

RESOURCES AND PERFORMANCE SELECT COMMITTEE

18 March 2021



Asset and Place Strategy progress update

Purpose of report: To provide a progress update on the Asset and Place Strategy 2019

Introduction:

This document is an update on recommendations of the Asset and Place Strategy (A&PS) approved at Cabinet in April 2019. The A&PS reviewed how the Council's assets could be managed more efficiently or used differently to generate additional income and promote economic growth in Surrey. Two overall outcomes were sought:

- Reduction in operational estate (not including schools) from 300 to 100 assets, with an associated revenue cost saving of £10m by 2024.
- Review of surplus operational and all non-operational assets to determine future use, to be completed by 2021. To generate additional revenue incomes streams, and £150m capital receipts over five years.

The detailed plan included 43 individual actions; 37 were due for completion by end of 2019 (of which 25 had a target date by end September 2019) with the final action due to be completed in 2024. The following sub-sections summarise progress, provide a status update and highlight priorities.

From the 43 individual actions, 32 were completed since October 2019 with the remaining ongoing/on track.

Summary of progress against strategy recommendations

1 Consolidation of Operational Assets (overall target completion 2024)

1.1 Progress to date

Headline actions:

- Reduce the number of operational assets from circa 300 to circa 100
- Realise £150m capital receipts
- Achieve £10m revenue savings by 2024

The headline figures were intentionally totemic rather than based on detailed plans for any areas.

- 1.2 Progress has been achieved by linking new provisions for the Looked After and Adopted Children (LAAC) programme. Cabinet approval was received to build accommodation units over the existing library at Caterham Hill, providing town centre accommodation for Surrey young adults. This scheme represents the first time approval has been granted to build accommodation over an existing community facility. Work continues to progress in this area with the Library Service in addition to considerations regarding the establishment of Local Community Networks.
- 1.3 The Community Hub model is designed to rationalise the estate by consolidating two or more buildings currently situated in the same area. To date, seven opportunities have been identified and are under development, facilitating the release of surplus assets for future redevelopment gain.
- 1.4 Whilst the primary reason for the purchase of the Woodhatch site was to relocate the Priory School in Reigate and provide land for provision of extra care, this did also afford the opportunity to consolidate Consort House, Thameside and provide sufficient space for staff at Fairmount as part of the consolidation strategy.
- 1.5 Seven of the nine actions in this section related to the initial engagement with Services to identify a list of surplus or expensive properties and were due to be completed by end July 2019. This work took slightly longer to accomplish, but all seven actions were completed by September 2019.
- 1.6 The remaining two actions, related to reviewing all operational assets, are due for completion in 2024 and are therefore rated as ongoing.

Total Actions for this section	9
Completed	7
Ongoing and on track	2

Current priorities and status

- 1.7 The circa 300 operational assets referred to in the A&PS remain part of the Surrey County Council portfolio and the objective is to consolidate those assets by 2024. Although it has been agreed through discussions at

Asset Strategy Board that the principle remains, the exact numbers have and will differ due to Service requirements.

- 1.8 Various initiatives are in progress to transform the operational estate including recent acquisitions and disposals across the office estate, the community hub and area- based plans, and the Council's community agenda including One Public Estate (OPE) and Health. (See below)
- 1.9 Property have dedicated resources to build area plans with services and have developed the data to assist with decision-making and planning. Property data collation has been extended and now includes building life cycle costs (five years to 30 years), CO2 emissions, building efficiency, cost and performance, leasing details and Health & Safety compliance, all to industry benchmarks. This data has been gathered during 2020 as the remit went further than the actions outlined in the strategy but as a result, Surrey CC now has a full understanding of the corporate risks and benchmarking for ongoing performance measurement and estate planning.
- 1.10 The Agile Office Estate strategy will now proceed following Cabinet approval in January 2021 and includes the Agile transformation workspace programme. The strategic estate options will be completed during 2021, providing sufficient time to consolidate assets by 2024.
- 1.11 The A&PS identified a target of £150m capital receipts, from the disposal of surplus properties over five years. In 2019/20 sales were achieved totalling £15.7m and by the end of 20/21 further disposals should secure an additional £43m. For the period 2021/22 to 2024/25, the current forecast is considerably lower at £35m and since the strategy was initially adopted circa £35m (15 sites) of previously identified surplus assets have now been retained for future Service use, for example Wray Park that was forecasted to generate circa a £20m capital receipt.
- 1.12 Whilst the A&PS identified three routes to dealing with surplus assets following an option appraisal (a. Service use, b. strategic hold and c. disposal), a new category has been agreed with the Asset Strategy Board in 2020; to consider any asset for income generation purposes **before** disposal, with a view to retaining a larger proportion of the portfolio where income generation can be realised and whilst still improving value for money.

