Appendix J

Asset Utilisation Strategy 2016-17 Approach

Northamptonshire County Council

1 Introduction

Northamptonshire County Council is on a road to change, in response to financial pressures in the public sector resulting from reductions in funding and increasing demands on its services.

The Asset Utilisation Strategy is intended to be a living document that can respond to the rapid pace of that change, and itself map out the way that fundamental changes to the shape and size of NCC's property estate can be a key element of the drive to make savings, increase productivity and efficiency and improve the customer experience.

The Strategy contributes to savings through a planned and structured programme to rationalise the property estate and to use the remaining estate more efficiently. A smaller property portfolio delivers sustainable annual revenue savings by reducing maintenance and operating costs, and costs of rent, rates and utilities. It can also help to reduce exposure to "unforeseen" repairs and maintenance costs in the context of a significant historic maintenance backlog, by removing properties from the estate and also through targeted investment in essential preventative repairs within the retained elements of the estate. The Strategy needs to work closely with Services to provide opportunities where alternative Service delivery strategies can lead to the release of assets or provide revenue generation.

In respect of NCC's corporate offices, the Asset Utilisation Strategy combines with other NCC programmes, including the Next Generation Working Programme, the IT Strategy, and the Workforce Strategy, to support the creation of high productivity working environments which enable flexible and collaborative ways of working. The transformation of working environments and practices is driven and shaped by changes to the physical working environment, and the provision of new technologies.

The Strategy also needs to respond to the changing landscape of service provision where delivery is commissioned through a range of contractual and partnership arrangements. The Council's property assets will be a key part in meeting the needs of delivery partners whilst ensuring that use overall return are maximised.

The rationalisation of the estate, together with land held for strategic purposes, will create opportunities for innovative property disposals, which in turn will lead to the generation of capital and revenue returns to support the Council's service delivery.

2 NCC Property Portfolio – Features and Challenges

2.1 Overview – NCC Property Portfolio

The full property portfolio, including community school property for which NCC has ultimate legal responsibility, consists of approximately 528 properties. The portfolio can be described with reference to the following main sets of properties:

- Office Accommodation
- Operational Properties
- Education Estate
- Non-Operational Properties

2.2 Offices:-

- The office element represents significant revenue costs (i.e. rent, rates, utilities, facilities management etc), totalling approximately £3.16m per annum

- The development of a new office building in the centre of Northampton (Project Angel) is now well underway. The new building will accommodate much of the current workforce which requires an office base in the centre and south of the County, enabling the exit of at least 12 current buildings, and delivering revenue savings as well as an economic boost for the town centre

- There are currently 19 properties with primary office functions within them of which 80-90% of the revenue spend can be apportioned to 5 properties.

- These include the 12 properties within the scope of Project Angel, which have a combined revenue spend (in 2013-14) of £2.384m

- Important offices in revenue costs terms are: John Dryden House, Northampton (£782k which supports a staff headcount of 1848), Grafton Court, Kettering (£201k which supports a staff headcount of 246), Century House, Northampton (£285k which supports a staff headcount of 122) and Riverside House, Northampton, £533k which supports a staff headcount of 145) (*Staff headcount based on October 2015 ERP Report)*

- In the north of the County, detailed feasibility work is well advanced for providing a single main office-base, to enable the exit of large leased buildings (e.g. Grafton Court). The feasibility is currently considering the refurbishment of the William Knibb Centre in Kettering, an existing office base with capacity to accommodate flexible working and Child Protection conferencing needs.

- In addition to Revenue Savings, cost avoidance is a significant consideration in the offices portfolio, and the exit of leases forms a key element of the Strategy

2.3 Operational Property:-

- The operational part of the portfolio refers to the approximately 235 properties which are used to accommodate the delivery of operational activity and services. This includes both large purpose built facilities and much smaller properties. Larger purpose built properties include sites such as the large central library in Northampton, and 35 small local libraries and medium sized suburban libraries, local Registration Offices (Births and Deaths), Adult Learning Centres, Care Homes, Youth Centres and Family Centres.

