as a result the leases at Allenview House in Wimborne and Princes House in Dorchester are being terminated in 2021 in accordance with the lease break provisions. There are a small number of other properties for which the Council has entered into a lease and as a matter of principle, wherever possible and at the earliest opportunity the Council will seek to terminate such leases associated with buildings that it is renting for administrative and operational purposes on the proviso that, dependent on need, the Council can accommodate the service utilising such buildings within its existing wholly owned estate.
- 10.12. In addition, it has recently been decided to create a 'public service/civic hub' at Colliton Park and to consolidate the Councils office requirements on the site which will lead the Council vacating South Walks House and future rationalisation and consolidation of the Dorchester estate.
- 10.13. A significant programme of work associated with lease terminations and relocations is currently underway in relation to the current phase of the office rationalisation programme and is primarily associated with Princes House, Allenview House and South Walks House.

- 10.14 A fundamental driver in the review of the office estate is to undertake a further process of consolidation of services into fewer, better properties that reflect the requirement for Children's and Adult services in particular to operate closer to the communities to which they serve and as such the need to create a regional multi-purpose office network in 4/5 locations throughout Dorset is being considered and planned.

Action 4 Corporate Landlord

- 10.15 In reviewing the various approaches to Property and Asset Management consideration has been given to the different approaches taken by other Local Authorities particularly with regard to the 'Corporate Landlord' model.
- 10.16 A number of Local Authorities have adopted 'Corporate Landlord' models in accordance with CIPFA (The Chartered Institute of Public Finance & Accountancy) recommendations and guidance. It is the predominant asset management model used by large private sector organisations and is increasingly used in local government
- 10.17 The Council has gone some way towards implementing a Corporate Landlord Model informally in that there is one property function which manages the assets and asset related budgets.
- 10.18. An upgrade to the Property Management System which is seen as essential to ensuring the provision of accurate data and a vital component in the successful introduction of a corporate landlord model has been agreed and implementation will be commencing in the near future.

Action 5 Governance

- 10.19 Legal have and are conducting an internal Governance review within the Place Directorate and of the management of Capital Projects which is due to be completed by the end of May 2021.
- 10.20 The Governance guidelines with regard to approvals relating to Property matters is well established and for those major decisions in excess of £500k are being approved by Cabinet except where delegation has been given by the Leader to the relevant Portfolio Holder.

Action 6 Resourcing

- 10.21 In order for the Council to deliver its property programmes at pace appropriate resources are required and internal resources repurposed and re-organised to reflect the new priorities.

- 10.22 A major restructuring exercise of the Property Directorate has recently been concluded with a new structure commencing on the 1st May 2021. This new structure will allow for resources to be rebalanced with added focus being given to the review, repurposing, development or disposal of assets.
- 10.23 Following approval of the Property Strategy & Asset Management by Cabinet in November 2020 a sum of £250k has been approved to support feasibility studies. As a result work has commenced on projects such as North Quay, Weymouth Bowl as well as the repurposing of South Walks House and South Annexe. Now that the restructuring exercise has been complete further resources can be directed to bringing forward a number of other schemes in the near future.

Action 7 Project Delivery

- 10.24 The Council's plans for disposals has been severely disrupted as a result of Covid and the proposed programme has been subject to significant delays and changes.
- 10.25 At the end of the financial year, however, the Council has completed four disposals generating c£4.6m in capital receipts. In addition a freehold sale to Weyfish has recently been concluded on behalf of the Harbour Authority and earlier in the year the completion of a land sale to Draper Innovation and the conclusion of an agreement for the MOD to invest within the Park on behalf of the Dorset Innovation Park.
- 10.26 There are currently a further 6-8 disposals in progress that are planned to complete within the next 6-9 months.
- 10.27 Whilst it is recognised that the Council is seeking to rationalise and maximise the use of its own portfolio it is recognised that it may well have to acquire or lease assets to meet particular needs and requirements. At the end of the last calendar year two acquisitions were completed namely St Mary's School in Shaftesbury and the buying back of the long leasehold interest in Hardy House the YHA facility in Portland in support of Adult's Services.
- 10.28 As and when required sufficient resources will be provided to support any such acquisitions as required and necessary.

Action 8 Review of the Commercial Portfolio (355 Assets)

- 10.29 The Council holds a commercial portfolio of approximately 355 property assets generating rental income of c£4.25m per annum (excluding any rental income associated with care facilities).