2 Development of Service Property Strategies (target completion August - November 2019)

Progress to date

- 2.1 The A&PS outlined how each Service area would redefine the way they operate, and that Services would develop requirement strategies for 3-5 years, with anything sitting outside of that strategy at a lower priority. Each service is at a different phase of their transformation, requiring more data, appraisals and support. The pandemic has had a significant on services capacity to determine long-term requirements in addition to a paradigm shift to remote working – the long-term implications needing to be developed further.
- 2.2 In 2020, Land & Property set up dedicated Service Account Teams which wrap around each Service, to provide specialised support and strengthen links with the Services. Progress is being made to ensure ongoing asset management aligns to future planning which can be seen through the established programmes for special educational needs and disabilities (SEND), Extra Care and the emerging Pupil Referral Unit (PRU) programme. Future Service operations, including the transformation agenda, budgets, and property programmes is hoped to be completed by Q1 2021/22 (but is subject to service capacity particularly in light of COVID).

Total Actions for this section	5
Completed	3
Ongoing and on track	2

Current priorities and status

- 2.3 The A&PS highlighted that Services are responsible for developing outline property requirements and advising target location, space, type and other requirements on an area-by-area basis.
- 2.4 Land & Property are developing area-based reviews to define Service requirements which also contribute to considerations in relation to Local Community Networks. By mid-2021 the area-based options appraisals will filter out sites for use of shared or single Service delivery (the latter by exception only). Using the building performance data across the estate, Service Asset Registers will also be completed in early 2021 which will feed into longer term planning.

3 Office Agile Working (target completion 2021)

- 3.1 Agile Working was covered in the A&PS primarily to target the reduction of office space by 2021 through new ways of working. The strategy was

approved at Cabinet in January 2021. This will build on the wider strategic ambitions, including the impact of the County Hall disposal.

Total Actions for this section	1
Completed	1
Ongoing and on track	0

4 Rationalisation of non-operational assets (target completion 2021)

- 4.1 The non-operational assets were to be reviewed to identify appropriate future use of sites by 2021, and thereafter annually. To date, income generating assets have been transferred to the Commercial portfolio, e.g. Surrey Wildlife Trust (SWT) and housing to Halsey Garton Residential (HGR), and the remaining assets are under regular review in line with community use and/or regeneration programmes.

Total Actions for this section	5
Completed	2
Ongoing and on track	3

Residential Portfolio Management

- 4.2. The A&PS review included the option appraisal of 50 assets for development within the non-operational asset base. Over 50% (32 sites) were deemed best suited to residential development to deliver 500-600 homes over a 5-year period.
- 4.3. Land & Property are reviewing a potential Housing Programme for key workers and the intermediate rental market.
- 4.4. The report also highlighted the need for operational management of residential properties, including identifying preferred options and an implementation plan. This has been completed and the internal governance is underway.

Total Actions for this section	1
Completed	1
Ongoing and on track	0

5 Governance (target completion July 2019)

Progress to date

- 5.1 The strategy outlined the need to simplify governance and provide clarity across roles and responsibilities to increase the pace of project delivery. Specifically, this included a review of the investment and shareholder boards, the company directors, the scheme of delegation and the constitution.
- 5.2 The Companies and Investment Governance review was undertaken and implemented to streamline governance arrangements resulting in the merger of the Shareholder Board and Investment Board into a single, Member-decision forum, the Strategic Investment Board (SIB). Two Officer panels sit beneath the SIB, with powers delegated to individual Officers to take decisions on non-strategic matters.

Total Actions for this section	4
Completed	4
Ongoing and on track	0

Current priorities and status

- 5.3 A discussion paper is currently being drafted in relation to options covering HGR and Halsey Garton Investment (HGI) governance in light of the recent Croydon published audit. This will be submitted to the Shareholder Investment Panel (SHIP) with recommendations then to SIB.
- 5.4 Detailed financial modelling is usually required to seek project approval and there is a recent move to present outline proposals for Cabinet approval in order to progress initial feasibility and preparations, with a follow-up detailed business case a few months later.
- 5.5 Forward Planning discussions for 2021/22 are taking place with procurement, legal and finance and appropriate level of strategic planning with Services. Project resources are now in place across the full year.
- 5.6 Please see Annex 1 “RACI: Cabinet governance and papers” for the Land & Property internal governance management.

