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To: Policy and Resources Committee – 15 March 2013

Subject: Draft Asset Management Strategy - Update

Classification: *Unrestricted*

Summary.

KCC is developing an Asset Management Strategy to set the high-level strategic framework for managing our property portfolio effectively over the next 3 years. It will guide our future strategic property decisions to ensure we manage our property portfolio sustainably and efficiently so that it can adapt to remain fit for the future.

The Asset Management Strategy will provide a consistent framework to ensure that Property & Infrastructure Support can continue to provide effective, professional property advice to support service transformation across the organisation.

The Policy and Resources Cabinet Committee are asked to note the progress to date on the draft strategy, and to consider and comment on the proposed approach and early draft strategy, as part of their pre-scrutiny role to help shape policy development, ahead of the proposed Cabinet Member decision to approve the strategy in May 2013.

1. Background to the Asset Management Strategy

- 1.1 Kent County Council, and the wider local government sector, is in a period of immense change and transition as we seek to transform the way we deliver public services. The previous Asset Management plan was developed in 2007 when the economic and policy context was very different. As such, we need to refresh our Asset Management Strategy to ensure it is representative of the significant challenges presented by the national economic climate and internal drivers for change within the organisation.

- 1.2 In light of the challenging financial environment Kent County Council has to make significant savings. To contribute towards this, Property and Infrastructure Support are tasked to deliver £100m of capital receipts over next 4 years as part of the Medium Term Financial Plan, in addition to property revenue savings of £10m over 7 years. These will only be achieved through a transformational approach to rethinking how we use our property portfolio in a radically different way to meet the changing needs of the services we provide for the people of Kent.

1.3 It is important that the Asset Management Strategy complements Kent County Council's strategic policy direction, which directly influences frontline service delivery. Our property assets are also an important part of supporting and enabling us to transform the way we deliver public services with our partners and it is therefore essential that we have an innovative and forward thinking strategy in place which is consistent with the key themes and drivers for change in a range of strategies and transformation programmes, both within KCC and with our partners. This will help us to ensure we work towards shared objectives such as supporting Kent business, and maximising growth and regeneration. The strategic policies which complement the Asset Management should include:

- Vision for Kent
- Bold Steps for Kent
- Medium Term Financial Plan
- Capital Strategy
- Unlocking Kent's Potential
- Environment Strategy
- Kent and Medway's Housing Strategy
- Doing Things Differently (KCC's internal transformation & change programmes)

2. Our role in Asset Management

2.1 In Kent County Council our properties, and spending on them, are managed centrally by the Property and Infrastructure Support (P&IS) division who act as the '**corporate landlord**'. This enables our resources to be prioritised and directed where they are most needed, and ensures that the property portfolio is aligned with KCC's strategic objectives in 'Bold Steps for Kent'. We are working with services and partners to develop innovative solutions for adapting our property portfolio to better support the changing business needs of our services.

2.2 It is the role of P&IS to manage the Council's portfolio effectively, providing best value for our services and the people of Kent. Managing the portfolio includes:

- Maintaining and repairing existing properties (Facilities Management)
- Developing new buildings that are well designed and fully meet service needs
- Delivering the right changes, in the right places, at the right time to ensure assets support changing service needs
- Ensuring that the right properties are maintained and utilised to their full capacity.
- Identifying and disposing of surplus properties (best value of capital receipts)
- Managing the portfolio strategically and effectively
- Ensuring that space is used efficiently

2.3 KCC's asset portfolio is incredibly diverse - with a significant proportion of our estate being schools, but it also includes some buildings which are very

specific in their use, for example highways, waste disposal and other specialist properties. Our current asset portfolio comprises of 1,782 buildings with an asset value of circa. £1.9bn, with the annual revenue spend within corporate landlord £27m per annum. Schools make up the majority value of the portfolio with circa. £1.38bn (73%). The remainder of the portfolio has an asset value of circa. £520m. The current target of achieving £100m capital receipts means that we have to find 19% returns through disposals or returns from investments over the next 4 years.

