

## Appendix Six

### **Asset Management – The Swale Deep Dive**

#### **Executive Summary**

The Swale deep dive has focused on the assets held by the public sector within Swale. It is important to note that this exercise has been done ahead of a full review of the potential for modernisation of public sector services across Kent. It is likely that significant further reduction in assets would result from such a review.

Data has been collected from all participating partners; however difficulties have been experienced with partners providing the full extent of the data required. As a result, some assumptions have been made regarding the financial information and a proportion of the portfolio has been excluded from the vision for the reorganised estate, due to lack of information.

The assets have been procured on a piecemeal basis, to fulfil historic service requirements and a high proportion is not fit for purpose. They are managed and procured without any reference to other public sector partners in the area. The assets are predominantly owned freehold and the total running costs are estimated at £10M.

The revenue savings identified are estimated at £1.3M. Since running costs are only available for 75% of the estate by area and only £2.6M of the running costs identified relate to participating properties, this saving represents 50% of the running costs of the participating properties. It would be reasonable to assume that once all the data were available for the remaining properties, revenue savings could be increased by a further £460K pa. Given the nature of the properties which have not been included in the vision, however, it is likely that a more detailed examination will reveal further potential savings.

As a result of the reorganised estate, it is estimated that gross capital receipts in the region of £60M would be generated. The cost of re-provision would be in the region of £43M. This would result in net capital receipts released of £17M. Once again, due to the absence of sufficient data on 50% of the portfolio, there may be further capital receipts, which could be generated from the assets not currently identified as part of the vision.

In arriving at the revenue savings only the running costs of assets have been included. It is reasonable to assume that there will be significant cost savings from the modernisation of services, co-location and amalgamation of business processes. This in turn will result in further reduction in space requirements and thus further asset savings. This has not however been quantified by the asset deep dive.

#### **Background**

Swale has an important role as part of the Thames Gateway which incorporates the Isle of Sheppey and Sittingbourne. With government focus on delivering growth within the Thames Gateway, there has been significant investment in Swale, both from the public and private sector. In responding to this agenda, Swale Forward has emerged as the key regeneration partnership in the area.

The challenges for Swale over the next few years are considerable. Skills levels in the Borough fall substantially below the national average. There are concentrations of deprivation which are among the worst in the country. Yet in many ways, Swale's opportunities for regeneration and improvement have never been greater.

Connections are much improved with the new Sheppey Crossing, the forthcoming

Sittingbourne Northern Relief Road and faster rail connections to London. Major new investment will transform Queenborough, Rushenden and Sittingbourne Town Centre. Perhaps most importantly, the organisations involved in providing services and representing the community in Swale have a new commitment through the Swale Local Strategic Partnership to work more closely together. This strategy provides local partners with a shared vision to help them deliver better services to the community.

Cllr Andrew Bowles Leader of Swale Borough Council says:

*'We here in Swale are excited by the potential that the Total Place initiative can bring for the residents of Swale. Rather than seeing this as a challenge to the way we do things, we have chosen to see the opportunities that the initiative can bring - better joint working across partners, improved reception areas in which to receive the public, and a more efficient use of public sector assets can all bring long term benefits in the quality of service delivery and use of the public purse.'*

*'With our ambitious regeneration plans for the borough we were particularly pleased to be asked to lead work on the asset management 'deep dive'. We firmly believe that a joint public sector facility within Sittingbourne can not only act as an anchor to catalyse the fulfilment of our regeneration master plan as we recover from the impacts of the recent recession, but also improve the way in which public services work together to focus on improving the lives of our citizens within the tight budget constraints that we all face going forward.'*

### **Methodology**

Swale Borough Council working with Kent County Council has engaged with public sector partners currently offering services within Swale, together with those partners who have a wish to do so in the future. Discussions have been held individually with partners to ascertain their service strategies and how these currently affect the properties they occupy.

The partners who have actively engaged with this exercise are as follows:

- Swale Borough Council
- Kent County Council
- East Kent Primary Care Trust
- Kent Police
- Kent Fire Service
- Probation Service
- OGC

Two workshops have been held with partners to explore the opportunities for co-location and modernisation of service, together with the specific barriers to delivering a rationalised estate.

A consultant was appointed to assist in the detailed work relating to the extrapolation of the data, visioning of the new look estate and to act as a critical friend.