6 Capital Project Delivery (target is annual spend of the Medium-Term Financial Plan amount)

Progress to date

- 6.1. The A&PS primarily outlined the requirement to develop a framework on the current status of property projects and assets with clear visibility. Feedback from members was that information in reports were not sufficiently detailed. Individual project Performance Dashboards are monitored each month and robust financial management is now in place.
- 6.2. For the first time in the last 5 years the capital budget is expected to be spent on property projects (mid-year review figure in light of COVID market impact). Under the current capital programme, projects identified in the Medium-Term Financial Statement (MTFS) for development for the next five years are being progressed.

Total Actions for this section	2
Completed	1
Ongoing and on track	1

Current priorities and status

- 6.2 The approach to procurement of supply chain partners for capital delivery projects has been revised. Previously each project was procured separately for contractors and professional services which was inefficient, expensive, lacked the opportunity for standardisation of design or specification, removed opportunity for volume procurement of materials and was a contributor to delays to delivery.
- 6.3 The Annual Procurement Plan for 2020/21 was adjusted to reflect an alternative strategic approach to engaging partners to assist in delivery. The new 'lean' client delivery function within Land & Property was created in 2020 to facilitate this approach.
- 6.4 Fifty-eight schemes that have been developed across various stages, due to start on site over the next 18 months, are being tendered now for both contractor and professional services supply chain partners.
- 6.5 In addition, for those sites that have been identified for service need, and form part of the approved and pipeline schemes within the Medium-Term Financial Plan (MTFP), a programme of site preparation and demolition has already begun which will improve the pace of delivery.

7 Investment Portfolio

Progress to date

- 7.1 Specific findings from the A&PS included providing a clear, measurable property investment strategy and to ensure that all investment assets are reviewed regularly and robustly to deliver maximum return.
- 7.2 An Investment Strategy Refresh was commissioned in November 2019. An external fund manager to support the Investment Board has been in place for three years including independent reviews of acquisition decisions.
- 7.3 The priorities are to ensure the portfolio is balanced in terms of composition, risk, location and return by:
- a) Prioritising value protection within the funds.
 - b) Practical payment plans to defer rent to ease the burden of COVID-19 in the short-term, although rent collection remains high, September quarter income is at SCC 85% and Halsey Garton Property Investment Ltd (HGPI) 98%
 - c) Lease re-gears being pursued to increase term certain of the portfolio to reduce short-term risk.
 - d) Options Appraisal being undertaken to review alternative options and initiatives to protect and add value. Each investment asset being assessed for alternative use/redevelopment.
 - e) Working with external consultants including planning, architecture and investment advisory to generate contingency plans.
 - f) Contingency plans created to underpin the value of the asset and prepare for implementation initiatives as and when required.
 - g) Long-term strategy being implemented to avoid knee-jerk reaction to short-term, un-realised valuation losses and works towards increasing income and value over the next 5-10 years
 - h) Exploring future housing delivery programme

Total Actions for this section	4
Completed	4
Ongoing and on track	0

8 Corporate Landlord

Progress to date

- 8.1 The A&PS considered that the Council had gone some way towards implementing a Corporate Landlord model where one property function manages the assets and associated budgets. It did however comment that Services were still very involved in property-related matters and decision-making regarding future property use.
- 8.2 Although the action was to fully implement and embed the model by November 2019, the Corporate Landlord model was subsequently approved in early 2020 followed by the commissioning of independent advice to determine the scale and identify current risks. The findings included:
- Confirmation that 48% of property spend/costs across Surrey CC (includes infrastructure) are managed by Land & Property. (EY consultants from SAP system accounts).
 - Identified a significant maintenance backlog (EY Consultants).
 - A risk that the Facility Management function lacked an operating model.

Total Actions for this section	5
Completed	3
Ongoing and on track	2

Current priorities and status

- 8.3 A compliance review was undertaken at the beginning of 2020 which identified specific actions. As at February 2021 it can be reported that SCC has a 97.7% compliance with all its Health & Safety obligations.
- 8.4 Account Teams have been established in 2020 for each individual service to ensure delivery of projects, asset plans, facilities management, lease and estate services. Each service now has a strategic board that is supported by Land & Property. Other priority actions have included:
- Updating property rental data and identifying arrears
 - Creating 30-year lifecycle costings on all assets (previously five years).
 - Establishing a suite of building information to support Service transformation plans.
 - Integrating the office workspace estate transformation plan with the corporate agile transformation programme.
 - Re-structuring the Facilities Management team.

- 8.5 Since March 2020, the team has also set up and managed COVID emergency space for the Council and NHS. This work remains ongoing relating to testing and vaccination centres.