- 10.30 Of these assets 226 (63%) fall within just 4 categories: -
- 62 Hotels & Holiday Parks
 - 53 Farms
 - 118 Industrial Units
 - 34 Retails Units
- 10.31 Not only does the Property team manage the estate but also supports the management activities associated with the Dorset Innovation Park and the Harbours.
- 10.32 The key objectives of the portfolio are not only to generate a commercial return and positive cashflows but to actively manage the estate to minimise risk, ensure a good quality mix of tenants to invest in and support the local economy whilst providing opportunities for start-up businesses as well as training opportunities.
- 10.33 Where appropriate assets will be sold or re-purposed where they are under performing or where greater social and commercial returns can be generated. New investment will be considered where opportunities exist that can provide a solid return and reliable cashflows or where an investment is considered strategic to allow for future growth opportunities or protection of existing investments. Such opportunities will be treated on a 'case by case' basis and judged on individual merit.
- 10.34 Following completion and implementation of the new structure resource will now be identified and allocated to the review of the strategy for each of the key portfolio groups and supported where necessary by appropriate expert external resources in accordance with the proposed programme.
- 10.35 In the meantime, transactions, that are not considered strategic in nature and have a significant impact on a portfolio will continue to be transacted as 'Business as Usual' such as the recent letting of a lease for the Sherborne Hotel in Weymouth.

Action 9 Review of Other Assets (520 Assets) plus 7 Surplus Assets

- 10.36 The review of these assets has commenced and dovetails in part with other Service reviews being or planned to be undertaken within the organisation such as the 'Leisure Review', Parking Review and following the granting of the Harbour Revision Order the 'Harbours Strategy Plan'.
- 10.37 Consideration is also currently being given to the Councils statutory responsibilities and obligations in certain areas such as Allotments, Closed Cemeteries and Infrastructure Assets (such as private sewerage works) which will determine the Council's approach to its ownership and the management and maintenance of such assets.

- 10.38 Resources have also been allocated to review certain aspects of the portfolio such as land strips and garage holdings for example which will determine the value and potential of the assets within each of the various categories. Work is continuing in accordance with the plan in this regard.
- 10.39 There are seven major sites which have been previously identified as surplus including, amongst others, North Quay and the former East Dorset Council offices at Furzehill. Reviews of these sites are currently in the process of being undertaken in accordance with the process set out within the Property Strategy & Asset Management Plan and will be brought forward for consideration and approval by Cabinet at an appropriate time.

Action 10 One Public Estate

- 10.40 Building on established relationships and as part of the 'one public estate' programme closer working with other public sector bodies such as the various health organisations and the emergency services to seek to share and utilise more efficiently the public estate is seen as a key priority with the Council playing a key part in this across Dorset.
- 10.41 In addition closer collaboration with the Town and Parish Councils to share space and explore opportunities will be beneficial in driving down costs, identifying development opportunities and potentially generating income.
- 10.42 It is envisaged that as the 'public service/civic hub' concept is developed more of the Council's third sector partners may wish to share office space together with colleagues in the CCG and NHS who are currently leasing floorspace in the open market. The sharing of premises with other public sector bodies is also desirable and in line with the principles of the 'one public estate' although it should be noted that there are a number of locations where the Council's Adult Care Services and the NHS are co-located currently. There is currently a number of exploratory discussions being undertaken with a number of public sector bodies with regard to the sharing of existing office space and facilities.
- 10.43 Work has commenced and is ongoing in this regard but is in the early stages.

Action 11 Joint Ventures

- 10.44 Arising from the asset review, the Council will create lists of future development schemes, prioritise these schemes based on speed, extent of delivery, revenue income, meeting housing demand and economic development objectives.

- 10.45 Using the review process, it will also determine the best delivery method for the development including: -
- Direct Delivery
 - Joint ventures
 - Collaboration agreements with other Public Sector Partners
- 10.46 It is recognised, however, that the Council particularly in higher risk, more complex, regeneration type projects will need to establish and create different delivery models and will need to collaborate and partner with others in order to access resources, expertise and to mitigate risk.
- 10.47 As schemes and projects are brought forward for approval the delivery model will form part of the decision making process.
- 10.48 Work to identify potential or possible partners, the process to establish such a venture and the legal and commercial framework to establish such an arrangement has yet to commence.

11. Summary & Conclusion

- 11.1 The Council Plan identifies that effective utilisation of the Council's property assets form one of the six transformational programmes that the Council is undertaking.
- 11.2 The Property Strategy & Asset Management Plan seeks to set out a framework for decision making for how the Council can utilise its assets to unlock opportunities for housing, provide opportunities for economic growth and regeneration, support community initiatives, generate savings and income in order to protect services and deliver greater financial and social returns.
- 11.3 The Eleven Point Action Plan sets a framework within which the Property Strategy & Asset Management Plan will be delivered.
- 11.4 This Quarterly Update Report is the first such report monitoring progress against plan and should recognise that this project is at an early stage and is multi-faceted.
- 11.5. Future reports will incorporate RAG reviews and provide for savings and benefits to be clearly seen and measured in accordance with key performance indicators.