- Revenue costs associated with Operational Property are approximately £5.94m per annum. Approximately 70% of this cost is concentrated in 27 properties, made up of sites such as Outdoor Education Centres, larger libraries, and care facilities.

- The main opportunities in the operational part of the portfolio are to realise capital receipts and to avoid medium to long term costs associated with the deterioration of building condition. Revenue savings opportunities are heavily influenced by service needs and will arise from a collaborative approach, to develop a strategy to use property, in a way that understands the potential for optimising both service delivery and asset exploitation.

- The Operational Estate also accommodates a category of property which is more difficult to classify but becoming increasingly relevant for NCC: those properties where the freehold is retained by NCC, but are leased to external or alternative delivery vehicles, which deliver Council services. Properties in this category tend to be specialised and not commonly available in the market, and NCC retains them because they are more than just property investments let to third parties. The basis on which these properties are made available will form an important part of the Next Generation Council for Northamptonshire.

- The first of these new vehicles is the Heath and Wellbeing Community Interest Company, which will include service delivery from NCC properties such as libraries, country parks, and a range of other properties as well as an office base. Corporate principles for the occupation of property are under development.

2.4 Education Estate:-

- There are currently 127 school properties (including PFI) for which NCC holds the freehold and has ultimate legal liability as the owner of the site. The fragmentation of the schools sector into various types of status and the merger of schools under shared governing bodies renders an exact count difficult. The local management of school sites, and the increasing number of Academy schools means that day to day responsibility and liability for land and buildings has increasingly transferred away from the Council.

- NCC revenue expenditure on schools property is largely through ring-fenced education funding, and consequently the benefits that can be derived from school property are largely confined to shared-use arrangements (school bodies usually demand a market rate for this), such as Children's Centres and ultimately any capital receipts opportunities which arise largely as a result of external decisions to close schools.

- There is significant demand pressure on School places in the county, particularly in Northampton. The need for new school sites is not met through Section106 or Community Infrastructure Levy, and this in turn can become a pressure on the Council's own portfolio to deliver sites, potentially from the Capital Disposals programme, impacting on the Council's ability to generate capital receipts.

2.5 Non-Operational Property:-

"Non-Operational" includes properties ranging from small pieces of land to larger buildings such as 9 Guildhall Road in Northampton. The common feature of non-operational properties is that they are not used by NCC in performing core functions or delivering NCC services.

This category does however also include a number of strategic sites, which are held for future development or investment, or because the time is not right to bring them forward. These sites still provide potential for significant capital and revenue receipts in coming years, and examples include:-

- Wantage and New Manor Farms, Moulton
- Buckton Fields, Northampton
- Wootton Hall Park (in collaboration with the Police)
- Kettering South J9 A14, Pytchley Lower Farm, Kettering
- Stanton Cross, South Hill Farm, Wellingborough

NCC property revenue expenditure on the non-operational element of the portfolio is a small proportion of the overall spend. However, there are important revenue savings, cost avoidance and capital receipt opportunities in the non-operational part of the portfolio.

In several cases the size, shape and location of non-operational property is a major constraint on its potential market value.

Another consideration affecting non-operational property is the fact that a number of non-operational properties are more suited to Community Transfer than sale. This raises several considerations including the fact that the estimated market value of transferred assets is recognised, but no cash receipt achieved. Past experience would also suggest that community transfers do not always achieve a durable transfer of revenue costs or long term cost avoidance.

3 Drivers and Context

3.1 Background

The Council's Corporate Asset Management Plan 2011-12 to 2014-15, was supported by the original Asset Utilisation Strategy developed in 2010, and updated for 2014-15 to 2018-19.

The key principles of the updated Strategy still hold true, and this document proposes a continuation of the work under the Asset Utilisation Strategy for 2016-17.

A key driver for the Strategy is the delivery of financial revenue savings currently set out in the Medium Term Financial Plan for 2014-15 to 2019-20 which seeks a total of £2m in revenue savings from property budgets. The potential for £1.368m of savings has already been identified, predicated on the Strategy outlined below, but further opportunities for savings are therefore needed to deliver the targets.