- 2.4 This is why the development of an Asset Management Strategy is crucial to bring together a consistent framework to deliver this challenging target effectively whilst continuing to support services and their operational strategies. Property is an 'enabler' for service transformation, and we must find the most efficient ways possible to support delivery of transformation and integration of services
- 2.5 In order to ensure we continue to deliver this as efficiently and effectively as possible, the Asset Management Strategy will bring together a new framework for P&IS, clearly defining our role and responsibilities, and how we will work with services within agreed priorities and guidelines in order to meet the key objectives.
- 2.6 **Working with services**
The draft plan is being developed by Property & Infrastructure Support but it will be important to engage with and consult a wide range of stakeholders. This will be achieved through a variety of engagement methods including small focus groups and review of current best practice developed by Royal Institution of Chartered Surveyors on asset management to inform specific policies.
- 2.7 The Property Asset Strategy team are currently working with services across KCC to review and understand the property implications of KCC's strategic direction and initiatives, and specific service plans and strategies, in order to provide advice on property options that will help us to become fit for the future. To achieve this it is essential that P&IS are aware of the future requirements of delivery. Whilst the direction of our services is still evolving and may change in the current funding climate, we are building a plan that has the potential to adapt more quickly and responsively, and be flexible for changing need.
- 2.8 The Asset Management Plan needs to understand the following:
 - a) What is the future direction for service delivery? What is the vision for the service?
 - b) Will this change the service delivery property requirements? (i.e. less space, more space, using space differently?)
 - c) What does this mean for the shape of the overall property portfolio?
- 2.9 These questions will help us to understand the nature and potential restrictions of the property requirement and help to inform the forward plan of

initiatives and projects for P&IS to deliver, for example asset collaboration projects with partners. Where services are currently unable to answer these questions in the medium term due to uncertainty, we will work closely with them to develop creative concepts and options that support both the service's current requirements, and can respond to future demands.

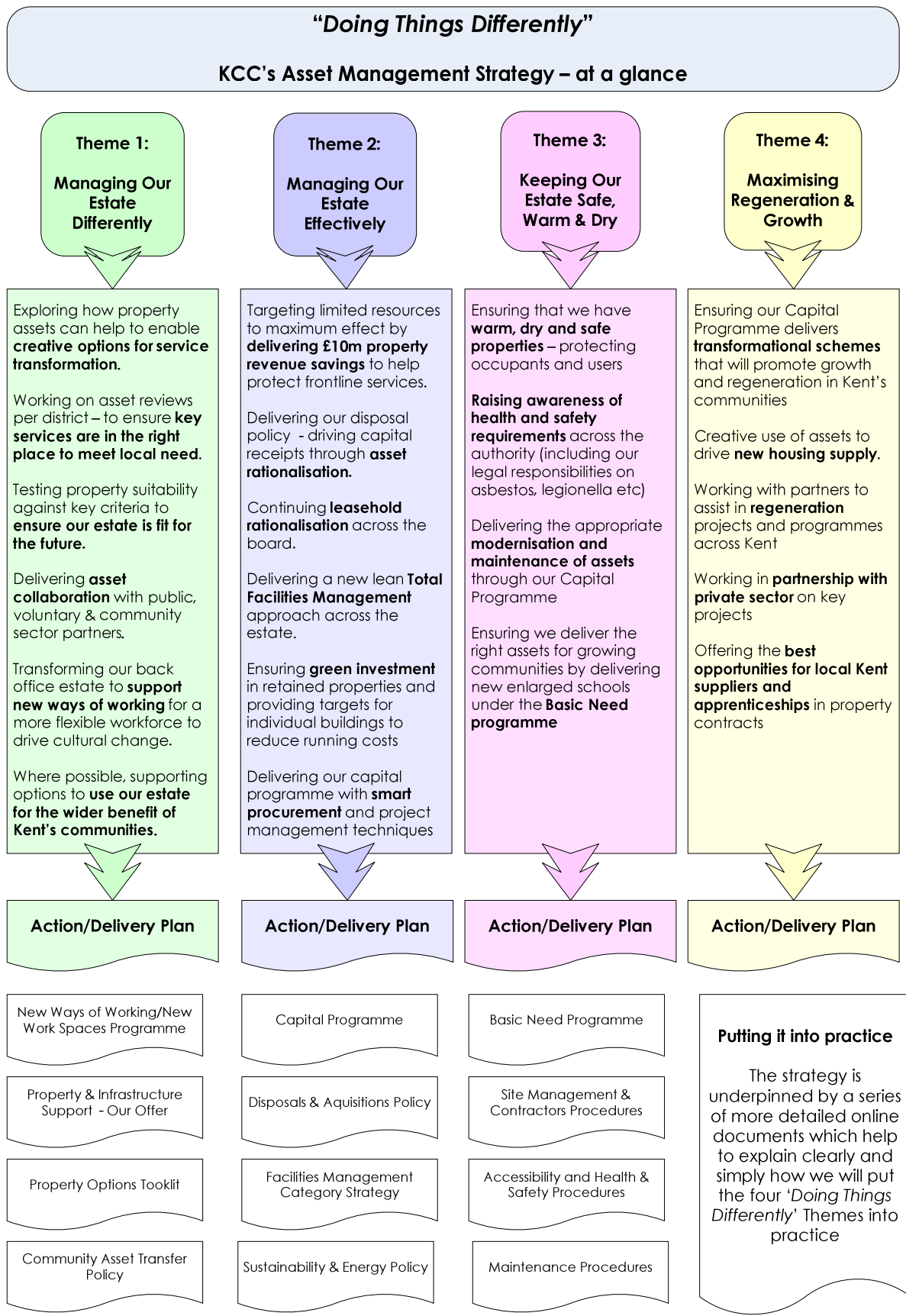
- 2.10 The Asset Management Strategy will also outline the high level programme of initiatives that need to take place before a full disposals programme can be agreed, for example data reviews and asset reviews. The process and policies for how this is done in practice will sit as one of several online procedures that underpin the strategy.