Base data has been collected from all partners detailing the following:

- Property assets by address
- Size of buildings
- Ownership
- Details of services offered from the assets
- Details of partners sharing the assets
- The condition of the buildings
- The running cost of the buildings
- The number of full time equivalent staff working from the buildings (FTE)

Difficulties have been experienced in partners providing the full extent of the data required. For example, several partners have not been able to provide running costs for individual buildings, whilst others have found it difficult to provide FTE per building. Running cost data for example is only available for half of the properties covered by the deep dive. Although high level analysis has been possible, as a result of gaps in the data more detailed analysis has only been achieved for a proportion of the assets.

### **The Current Public Sector Estate in Swale**

There are a number of characteristics relating to the public sector property assets within Swale:

- Each asset has been procured on a piecemeal basis over the last century to fulfil historic service requirements.
- The assets are managed and procured individually by partners without any reference to other public sector partners in the area.
- A high proportion of the assets are not fit for purpose.
- Each organisation works to different space standards and utilises different IT systems/infra-structure.

The analysis of the data provides the following information about the estate:

- The total number of properties in the database is 208. This represents approximately 10% of the public sector assets within Kent.
- KCC are the largest holder of assets with 50%, followed by Swale Borough Council with 16% of the assets. However if the properties are analysed by area, KCC occupy 72% and Swale Borough Council have 9%. The remainder is split between health, police and fire.

**The number of properties: sorted by ownership**

|                                | <b>Nr</b> | <b>%</b>    |
|--------------------------------|-----------|-------------|
| KCC                            | 105       | 52.50       |
| SBC                            | 34        | 17.00       |
| Fire                           | 19        | 9.50        |
| Police                         | 7         | 3.50        |
| Health                         | 12        | 6.00        |
| Central Government Departments | 15        | 7.50        |
| Other                          | 5         | 2.50        |
| Home Office                    | <u>3</u>  | <u>1.50</u> |
|                                | 200       | 100.0       |

**Number of properties: sorted by function**

|   | <b>Nr</b> |
|---|-----------|
| Education<br>(Schools, adult education, FE)   | 78        |
| Community facilities<br>(Sport, leisure, halls, pools, museums)                         | 27        |
| Fire<br>(Fire stations, fire houses)  | 19        |
| Community services<br>(Adult social services, libraries, youth centres, family centres) | 13        |
| Offices   | 8         |
| Adult social services   | 7         |
| Health  | 12        |
| Police  | 7         |
| Justice   | 8         |
| Miscellaneous   | <u>28</u> |
|   | 200       |

- 69% of the assets are owned freehold by the public sector, 17% are leasehold and the remaining 14% are a mixture of user rights and PFI.
- The running costs currently available total £7.6M for 101 buildings. As this represents approximately 75% of the estate in Swale by area, it is reasonable to assume that the total running costs would be in the region of £10M pa.
- Of the running costs available, approximately £5.6M relates to education facilities (primary and secondary schools). Therefore only £2M relates to the non schools estate.

- The average operating cost by function is as follows:

|                       |                     |
|-----------------------|---------------------|
| Offices               | £73/m <sup>2</sup>  |
| Fire stations         | £246/m <sup>2</sup> |
| Police                | £53/m <sup>2</sup>  |
| Libraries             | £54/m <sup>2</sup>  |
| Adult social services | £51/m <sup>2</sup>  |
| Education             | £39/m <sup>2</sup>  |

- There is currently 13,371 sq m of office space of which the running costs are available for 6,990 sq m. Based on an average cost per sq m, it is reasonable to assume the total running costs of the office space would be in the region of £1.1M pa.

### **A Vision for the Future**

In arriving at a model for the rationalisation of the public estate in Swale, we have asked the question “How can property be better utilised as a resource in the provision of modernised public services”. In reaching these conclusions the focus has been on delivering quality integrated services, incorporating new ways of working, removing duplication and rationalising back office functions. The service provision has been divided into three components:

- The focused public interface (front office) – which is delivered through the Gateway programme incorporating face to face, internet and telephone interaction.
- The specialist services – where specific type and location of properties are required
- Administration – Back office functions which are not location specific and can be amalgamated with partners across a wide range of supporting services.