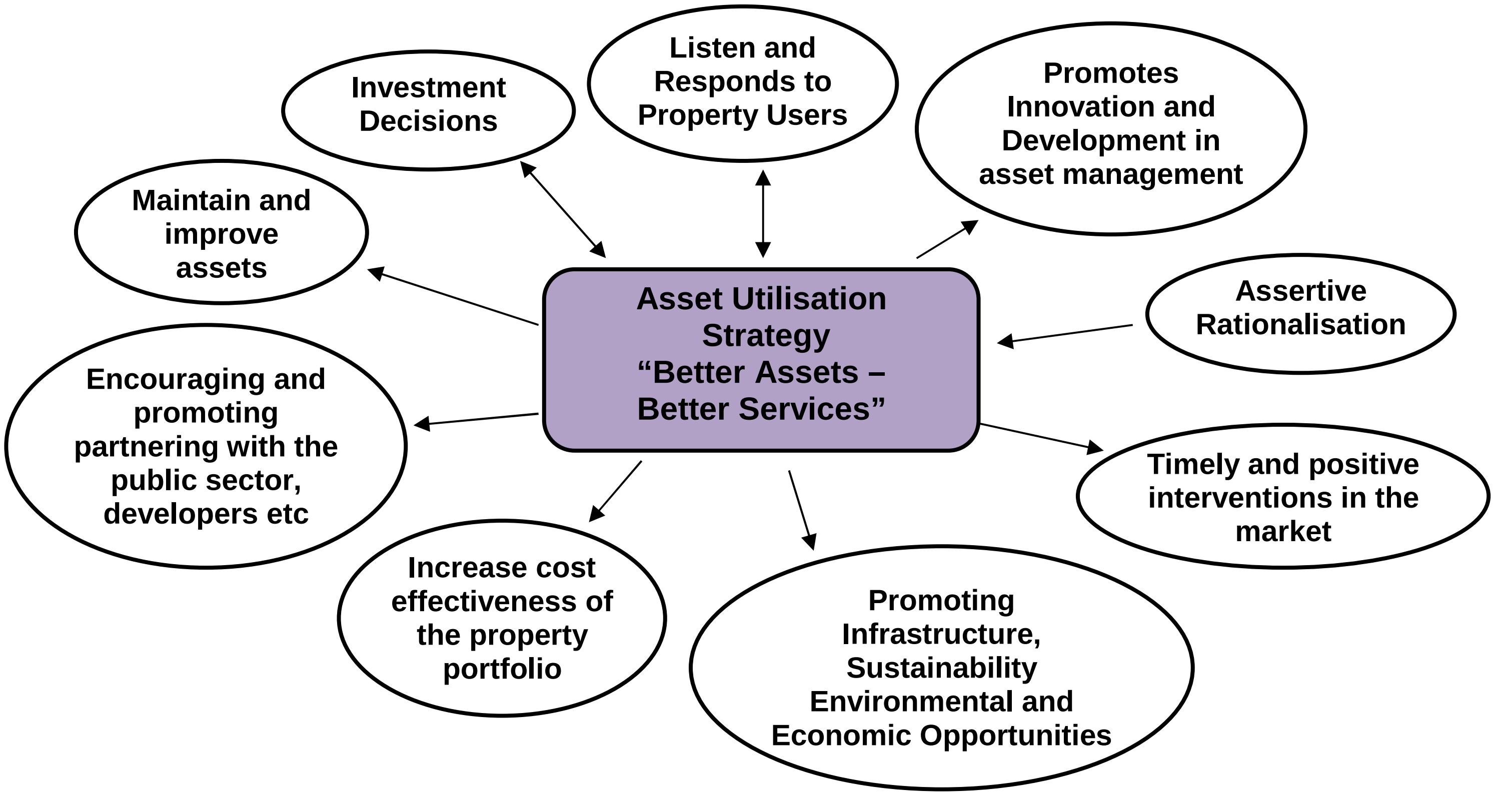
In addition, the Council's Capital Strategy, produced a target of £43m for 2015-16 to 2019-20 (currently proposed revision to £36.12m for 2016-17 to 2020-21), plus a £13.8m target for delivering capital receipts ringfenced to the Project Angel Business Case.

