

APPENDIX A: Draft Property Asset Management Strategy and Plan

Note for DRAFT document: version history

Version	Date	Comments
0.1	11 th January 2023	<i>Initial draft reflecting strategy statements developed through LGR Asset Optimisation Workstream & LGR Asset Strategy Group, and Draft Council Plan agreed by Executive on 14th December 2022.</i>

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Introduction, Purpose, and Scope

This Asset Management Strategy and Plan has been created as part of the Local Government Reorganisation (LGR) programme in Somerset. Senior officers from the property departments in all five former Somerset Councils have developed the strategy in conjunction with Lead Members from the Somerset Council Executive, and the strategy [*has been approved by the full Council*]. The document sets out the Council's strategic objectives for property asset management, the approach the Council will take to managing its property assets, and a series of high-level commitments to guide property asset management decisions and policy making. The strategy and plan are intended to guide policy and decision making for the first 4-5 years of the new Somerset Council and will be reviewed following the next council elections in 2027, or earlier on the request of the Executive.

Somerset Council has a significant property portfolio stretching across the county. It includes office accommodation, open space, schools, operational properties such as libraries, depots and customer access points, and a significant estate inherited from the five predecessor councils that is leased out. Some property assets are actively used to deliver operational services; others are held for strategic purposes or have been acquired in the past to address a particular objective. The Council's property portfolio will change over time through the acquisition or construction of new assets, remodelling and re-purposing of existing assets, and through the disposal of property interests. Active management of this significant asset base is essential to ensure that the property portfolio delivers value by meeting the changing needs and strategic objectives of the Council, to ensure that assets make a positive contribution to the Council's financial standing over the longer term, and to ensure that the risks associated with holding property are managed effectively.

This Corporate Property Asset Management Strategy provides a framework to guide the management of the property estate, so that it can serve the Council and the people of Somerset as effectively as possible. The overriding intention of the document is to ensure that land and building assets are held by the Council for a clear purpose, and that these assets deliver long term value and are managed and maintained effectively.

The scope of this Asset Management Strategy and Plan is focussed on 'real estate' (land and buildings) assets. Infrastructure assets, such as highways, street furniture, coastal and harbour infrastructure, cycle paths, rights of way and flood defences are not in the scope of this document; similarly, vehicles, IT infrastructure, plant and equipment and other asset groups will be governed by separate strategies. The Property Asset Management Strategy and Plan also excludes assets acquired and held for investment yield, and assets held within the Housing Revenue Account – these asset groups are subject to separate policies and plans.

The first section of this document sets the high-level strategic objectives for property asset management and how these support Somerset Council's Vision and Council Plan priorities, set in the context of some of the challenges and opportunities presented by the Council's property portfolio. This is followed by a second section with further detail on how the Council will manage its property estate, and how the strategic objectives for property asset management will be implemented.

Asset Management Strategy

This Asset Management Strategy will set strategic priorities for property asset management, and guide policy making and decisions on how the Council's property and land portfolio will be used. It will support Somerset Council's Vision and Council Plan Priorities, the safe and effective delivery of statutory services, and the development of an affordable and sustainable property estate for the long-term future of the Council. The strategy is set by the full Council and can only be varied through a further decision by the full Council.

The Somerset Council Vision

Somerset Council has set the following vision as its guiding beacon for the next four years:

“The new Somerset Council will build a fairer, greener, more flourishing, Somerset that cares for the most vulnerable and listens to you.”

Somerset Council Priorities

Four priorities have been developed to clarify the vision and provide a focus for the Council. These are:

- **A Greener, More Sustainable Somerset**
- **A Healthy and Caring Somerset**
- **A Fairer Somerset**
- **A Flourishing and Resilient Somerset**

Somerset Council Values

The priorities are underpinned by a set of core values that will guide the work of the Council:

- A responsible council
- A listening, empowering council
- A council with evidence based and open decision making
- A collaborative council; and
- An enterprising council.

Strategic Context: Asset Management Challenges and Opportunities

Somerset Council is a new organisation, created by combining the functions of 5 predecessor councils (Mendip, Sedgemoor, South Somerset, and Somerset West and Taunton District Councils and Somerset County Council). The Council will inherit a large property asset base, with a wide variety of lease / tenancy arrangements, occupants and building types – managing this large and complex estate will bring challenges. However, the combination of resources, skills and assets inherited from each of the predecessor councils will also bring opportunities, and strategic advantages.

The new Council comes into existence at the most challenging time for local government in a generation. Fourteen years of austerity and growing demand has reduced the spending power and financial flexibility of all councils, and the cost of delivering our services has

dramatically increased due to rising energy costs, rising interest rates and increasing numbers of people who need our support. This means that we are going to have to be incredibly careful with taxpayers' money.