Appendix 1: Property & Asset Management Strategy-Action Plan

Action No	Action	Detail	Immediate Deadline	Completion Deadline
	Review of 223 Operational Assets (Assets less commercial assets, schools, car parks, recreational sites, harbours, leisure centres, land, housing, garages, surplus assets, access rights, markets and offices leased to third parties, traveler sites, shared offices on third party sites at no charge)	The Council is seeking to review its operational assets to ensure the right mix and type and where possible consolidate operational assets over the next 3-5 years Targets to be agreed as part of and following service consultations	Sept 2021	2024
1b		Develop the detailed process for capturing, analysing and planning for future use of surplus property-in order to ensure property is back in use, developed or disposed of as quickly as possible, reducing holding time/ costs	March 2021	
1c		Appraise opportunities for re-use, disposal or development and prepare implementation timetable-aligned to consultation-in case asset declared surplus	Sept 2021	
1d		Once all operational assets reviewed then repeat every 3 years		2024

2	Development of Service Property Strategies	Service property requirement strategies for years 2-5 by Sept 2021	Sept 2021	March 2021
3	Agile Working	Agile working is implemented to support the reduction in office space 2021/22 to reflect new desk ratios following service consultations. Ref Dorset Workspace actions	Sept 2021	March 2022

4a	Corporate Landlord	Fully implement and embed the Corporate Landlord model within the Council's property function	June 2021	June 2021
4b		Ensure the development of a robust asset management plan of investment	Ongoing	Ongoing
4c		Specify, procure and implement an upgrade/ replacement for the Technology Forge/BIM system with assessment by Sept 2021 and implementation by March 2022	Sept 2021	March 2022
5a	Governance	Complete a review of governance relating to property, assets	December 2020	December 2020
5b		Complete a review of the decision making process relating to project delivery, including procurement, scheme of delegation and approvals. Amend the constitution if required	December 2020	Dec 2020-March 2021
6	Resourcing	Ensure the projects and delivery plan are fully and appropriately resourced including the implementation of any new management structure required to support the Corporate landlord model. Plan for implementation to be ready end June 2021	June 2021	June 2021
7a	Project Delivery	Current surplus freehold and leasehold assets that have been identified for disposal or termination to be completed between March-June 2021	March-June 2021	March-June 2021
7b		Initial list of Priority projects to be established no later than June 2021	June 2021	June 2021
7c		Delivery of the future pipeline of work, including disposals must be resourced to create a future capital and revenue income stream. Develop resource model as part of capital programme development	June 2021	June 2021

8a	Review of the Commercial Portfolio (355 assets)	An initial review of the commercial asset categories and the assets within them should be undertaken to identify whether they are generating adequate returns, could be repurposed to provide greater value and determine whether they fulfill the Councils economic aims	Sept 2021	Sept 2021
8c		Priorities assets based on high cost/low performance, strategic, potential opportunity value, lease status	April-Sept 2021	Sept 2021
8d		Develop an implementation plan for approval and delivery of resulting priority projects	April-Sept 2021	Sept 2021
8e		Complete analysis of the next tranche of asset analysis as per the process and priorities	Sept 2021-March 2022	March 2022
9a	Review of all other 520 Assets (excluding schools/recreational areas include land, garages, housing, allotments, car parks, toilets etc)	All other assets should be reviewed to identify whether they are operating efficiently, effectively, are core Council assets, have alternative or complimentary purposes that add value, have a future requirement	March to Sept 2021	Sept 2021
9c		Priorities assets based on high cost/low performance, redevelopment opportunity etc	April-Sept 2021	Sept 2021
9d		Develop an implementation plan for approval and delivery of resulting priority projects	April-Sept 2021	Sept 2021
9e		Complete analysis of the next tranche of asset analysis as per the process and priorities	Sept 2021-March 2022	March 2022
10a	One Public Estate	Re-establish the working group of public sector bodies to review 'one public estate' opportunities	June 2021	June 2021
10b		Develop a list of potential opportunities and co-working opportunities involving the Dorset Property portfolio	June 2021	June 2021
10c		Implement a series of initiatives that deliver efficiencies and improvements from co-location in accordance with the 'one public estate' principles	July 2021-March 2022	March 2022
11	Joint Ventures	Establish a legal and financial model for possible Joint Venture working/arrangements	Sept 2021-March 2022	Sept 2021-March 2022