The delivery of savings targets should also be seen in the context of reducing budgets for reactive and planned maintenance of properties, including reduction of staff resources, and limitations on capital spend and investment.

In this context, the Asset Utilisation Strategy seeks to drive out further savings through a structured programme aimed at achieving a cost efficient property portfolio which supports the creation of high productivity working environments.

3.2 Key Business Drivers

CMT approved the key drivers set out in the Asset Utilisation Strategy in 2013



The Strategy will retain a small number of key themes to drive focus and prioritisation.

- Assertive Rationalisation - rigorously review/challenge with a move from the current status of the estate, and reduce annual revenue expenditure
- Strategic Land Holdings - maximise major development and infrastructure projects optimising the future use of Council land to promote environmental and economic improvements
- Maximising Returns - delivering a pipeline of vacant and surplus properties for disposal, to achieve maximum capital value/return or driving strong income streams from surplus property/land
- Partnering - actively work with partners (both public and private sector) to review (a) shared use of assets, (b) maximise respective rationalisation opportunities and (c) joint mutual benefits

- Community Use - review the commercial basis of '3rd sector' use of Council property, and develop principles for Alternative Delivery Vehicles

3.3 Assertive Rationalisation:

The primary business driver for the Asset Utilisation Strategy is the need to achieve the revenue savings.

The methodology being adopted focuses on two main subsets of opportunity to reduce revenue costs:-

1. A specific set of property exits and changes have been modelled with a potential saving calculated on the basis of current revenue costs associated with those properties to meet the requirements of the Medium Term Financial Plan. These costs include all usual property running costs such as rates and utilities, plus rent and Facilities Management costs where appropriate.

   This model is based on two principal Office hubs, one being Project Angel, with an additional base in the north of the county.. These are supported by a network of additional assets to directly and indirectly support service delivery. Touchdown office and meeting space will be provided at NCC assets such as libraries and within partner accommodation particularly borough and district council offices, but also where appropriate with Health, Blue Light and the Central Government estate, such as Job Centre Plus.

   Supported by the IT Strategy, the workforce will also be able to take advantage of working flexibly at home and in publicly available places, such as coffee shops, and partner reception areas.

   An Implementation Plan has been created to identify the points at which challenging property decisions linked to known lease exits and property disposals will need to be made which will impact on the organisation and partners in order to enable the modelled savings to be achieved.

2. The Strategy is challenging the organisation to drive out further accommodation costs within the Operational Portfolio. This requires an approach which focuses on challenging each service area using the operational portfolio to reduce their accommodation costs. In most cases achieving this reduction will require multiple relatively small changes and will be highly dependent on and enabled by clarification of future operating models and commissioning decisions.

   The Asset Exploitation Programme Board monitors and challenges a programme of work to implement the aims of the Strategy. The Board has representatives from Strategic Assets, Property Services, Finance and all the Service directorates, and meets regularly. Amongst its functions, the Board will monitor the Implementation Plan, and has created an Opportunity Register to identify and progress further projects.

   The Board will continuously test the development of the Strategy Model from property, financial and Service perspectives to ensure that it is fit for purpose and will challenge service providers to maximise use of property within their direct control.

3.4 Strategic Landholdings:

The Council retains a number of Strategic Landholdings; land which is owned for historical reasons, but which has been identified as having potential for long term redevelopment. The land is promoted for development through the local planning process at the appropriate time, and brought forward for disposal.

The potential receipts are significant, but depend on allocations for redevelopment which are viable in the current market. As such there is significant risk around the length of the planning process, the success of representations made for allocations, and the costs of implementation. Promotion of these sites is usually a medium to long term process, and due to their very nature, the delivery of the size of development envisaged will take place over a period of time.

The Council will look at different methods of disposal, which may not just produce straightforward capital receipts, but will help to maximise returns over a number of years, potentially on a revenue basis as well as capital. These will require different models of disposal, such as Joint Ventures, Infrastructure enabling, and property holding companies.

The Strategic Landholdings Board, comprising senior officers and members, monitors on a monthly basis, the capital disposals programme, and how the strategic land is being brought forward,including the delivery of the Capital Receipts targets.