9 New Property Asset Management System

- 9.1 The A&PS advised that a new replacement Property Asset Management System (PAMS) should be procured and implemented by 2020. The new system, Planon, is an Integrated Work Management System has been procured; the implementation timeline is October 2020 to October 2021, with the milestone of 31 March 2021 to implement the maintenance module.
- 9.2 The full requirement assessments and design work took place in early 2020, followed by extensive independent market research and the procurement process to ensure a modern system would provide the maximum functionality to improve the data set, workflows and reporting, with user testing and the facility to build dashboards and a Service portal to track projects and maintenance. The implementation timeline is a performance measure for Land & Property
- 9.3 Until Planon is implemented from March 2021 and due to the priority to develop performance monitoring of the overall estate including consolidation, rationalisation, income generation, revenue cost savings, reduction in backlog maintenance, capital receipts generated etc, key performance indicators (KPIs) are now reported monthly at a high level across Capital & Revenue budget envelopes, but also capital receipts, Health & Safety compliance, Surrey CC & HGPI rental performance and delivery of the new system.

10 Resourcing

- 10.1 The A&PS recommended that there should be sufficient resources with the right skills and abilities, supported by the right management structure and accountability. A permanent Director was recruited, the Senior Leadership Team was in place by March 2020 and specialist recruitment continued through to September 2020. The reliance on expensive interim Capital Delivery resource no longer exists and the skills and capacity align to the delivery programme for the first time. The restructure into flexible functional areas is now complete with all Job Descriptions reviewed and updated.
- 10.2 Please see Annex 2 “L&P org structure” for a high-level overview of the L&P organisation.

Total Actions for this section	1
Completed	1
Ongoing and on track	0

11 Vacant and Surplus Assets

Progress to date

11.1 A&PS highlighted that the property team should understand the overall operational Service requirements for the Council in the future. Strategic planning with Services is ongoing and will be completed in 2021.

11.2 As previously stated, for those sites that have been identified for service need, and form part of the approved and pipeline schemes within the MTFP, a programme of site preparation and demolition has already begun which will improve the pace of delivery and remove buildings that have stood vacant for years.

11.3 The disposals programme identified within the Asset & Place Strategy (April 2019) has been impacted by a mix of lower levels of commercial market activity, a review of our Housing Strategy and broader considerations of using our asset base as income generation opportunities.

11.4 Since the adoption of the Asset and Place Strategy, for the financial year 2019/20, capital receipts of £15.748m were delivered.

11.5 To date, in the current financial year (2020/21), £11.932m of receipts have been generated with a further £31.932m forecasted by end of March 2021.

Current priorities and status

11.6 The current vacant and disposal property list comprises of 105 assets:

- 45 are identified for some form of retained service use
- 60 residual sites are identified as available for alternative use for:
 - Halsey Garton Residential - Housing Programme
 - Open Market Disposal
 - Community Asset Transfer
 - Feasibility to assess next steps
 - Meanwhile use pending further analysis

12 Health and Safety Compliance

12.1 Significant work has been completed in 2020 to provide assurance that Surrey CC buildings are compliant with H&S legislation which has involved fundamental changes to the approach and information management to evidence this. The data, evidence and monitoring were not in place when audited in late 2019.

12.2 The Estate is now ordered into Asset Type (liability) and Priority (usage) ratings in accordance with Surrey CC's level of exposure to assist with prioritisation. Certification (meaning compliance with regulation) 97.7% with over 20,000 documents fully migrated across to SharePoint.

12.3 Improvements include fast-tracking compliance through the Helpdesk, real-time monitoring, supporting the Surrey CC H&S Lead to increase awareness and embed a culture of responsibility across Surrey CC, and measuring ongoing progress as a KPI.

Next steps:

13 2020/21 Q4 Priorities

- a) Deliver the planned 2020/21 Capital spend and Revenue budget.
- b) Complete the Procurement of strategic partners (contractors, consultants) to support 58 schemes that will start on site over the next 18 months (see separate paper).
- c) Forward plan the MTFS capital programme on a strategic basis (Legal, Finance and Procurement).
- d) Develop the implementation plan for the Agile Office Estate Strategy (to include service requirements if possible).
- e) Dispose of County Hall by 31 March 2021.
- f) Acquire any additional office space to support Agile.
- g) Develop full performance measures and reporting that meets the expectation of stakeholders.
- h) Deliver and maintain 100% H&S compliance.
- i) Improve reporting and provide monthly Surplus property delivery dashboard information.
- j) Implementation of replacement PAMS system.
- k) Deliver KPIs.
- l) Increase focus on the surplus and vacant properties.

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Annexes

Annex 1: RACI: Cabinet governance and papers

Annex 2: L&P org structure

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