3. Progress Update

- 3.1 Work over the last few months has focused on identifying the key policy themes that should be reflected in the plan, to ensure that the stance of the strategy is fully consistent with the strategic direction of the organisation.
- 3.2 The engagement approach with staff and partners has been developed, with a range of methods identified including small focus groups with service directorates to ensure we reflect and balance the strategic direction with service perspectives. At a time of immense change, it will be important that our communication approach is consistent with other transformation activity, as part of engaging staff in 'New Ways of Working' as part of the 'Doing Things Differently' campaign. Further engagement with key services will take place throughout March and April in order to develop buy-in and understanding of how the strategy will impact the wider business.
- 3.3 It is important that communication is honest and open. A critical aspect is for service departments to understand the financial savings P&IS is responsible for achieving, the scale of the reductions required and what impact and implications this may have. We need to be clear that we will work closely together with teams and departments in order to achieve targets for the benefit of the whole organisation and protect frontline services.
- 3.4 P&IS have held an away day and workshops to work through the draft strategy to understand how the strategy can be implemented, and to take into account and considerations that need to be reflected from a delivery viewpoint. This has identified four key themes which are shown in **Figure 1**, and will develop and evolve as the draft strategy progresses. **Annex 1** shows how the themes may be divided up into delivery plans and workstreams.

Figure 1: Draft Key Themes

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- 3.5 The key priority workstreams for 2013 are set out in **Annex 2**, showing how the delivery streams are connected to the overall Asset Management Strategy.
- 3.6 The overall intention is to develop a draft strategy for engagement and consultation during March and April, with a final strategy to approve by the Cabinet Member in May 2013. At this early stage, an outline Draft Asset Management Strategy has been attached in **Annex 3** for information. This is intended to promote discussion and assist the Policy & Resources Committee to shape and influence the key themes and priorities they would like to see within the strategy, as part of their pre-scrutiny role in policy development.
- 3.7 The Policy & Resources Cabinet Committee are asked to NOTE the progress to date on the development of the draft Asset Management Strategy. The Committee is asked to CONSIDER and COMMENT on the early draft strategy (set out in **Annex 1-3**), as part of the pre-scrutiny role to help shape policy development. It should be noted that further development and refinement of the draft will take place over the coming weeks, due for completion at the end of March, and that the development of the themes is still progressing as we continue to engage with services.