3.5 Maximising Returns:

The Council’s property portfolio generates opportunities for capital and revenue generation in a number of ways. The rationalisation of the portfolio, and particularly the Schools estate, brings forward sites that are surplus to operational needs and available for disposal.

Generally the existing use of surplus property does not have a ready market, because of the specialist nature of much of the Council’s portfolio. If there is a ready market, surplus assets can be let directly to the commercial market to generate revenue, but more often, the Strategic Assets team will consider the most beneficial alternative use, and where that is disposal, will obtain planning consent for redevelopment where that adds value before disposing of the site.

There is also potential to re-use Council assets to meet Service needs, for example in developing specialist care provision which is not available in the market, or at a subsidised level. This may impact on revenue and capital returns, but can have a positive impact on future revenue budgets. The Strategic Assets team is actively engaging with services, for example through the emerging Adult Social Care Accommodation Strategy, to identify viable opportunities.

3.6 Partnering:

An important part of ensuring that the Council has access to enough suitable space to enable service delivery through Next Generation Working, will be access to non-

NCC property, and in particular properties within the wider public estate. This will enable cover across the county, but also contribute to opportunities to rationalise, and to co-locate, which in turn can feed property release and efficiencies.

The Northamptonshire Property Partnership is now well established, with regular meetings of the wider public sector estate managers. A joint mapping project has been completed to map not only the assets of local partners including Health and Blue Light services, but those assets held by central government departments, through close collaboration and exchange of data with the Government Property Unit and its own e-PIMS system.

A series of Collaborative Locality Reviews is anticipated and arrangements are in hand for the first of these to be undertaken.

3.7 Community Use:

Parts of the Council's property portfolio are occupied by Community and Third Sector Groups, often on concessionary terms, or supported by the Council's budgets. The arrangements in place governing these occupations are often historical and a review is underway of such assets to move towards a more consistent approach and to identify opportunities for asset transfer, rationalisation through relocation or enabling development, or an exit strategy for the Council.

The potential for 'third party' use of Council property will also increase as the Council considers Alternative Delivery Vehicles for the delivery of elements of its Services. A set of principles will be delivered to cover the circumstances where the Council owns the property still required for service delivery, or where the provision of suitable premises can be left to the contracting arrangements.

4 Dependencies

4.1 Next Generation Working - IT, Workforce and Culture

Increasing the utilisation of properties requires a change in the way people approach work, both in and out of the office. Whilst property assets can be adapted and re-engineered to enable more intense use, the success of the this work is dependent upon the successful implementation of strategies for the introduction of new technologies, to give employees and managers the tools and techniques for working in a modern and flexible way, and to introduce transformational change across the Council.

These strategies are brought together under the Next Generation Working Group, and their communication to employees as part of the implementation of all the strategy areas, is key to the success of introducing new working methods.

4.2 Financial Envelope

The Asset Utilisation Strategy seeks to deliver a new property portfolio model within existing financial constraints. Key targets for reductions in revenue budgets, and achieving capital receipts have been outlined above, but changing the way assets are used will also bring the need for investment, and a reflection of the increased costs of more intense use on the running costs of utility bills, and increased maintenance requirements.

Projects must reflect the net budget outcome, and make provision for sufficient budget to continue to run the portfolio. Some capital and revenue investment will be required; this will be funded from the Asset Utilisation Reserve, although this is a finite resource which will need to be replenished. Significant projects may need to be funded through business cases on an ‘invest to save’ basis.

4.3 The Corporate Landlord

The role of the Corporate Landlord needs to be maintained and enforced, to ensure that property is viewed corporately as an asset, and used for the most beneficial use across the wider council. The role of the Corporate Landlord will be fulfilled by the Asset Exploitation Programme Board, to ensure that it is managed together with Service representation, and therefore able to reflect both Service and Corporate Drivers.

4.4 Project Angel

The construction of the Council’s new office accommodation in Angel Street in Northampton is now well under way, with plans to be fully occupied by the end of 2016.

Detailed plans are now being considered for the exit of the twelve specific buildings in scope for inclusion in the new Angel building, and other planned relocations and re-alignment of other buildings uses will follow. Several of the key building exits are from leased buildings where NCC is tenant, and the most significant is the release of John Dryden House, of which NCC owns the freehold. Plans for the disposal of JDH are already in hand.