Complementary services have been identified which would break down into seven possible groupings, (although these are not exclusive and other groupings would be possible in specific locations):

- Those which could co-locate on school sites
- Emergency response services
- Dirty services (depots)
- Health and social care
- Justice
- Administration (back office)

The following conclusions have been reached regarding the potential modernisation of services through co-location:

- There is potential to deliver the library service in a modernised model, which makes use of improved IT and allows rationalisation of floor space. The result in Swale would be the re-provision of a smaller library service in Gateways or existing schools in Sittingbourne, Sheerness, Minster and Queenborough. There is also potential for re-provision of the library in Faversham alongside ancillary community services. There could be further opportunities for rationalisation of this service for the remaining libraries which do not enjoy high visitor numbers.

- Adult Social Services are changing the model for provision of service which will result in the reduction of the number of buildings required. The model for service will result in delivery of specialist services within leisure centres and other community facilities, thus resulting in a reduction of buildings. Increasingly this service is delivering care through partnership with private sector providers and this will result in a need for fewer public owned buildings. These will also be delivered within third sector and health properties on an informal use basis.
- The public office portfolio contains elements of front and back office, together with some specialist operational uses such as police custody suites. With the potential for two new Gateways in Swale, the front office elements of services can be released from the office space and back office uses amalgamated across partners in a revolutionary model. This would comprise flexible working within shared offices, shared meeting rooms and reception areas and centrally provided facilities management. The savings flowing from this new way of working would not be limited to running cost of assets. The use of some facilities could be based on a 'pay as you go' principle.
- The education estate is currently underutilised by the wider community and greater flexibility of use can be introduced particularly focusing on out of school hours' use and adult skills enhancement. With the BSF programme proposals for the district, there is a unique opportunity to create flexible buildings which can deliver wider leisure services to the public through expanded sports facilities and potentially relocation of elements of the adult education service and libraries, skills enhancement and reinforcement of community values.

The school estate provides a local hub in rural areas, where service points for health, library and community facilities could be located freeing up assets that are underutilised.

- A greater openness to utilise partner accommodation to host drop-in surgeries and other temporary ad hoc services which will prevent the need to acquire costly short term accommodation.

When the model is translated into an area based analysis of the main clusters of services in Sheerness, Queenborough, Sittingbourne and Faversham, the following opportunities are identified:

### **Sheerness**

In Sheerness the remodelled estate would comprise of the maximisation of use of the academy site to incorporate shared leisure and youth facilities open to the wider community. The closure of the existing leisure centre which is in very poor condition would result in a new seafront redevelopment and regeneration site. The size of the building currently being procured for the Gateway offers opportunities for a shared office to be located within the building. This would result in between 4/5 disposal sites and a net reduction of one leasehold premises.

## **Queenborough**

In Queenborough the amalgamation of sports and leisure facilities, re-provision of a smaller library in the school and possible amalgamation of other services could result in a reduction of 4 properties for disposal.

## **Sittingbourne**

In Sittingbourne there is an exciting opportunity to create a new public sector office and community hub as a result of a cluster of sites totalling 3 hectares, within the ownership of the public sector in the town centre. There is a significant requirement for public sector offices which could be built as a result of a major town centre redevelopment scheme and could house the borough council and KCC staff alongside other partners. There is further potential for central government departments such as probation also to share these offices. The benefits this would bring in terms of regeneration are considerable. The offices together with a new Gateway would act as a public sector anchor to the development scheme.

The remodelled school estate would incorporate the co-location of two secondary schools within the town centre and extended community leisure facilities, including a flexible hall which could also be used as a theatre and library. This would completely reshape Sittingbourne town centre and create a new centre of arts and learning.

The new Gateway facility could be housed in the redevelopment site and would host all of the public facing (non specialist) services for the wider public sector. The modernised shared sports facilities could be managed from the Gateway in terms of a central booking system.

The result of this remodelling would generate twelve property disposals, of which two are leasehold premises, and the redevelopment of five town centre sites with potentially the post office.

## **Faversham**

In Faversham there is an opportunity to utilise the leisure centre site to incorporate a mini- gateway for the public facing services, together with a community hub comprising the library, youth centre, family centre, public sector offices for the borough council and potentially others and increased car parking. As a result of decked car parking at the leisure centre, surface car park sites could be released for disposal.