4. Next Steps

- 4.1 The outline timescales and milestones for the delivery of the Strategy is set out below:

Milestones	Finish
Review Key Organisational Strategies	Complete
Initial Data review for the portfolio	Complete
Strategic Property Asset Forum (agreeing steps forward)	December 2013
P&IS briefing away day	February 2013
Staff engagement within KCC	March to April 2013
Final draft plan complete	April 2013
Approval and launch of final strategy	May 2013
Sign off of all workstreams	May 2013
Final Asset Management Strategy Plan to P&R Committee	June 2013
Post implementation workshops and promotion of the Strategy and delivery plans	May – July 2013

- 4.2 Further discussions and engagement with staff will take place as part of the rollout of the 'New Ways of Working' programme launched on 4th March, which is part of our 'Doing Things Differently' campaign to communicate more consistently on how our key transformation programmes and change activity will impact on the way staff carry out their work to deliver services to the people of Kent. This will help to reinforce workshops both with key staff from the Challenger group, and with services to promote the 'New Ways of Working' programme and help generate feedback on the draft Asset Management Strategy.
- 4.3 Due to the current demands on staff in key frontline roles, P&IS will also offer alternative engagement methods, including discussing requirements or implications over the phone, through webinars or feedback through a set of

'Frequently Asked Questions'. By using a range of approaches and different styles, this will provide the best possible opportunity for a wide range of staff to feed into the draft strategy and ensure that important views are gathered.

- 4.4 The strategy is due to be endorsed by SPAF (Strategic Property Asset Forum) and approved by the Cabinet Member for Business Strategy, Performance & Health Reform in May 2013. The final strategy will be shared with the Policy & Resources Cabinet Committee in June 2013.
- 4.5 Once the plan is approved it is envisaged that this will be a live public document which is accessible online and launched internally through a series of presentations and delivery workshops. The plan will also be launched internally within P&IS to be sure that it is implemented in practice and understood by all property staff.
- 4.6 An important part of putting the strategy into practice will be the underpinning workstreams and supporting policies and procedures (as set out in **Annex 2**). The delivery workstreams will be programmed to ensure best delivery and this will be shared with the wider/ relevant groups. The programme of roll-out will also be included in the launch workshops and presentations so people are aware of the projects, any implications and timing.
- 4.7 The Policy & Resources Cabinet Committee are asked to AGREE the proposed approach, including the indicative timescale and engagement approach.

5. Financial Implications

- 5.1 Financial implications from the plan are mainly concerned with the delivery of the workstreams and external advice is potentially required. It is envisaged that this is contained within current property budget projections.

6. Risk

- 6.1 The following risks associated with the delivery of the strategy have been identified:
 - a) With the wrong focus there could be a lack of clarity on the asset portfolio, leading to opportunities being missed and poor decision making;
 - b) If no, or the wrong frameworks are put in place then this could lead to poor asset management and the Council not obtaining best value for its estate (part of our statutory duty of best value);
 - c) A poor framework may not support the delivery of transformation programmes with a potential impact on delivery and quality of services;
 - d) Service Strategies and visions are not fully available and therefore difficult to predict property requirements;
 - e) Staff do not have the time to fully engage with the plan;
 - f) Delays to the timescale occur due to the above, or other factors and potential uncertainty/ requirement to review the direction of the plan;
 - g) The financial targets for P&IS conflict with the delivery aspirations / requirements of the services;
 - h) Poor promotion of the Asset Management Strategy could lead to the Council and staff not treating assets as a significant and valuable resource.

