

From: Rebecca Spore Director of Infrastructure
To: Eric Hotson, Cabinet Member for Corporate and Democratic Services
Decision No: 18/00009
Subject: Asset Management Strategy 2018-23

Classification: Unrestricted

Past Pathway of Paper: Cabinet Members Meeting 23rd April 2018 , Policy and Resources Cabinet Committee – 11 May 2018

Electoral Division: ALL

Summary:

Kent County Council holds a property portfolio with an asset value of circa £1.87 billion. In addition, KCC runs an ambitious capital programme where receipts from the disposal of surplus assets are reinvested in line with the Council's priorities.

To ensure KCC extracts maximum financial, operational and social value from its estate it is imperative that it continuously aligns to KCC's outcomes contained within its various policies and objectives and looks to the future to determine a plan to follow and assess its success against.

Primarily, this draft Property Asset Management Strategy 2018 - 2023 sets out the vision and objectives for KCC's estate for the next 5 years and responds to the changing context the Council is operating within, including service reviews and advances in technology which are changing the way we use our assets. The move is towards a better utilised, right sized estate which is relevant to KCC's service delivery whilst maximising the opportunity through its investment funds to deliver income to the Council.

In addition, the report provides a review of KCC's New Ways of Working Strategy, a key Corporate Programme initiated under the last Asset Management Plan. This sought to align the way KCC works to modern methods, considering how office space should be utilised using modern practices and technology to drive greater efficiency and effectiveness.

Recommendation(s):

Cabinet Member for Corporate and Democratic Services is asked:

1. To note the Estate's present position and achievements through the implementation of the last Asset Management Strategy 2012–2017.
2. To note the proposed policy statement including the vision and mission for the estate.

3. To note the six themes which the Strategy will focus upon to deliver the vision for the estate.
4. To agree the adoption of the Asset Management Strategy 2018-2023 attached as appendix 1 to this report and the development of delivery plans.

1. Introduction

- 1.1 This report introduces and recommends the adoption of a new five-year asset management strategy for its property estate commencing 2018 until 2023 which will replace KCC's present Asset Management Strategy which came to an end in 2017.
- 1.2 A Property Asset Management Strategy is an effective tool to drive an Estate's efficiency and effective management by setting out objectives and performance criteria. Property assets are a considerable cost to the delivery of services and to ensure value for money is being obtained by KCC, the Estate needs to deliver its function adequately and appropriately in accordance with the needs of the organisation. In line with industry best practice The Asset Management Strategy will be a key enabler for Council Transformation and business change, delivering improved outcomes and increased opportunities.
- 1.3 To ensure KCC extracts maximum financial, operational and social value from its estate, it is imperative that it continuously aligns it to KCC's outcomes contained within its various policies and objectives and looks to the future to determine a plan to follow and assess its success against. The new format of the document, whilst similar, takes account of how KCC is going through an ongoing change at some pace and therefore specific targets, priorities etc. will now be established in Infrastructure's Annual Business Plan.
- 1.4 This Asset Management Strategy will be the document referenced in all key property management strategies going forward, such as, KCC's Capital programme, Asset Utilisation Programme, etc. The strategy will ensure that these and other similar programmes tie into KCC's wider change activity. The document also pulls together where the estate is contributing to the delivery of KCC's policies and plans such as the Kent Environmental Strategy.
- 1.5 This report will set out the main achievements through the 2012-2017 Asset Management Strategy to date. Lastly, in view of its importance in respect of delivering changes to the estate, this report will also provide a brief review of New Ways of Working progress in the last reporting period (June 2016-March 2018) on the delivery of its agreed strategy and implementation.
- 1.6 It provides an update on actions being taken to continue to deliver this integrated change management programme for KCC and the two East Kent projects which came to the Property Sub-Committee for a decision in June 2016 and have recently been completed.