The remodelling of two secondary schools and two primary schools could provide a new sports hub and would release further land for disposal.

In addition there is a cluster of public sector property to the west of Faversham which will result in further release of freehold property for disposal.

The result of this remodelling would generate eleven property disposals.

### **Efficiency Savings, Capital Generation and Cost of Delivery**

There are a number of important assumptions which have been made when arriving at an estimate of the savings which could be generated from the remodelled estate. The ability to reinvest a proportion of capital generated from disposal into the modernised facilities is crucial. The existing barriers relating to the ownership, management of the estate and financial flexibility have been ignored, assuming that these have been resolved to facilitate the savings. The property related barriers, particularly the inflexibility of the planning process have also been largely disregarded.

Values have been based on estimates of potential value, assuming a planning consent for redevelopment and based on broad market assumptions. Clearly a programme of this scale would have to be delivered within an appropriate timescale (estimated at 10 years) to enable capital receipts to be maximised. The building costs have been based on a gross building cost range of between £1500 and £2500/m<sup>2</sup>. VAT has been excluded and the cost of relocation of existing staff has also been excluded. Office accommodation has been based on 6m<sup>2</sup> per desk and a ration of 2:1.

The revenue savings generated from the proposed vision are estimated at £1.3M. Since running costs are only available for 75% of the estate, by area, and only £2.6M of the running costs identified relate to participating properties, this saving represents 50% of the running costs of the participating properties. It would be reasonable to assume that once all the data is available for the remaining properties, revenue savings could be increased by a further £460k pa. Given the nature of the properties which have not be included in the vision however it is likely that a more detailed examination will reveal further potential savings.

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## **The Barriers to Delivery**

Partners have identified a number of barriers to the delivery of the rationalised estate and the ultimate release of revenue savings. These comprise financial, legislative, cultural and political barriers. The impact of these barriers should not be underestimated and their resolution is key to the delivery of integrated public sector asset management. The following summarises the barriers identified:

- Part time working rules
- Service specific restrictions (i.e. police custody suites).
- Accounting rules and impact on options for funding. Budgets currently span 3 years which makes long term planning difficult. Under spends often can not be rolled forward and are taken back centrally.
- Different accounting procedures by organisation
- Cultural issues (both capital "c" and little "c"); territorial issues; adapting to new ways of working such as flexible working.
- Complexity of space
- Retention of capital receipts particularly for central Government departments where capital released would have to go back to the Treasury under present rules.
- Green Book – claw back of receipts. Lack of flexibility to move money (capital) between partners. The absence of a financial vehicle makes this currently impossible. Green book will need to be rewritten to incorporate this freedom and flexibility.
- Timetable for implementation; need for interim measures since partners have immediate requirements which need to be met. This may require interim moves to be to lower grade/inferior space.
- Some partners' willingness to engage and political will.
- Competing (conflicting) policy objectives.
- Restrictions within current employment contracts, for example relating to home working.
- Management and ownership of occupational risk.
- Disconnect between occupiers and providers of the asset, for example Home Office Properties and Probation Service. Gap in understanding and knowledge between parties.
- Disconnect between service providers and Total Place project in terms of knowledge and drive to modernise service at the same pace.
- Lack of flexibility in Town Planning process.

- Current IT systems and cost/speed of modernisation to unified systems which can be utilised by all partners. Example cost of Kent Connects.
- Government standards such as BREAM excellent and the cost implications.
- Conflicting Government policies for example Quirk.
- Accessibility of locations particularly in terms of public transport. The need to retain staff and cost of recruitment if members of staff are lost through relocation.
- Government policy/legislation regarding location of services in terms of distance from the population i.e. libraries and driving test centres.
- National property strategies not taking into account Total Place.

A smooth and successful implementation of the vision will require a fast track approach to town planning. For this purpose the current planning system will need to be vastly simplified and consideration should be given to a Development Corporation approach. The legal ownership of the properties will need to be resolved. This is dealt with specifically elsewhere in the report however transfer of ownership to a single purpose vehicle would be ideal. In some cases land assembly may be required and for this purpose a fast track option to compulsory purchase would be helpful.

Public consultation will need to be handled with care as the experience of the process required for planning purposes results in long time delays. A defined and robust system of consultation is essential.