7. Equality Impact Assessment

- 7.1 An Equality Impact Assessment is being prepared and will be completed by the final draft.

8. Sustainability Implications

- 8.1 The Asset Management Strategy will embrace, wherever viable, the Council's commitment to ISO140001 with the environment being a strategic theme to ensure it is embedded in the practise, goals and vision of P&IS.

9. Conclusion

- 9.1 The key objective of the Asset Management Strategy is to ensure that KCC maintains the appropriate the property assets to continue to support service delivery in an efficient and effective way, whilst meeting the challenging demands of the current economic climate. The strategy will help to ensure that property decisions are not made in isolation but in an informed way, giving a consistent framework for property decisions and ensuring all property resources are focussed on meeting the strategic objectives of the organisation.

- 9.2 The strategy will be consistent with the strategic direction of 'Bold Steps for Kent', and the financial savings context within the Medium Term Financial Plan. The underpinning delivery plan and workstreams will set out clear, environmental targets, operational risk management, diversity issues, and deliverables to ensure that it helps to achieve the delivery of outcomes which best meet the needs of all Kent residents.

10. Recommendations

- 10.1 The Policy and Resources Cabinet Committee are asked to:
- a) NOTE the progress to date on the development of the draft Asset Management Strategy
 - b) ENDORSE the proposed approach, including the indicative timescale and engagement approach
 - b) CONSIDER and COMMENT on the early draft strategy, as part of their pre-scrutiny role to help shape policy development, ahead of the proposed Cabinet Member decision to approve the strategy in May 2013.
- 10.2 The committee is also asked to consider any key themes or priorities that are missing within the draft strategy.

11. Background Documents

Annex 1: Key Strategic Themes
Annex 2: Key Workstreams 2013
Annex 3: Early Draft Strategy