2. Financial Implications

- 2.1 Presently the revenue budget for managing the Corporate Estate in 2017-18 is approximately £27m. This budget excludes the cost of assets presently managed within the Directorates and are due to transfer to central management in 2018.
- 2.2 KCC's estate is considerable and this is demonstrated by its asset value for accounts purposes for the estate at £1.87 billion. This is not a market value (presently we only hold this information for vacant assets and those identified within the disposals programme – currently 67 assets are estimated in this programme to produce £101 million).
- 2.3 The work undertaken for this Asset Management Strategy identified that despite the considerable work and targeting to reduce the operational asset base, the estate remains large.
- 2.4 The new Asset Management Strategy clearly focuses the need to *review, reduce and renew* its estate to more sustainable proportions but use this process to improve the overall quality of the estate to support better service outcomes and for it to become more manageable in a reducing budget environment. The Strategy will therefore set a direction for all programmes and strategies sitting beneath it that can deliver over the term significant revenue savings and capital investment resources.

3. Statutory and Policy Framework

- 3.1 Kent County Council is bound to a breadth of statutory duties and functions which it delivers throughout the organisation through its various services. They also deliver KCC's vision contained in its Strategic Statement 2015-2020 to "Increasing Outcomes, Improving Opportunities".
- 3.2 From the foundation of statute and KCC's Strategic Statement, it also has a considerable number of operating strategies and transformations relevant to the delivery of outcomes.
- 3.3 The services that deliver these outcomes in turn occupy and deliver services mainly from KCC's operational estate. Matters such as the Estate's asset's suitability, sufficiency, condition and management can therefore impact on the organisation's ability to deliver services effectively and efficiently.
- 3.4 The management of property assets itself is also bound by a complex framework of statutory requirements such as compliance matters, use, financial matters etc. and KCC's own Constitution (particularly The Property Management Protocol) that need to be adhered to.
- 3.5 An Asset Management Strategy focuses the Estate and how it is serviced, it aligns with the organisation's objectives, direction, management etc. and ensures a consistency in decision making and performance requirements. The Draft Asset Management Strategy 2018 – 2023 attached at appendix 1 to this report considers the organisation's strategic drivers which have provided the basis for the alignment and performance of Kent's estate and vision.

4. Asset Management Strategy 2018 – 2023.

- 4.1 As described above, the proposed Strategy for 2018-2023 replaces the previous Asset Management Strategy 2012–2017. It takes stock of the Estate at the end of the last strategy period; the strategy and requirements of Kent County Council going forward and sets the direction the Estate must take over the next five years.
- 4.2 Since the last 2012-2017 Strategy, the public sector has continued to experience resource pressure despite the rising expectations from the public in respect of the services being delivered. The Council has also imbedded its commissioning approach and the way in which services are delivered is changing which impacts on the way that we manage our property estate. Whilst there are some parts of the building stock which are in good condition historically investment in our assets has not kept pace with the requirement. The findings and learning from the Hackitt Review may also have an impact on how KCC and public bodies manage statutory compliance across its estate as we move into the next planning period. The general market in Kent remains buoyant however the market remains risk adverse and fragile.
- 4.3 These significant changes inevitably have led to an examination of priorities and the direction that asset management should follow. The new Strategy has redefined the Policy for KCC’s estate as follows:

“We are committed to managing our property assets in a way that will provide best value to the people of Kent on a sustainable basis, supporting the delivery of services to the right place in an appropriate environment. We will seek to maximise opportunities to generate income streams through our asset base.”

- 4.4 In addition to this policy realignment, the strategy has recognised that the shape of the portfolio needs to take account of service transformation and improvement of customer experience, the continued budget pressures being experienced by the organisation and the need to deliver greater management rigour in respect of matters such as compliance amongst other things identified within the document.
- 4.5 The vision encapsulates property as a service so not only applies to the estate but how we would like the service itself to look:

“A professional, ambitious and dynamic property service, working in partnership with our customers, building occupiers, suppliers and partners to optimise asset performance and income in the delivery of our property services and solutions.”

- 4.6 The mission statement builds on this to specifically consider Property Services’ mission on how it may contribute to the estate and how the estate in turn contributes to KCC;

“To be a leading Public-Sector Organisation for asset management with a proactive approach to driving the best from its asset base and service delivery”

- 4.7 Finally the strategy sets out six themes from which decisions and direction of management should refer and which takes account, in property terms, the Council’s strategies. These are:

1. Innovation and customer focus
2. Safe warm dry and statutory compliant Estate

3. Effective asset and estate management
4. An efficient adequate and appropriate estate for the organisation. This theme also includes the requirement from the portfolio to contribute income / receipts to the Council's overall financial position.
5. Maximise Opportunities for Regeneration & Growth
6. Reduce the impact of the estate on the environment and vice versa.