Running alongside the development of Angel Street is the consideration of the future of the County Hall site. The important historical status of the site is reflected in its Grade I, Grade II* and Grade II Listings, and securing a sustainable future for the site is a key component of the wider Project Angel. Potential options are under consideration through a joint member and officer Working Group, and through the Angel Programme Board, and detailed feasibility studies are being advanced.

The agreement for the sale of the Old Gaol Block, the Guildhall Road Block and 6 Angel Street to Northampton Borough Council for use in conjunction with the Museum and the University have already been secured.

4.5 Federated Models

The Council is currently on a journey which includes a fundamental review of the way in which it delivers Services. It is likely that the Council will move to a position where services will increasingly be delivered through a commissioning structure where the people involved in delivery may not be directly employed by the Council.

The current Strategy is based on the current Council operating model, but it is clear that the Asset Utilisation Strategy will need to reflect, and continue to adapt and align the estate, to meet changes in Service operating models. Although people involved in the delivery of Services may be employed by “delivery vehicles” not always owned by the Council, the assumption at present is that the overall service delivery, and number of people working from Council office and operational accommodation is not expected to change dramatically in the short to medium term. This will need to be closely monitored over coming months and years.

NCC has mandated that new Federated Enterprises will not be asset-backed; essentially therefore, NCC will retain the freehold interest in those properties required to support service delivery and a range of occupational arrangements and agreements will be made for the use of that property by the new service delivery vehicles

4.6 Community Hubs

Part of the ability to co-locate and rationalise both accommodation needs and service delivery will depend on the Councils ability to co-locate its own Services, and service delivery with public sector and other partners. Community Hubs for both direct service delivery, and for shared back office delivery, will have an important role to play.

The Council's property portfolio will provide a potential feed for Hub locations, and opportunities for rationalisation and release, and current workstreams working with partners across the sector will form an important part of the development of the Council's own strategy

The increased collaboration with partners arising out of the Northamptonshire property Partnership should also identify increased opportunities for co-locations, and has already identified scope for shared meeting facilities with health partners.

4.7 Environmental Quality Compliance

The project has included investment to deliver targeted investment to ensure more intensively used properties are legally compliant and meet basic standards, and that increased intensification and its associated running costs are properly funded. Cost avoidance considerations will also be important in prioritising investment in such a manner as to reduce the financial risks associated with the deteriorating condition of properties.

- The more intensive utilisation of property will require targeted investment to ensure that NCC continues to comply with all legal obligations and is not unduly exposed to financial risk or liability

- In some cases essential maintenance work and adjustments to the internal configuration of buildings will be required to ensure that accommodation is fit for purpose and meets essential health and safety and environmental quality standards.

5 Early decisions and major projects

The Implementation Plan for the Asset Utilisation Strategy includes a number of significant lease exits and disposals which will require individual authorisation.

Key early decision will include:-

- Proposed base in the North of the County – potentially the William Knibb Centre in Kettering for which feasibility work is now moving into outline business case phaseunderway

- Future of key leased buildings – Grafton Court, Kettering; Tithe Barn, Wellingborough; Danetre Lodge, Daventry

- Property Disposals or re-development: County Hall; John Dryden House; 9 Guildhall Road;

The programme for decisions will be monitored and reviewed by the Asset Exploitation Board, and brought forward at the appropriate time.

6 Conclusion and Summary

The Asset Utilisation Strategic outlined here will deliver:

- A smaller property portfolio which the Council can afford

- Accommodation which is well utilised and meets the needs of the Council and its delivery partners

- Accommodation which is designed and configured to support flexible working but will require significant investment in technology, cultural change management and workplace facilities in order to enable and embed flexible working within a more efficient estate

- An accommodation footprint which supports effective service provision, facilitates customer access, avoids significant new travel costs and ensures that the Council continues to have a visible physical presence across the County

- The provision of a network of “touch down points” and Contact spaces to support the mobile element of the work force and to provide flexible work space which augments the increasingly highly utilised team working environments.