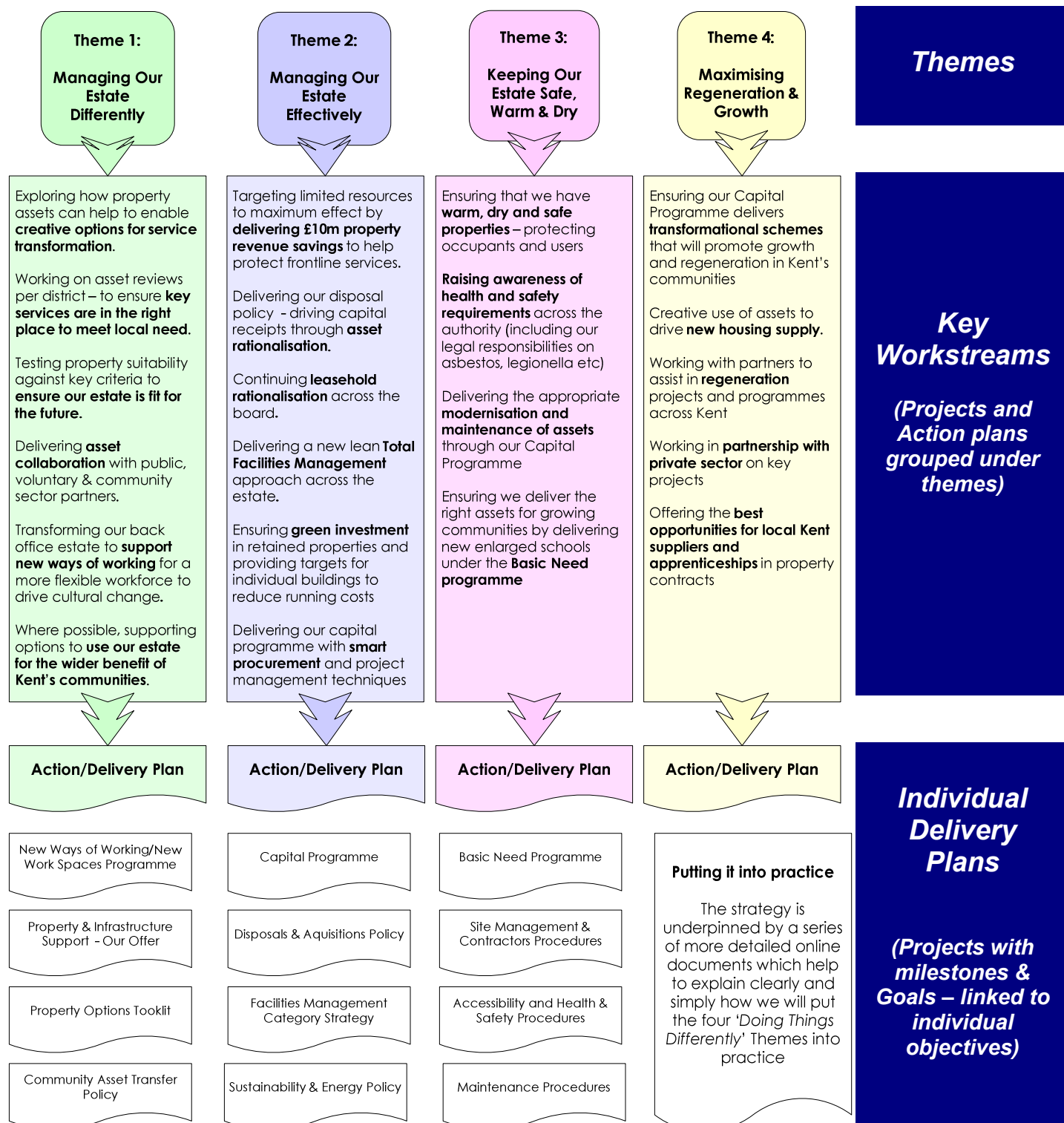
12. Contact

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Annex 1: Key Strategic Themes

“Doing Things Differently”

KCC’s Asset Management Strategy – at a glance



Annex 2: Key Work-streams 2013

Key Workstreams - 2013

- **Implementing Asset Strategy** and re-establishing role of property assets can help drive service transformation
- **Reinforcing reductions in property revenue costs protect frontline services**
- Working on **Asset reviews** per district – to ensure key services in the right place and ensuring key service hubs
- Delivering new enlarged schools under the **Basic need programme**
- **Testing property suitability** against key criteria
- Ensuring **PIS is embedded in service transformation** programmes and providing options for Members/officers
- **New work spaces** as a cross-organisation project to drive savings to protect savings and promote a flexible workforce
- Delivering **asset collaboration projects** with public partners
- Disposal strategy and delivery - **driving capital receipts through asset rationalisation**
- Continuing **leasehold rationalisation** across the board



Key Workstreams - 2013

- **Warm, dry and safe properties** – protecting its occupants and users and raising awareness of health and safety requirement across the authority
- Delivering **new lean FM delivery** across the estate.
- Supporting Health/FSC health transformation programmes
- Delivering capital programme with **smart procurement** and project management techniques
- Creative use of assets to drive **new housing supply**
- Working with partners to assist in **regeneration project programmes** across Kent
- Supporting **local partners/communities** using KCC assets where applicable
- **Green investment** in retained properties and providing targets for individual buildings to reduce running costs
- **Working in partnership with private sector** on key projects
- Offering the best opportunities for **local Kent suppliers** in property contracts/supply chain



Annex 3: The Outline Draft Asset Management Plan

The current plan is in draft at present and is being updated further to the workshops outlined in this report. The agreed timescale for delivery of the draft is the end of March.

Annex 3 is an outline of what to expect in the report. The report will have more detail however this outline gives a clear indication of the sections and the direction the report will have.

The first sections up to page 17 are well progressed and have been worked through with the Policy team.

The final sections on Themes from page 18 onwards and delivery plans are being worked through as further engagement with service directorates and stakeholders are incorporated.

Please note that the look and presentation of the report will also be different once we have had graphic design input from KCC's Communication and Media team

Each section has a P&R Cabinet Committee note at the beginning to outline the intention of the section and what will be included this is shown as below:

P&R NOTE: This section outlines