5. Asset Management Strategy 2012-2017 to date & New Ways of Working Review

5.1 Objectives and Targets of the 2012-2017 Strategy.

The outgoing 2012– 2017 Asset Management Strategy sought to implement significant changes, centred on five key 'Vision Themes', to the way in which the portfolio was managed and maintained and set some ambitious targets.

Key achievements include:

- The freehold portfolio has been reduced by 31% and the leasehold portfolio by 65%.
- Completed the Corporate Landlord implementation phase 1 and reconfigured the portfolio holding structure into three holding portfolios – Operational, Investment and Policy Return
- Established a new property delivery model
- Lead on the facilitation of One Public Estate in Kent and the establishment of the Kent Estates Partnership
- Reduced running costs across the estate by 27% and delivering against the £10 million total place saving identified in 2011.
- Total Facilities Management Contract implemented
- Improvement of compliance rigour and Business Continuity
- Closed the previous PEF Funds and established a new PIF fund to delivering an income return to the Council
- Delivered against the Environmental Targets in the Kent Environmental Strategy
- Delivered the New Ways of Working programme and have completed 3 major office acquisitions
- Delivered circa £40million capital receipts and developed a pipeline of £101 million over the next 4 years
- Delivered the capital programme and responded to urgent business needs

5.2 The New Ways of Working Programme was a key programme bringing together property, HR and ICT to support our staff work in different ways. As part of the programme existing offices and new consolidated office provision was re-configured to create a range of work environments and 'opportunities' for staff and colleagues to adopt modern working practices.

The New Ways of Working programme has delivered:

- Reduction in office estate of 15,250 square metres
- Reduction in workstations by approximately 33% across the county and in storage by approximately 50%

- Increased utilisation from 30% to 70%
- £7.8m capital receipts
- £4.5m average annual revenue savings
- £20.4m benefits in NPV terms
- Delivered across 5 years and due to complete in 2018
- Provided improved working environments for staff

5.3 Whilst good progress was made during the course of the last programme, the proposed asset management plans seeks to build on progress to date. The following areas have been identified for future improvements:

- Continue to develop the initiatives already underway to harvest greater efficiencies in the ways in which we do business and provide services to the people of Kent with particular focus on driving increased estate utilisation and growing income opportunities.
- Develop a longer time-horizon for the work that we do, particularly with respect to asset utilisation, premises consolidation and the capital programme, so that we can improve engagement with stakeholders, achieve greater 'buy-in' and more robust outcomes
- Establish, record and maintain suitable metrics by which we can measure the performance of our endeavours and the consequent performance of the asset base. E.g. Condition/ Utilisation data
- Develop our processes to improve communication amongst stakeholders and subject matter experts to promote a more holistic basis for decision-making, seeking to minimise abortive work or expenditure
- Improve the identification of dependencies between work programmes / initiatives and seek to ensure that they are managed in ways that leverage the maximum benefit across the whole activity portfolio

6. Next Steps

6.1 Once the New Asset Management Strategy is agreed, which sets out the high level framework plans to be developed to support each of the themes, this is to be integrated into the annual business plan for Infrastructure. This will include objectives and targets aligned to each of the themes that can be monitored and reported against.

7. Conclusions

7.1 The New Asset Management Strategy 2018 – 2023 replaces the previous one from 2012-2017. It takes account of some of the significant changes that have happened over the last 5 years, lessons learnt and future direction of the organisation.

7.2 The strategy is vital to set out a new policy and vision for Kent County Council's estate from which consistent review, management, performance measurement and decision making can be referenced.

- 7.3 The draft document is attached at appendix 1 and Cabinet Members are invited to comment upon the content but specifically the policy, vision, mission and themes it sets out.
- 7.4 The New Ways of Working programme will complete by 2018. Outcomes overall are positive despite the challenges regarding matters of building dilapidations, not meeting modern requirements and scope changes. Funding shortfalls have been found from budgets where the programme has addressed work that they would normally fund.

8. Recommendation(s)

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9. Contact details

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