One of the legacies of the years of austerity for property asset management in Somerset (and many other local authority areas nationally) is a **significant maintenance backlog**. Estimating the level of backlog maintenance across the Somerset Council estate is very uncertain, due to the age and quality of existing condition survey data; however a recent high-level estimate has valued the property maintenance backlog for high priority repairs at a range of £30-£40m for Local Authority maintained schools in Somerset, and a further £10-£15m for the non-schools operational properties that the new Council will have maintenance responsibility for. Across the schools and non-schools estate, there are properties that are approaching the end of their lifespan, where repair and maintenance is not economically viable – whilst there are no immediate concerns, in the longer term this issue will need to be addressed. Funding from government to address the condition of school buildings currently falls far, far short of what is needed, both locally in Somerset and at a national level. On top of the financial challenge of this significant maintenance backlog, Somerset Council will also face a **challenge in the cost and difficulty of decarbonising its estate** in order to meet its Climate Emergency Strategy commitments.

The new Somerset Council will also have opportunities to address these financial challenges. Although the challenge presented by the schools maintenance backlog is significant, Somerset Council **is changing its relationship with LA maintained schools** through the agreement of a core set of support services, which will enable a more effective, collaborative approach to addressing repairs and maintenance issues at school sites. If implemented, the current national government's longer-term ambition to transfer all school sites to academy status would change the relationship, and responsibilities for repairs and maintenance, more fundamentally. The predecessor County and District Councils have made a **positive start to estate decarbonisation**, and Somerset Council will inherit a non-schools estate where heat decarbonisation has been achieved in a number of properties, together with a technical / professional property workforce that has developed skills and learning in new, low-carbon technology.

As noted above, the size, diversity and complexity of the Somerset Council estate represents a challenge in itself. Somerset Council will have responsibility for a **very large number of assets**, many of which were acquired historically for different purposes, and some of which confer a **challenging set of legacy obligations on the council** as a landlord. Bringing five councils together, particularly at a point where the use of some operational assets (especially offices) is changing with post-COVID societal change, creates a unique **opportunity to rationalise the property estate**, seeking opportunities for the co-location of former district and county level services and teams, to transfer or dispose of assets to other bodies, and also **work with local partners to share assets across the public sector** in Somerset. As a unitary authority, Somerset Council has a wider range of operational and strategic objectives, which creates a **broader opportunity to change, re-model and re-purpose land and property assets in order to support a wider range of outcomes**. That said, changing and remodelling the estate will be constrained by a very challenging financial environment – in particular, **significant capital investment is likely to be unaffordable for the new Council** in the short to medium term, in particular with anticipated higher borrowing costs. Financing investment through the sale of surplus assets is also challenging in Somerset, where current **high construction costs often exceed local asset / land values**.

Bringing together professional property staff with a range of experience, expertise and networks from the five predecessor councils into the new Somerset Council will **consolidate asset management and real estate expertise** in a new property function that will have a

level of resilience and capability well beyond any of the predecessor councils. Developing new systems and a consistent approach to asset management will be a challenge, in particular given the **inherited range of approaches to managing property compliance and asset records**. Nonetheless, the property function in the new Somerset Council will enjoy a unique opportunity to establish a modern, effective and efficient approach to asset management, based around **the implementation of a Corporate Landlord model and a new, consolidated asset management system**.

In summary, Somerset Council faces the following asset management challenges:

- *A significant maintenance backlog – particularly in the maintained schools estate – with some assets that are approaching the end of their economic lifespan.*
- *The cost and difficulty of decarbonising the property estate to meet Climate Emergency commitments.*
- *A very large number of diverse assets – including a significant number of ‘legacy’ holdings, some with challenging, historic lease terms.*
- *A challenging financial context – in particular, the affordability of capital investment.*
- *High construction costs which, in Somerset, often exceed local asset / land values.*
- *An inherited range of approaches to managing compliance & asset records.*

... but will also benefit from new opportunities, including

- *A changing relationship with LA maintained schools.*
- *Learning from a positive start to estate decarbonisation.*
- *Changing the use of the estate to support a wider range of outcomes.*
- *The potential rationalisation of the property estate, including co-location with partners.*
- *The consolidation of asset management & real estate expertise from across the five predecessor councils.*
- *The implementation of a new asset management database & corporate landlord model.*

Strategic Context: The Somerset Council Property Portfolio

At the time of publishing this strategy, work is ongoing to identify and gather information on the entire land and property estate through the implementation of a single, combined asset management system. In particular, it will take further time to fully document the full range of small amenity and other land parcels owned by Somerset Council in some urban areas. The statistics on the property estate are always subject to change in the future as assets are acquired and disposed; the portfolio presented here excludes a large number of very small land holdings which are (at the time of writing) still being validated. It also excludes all residential Housing Revenue Account properties, and the vast majority of the public highway network, where the council does not own the underlying land. At the time of publication, excluding a large number of small land parcels and HRA dwellings as noted above, Somerset Council has nearly 1,300 individual real estate assets. These vary very significantly in size, value and type – from small play areas to large secondary schools, office blocks and innovation centres.

Chart 1 overleaf shows how these c.1,300 assets are split between categories – whilst the majority are held for operational purposes, there are groups of assets which have been acquired specifically for investment yield, and others which are leased out with no operational purpose.

Chart 1 – categories of real estate assets – operational and other assets.

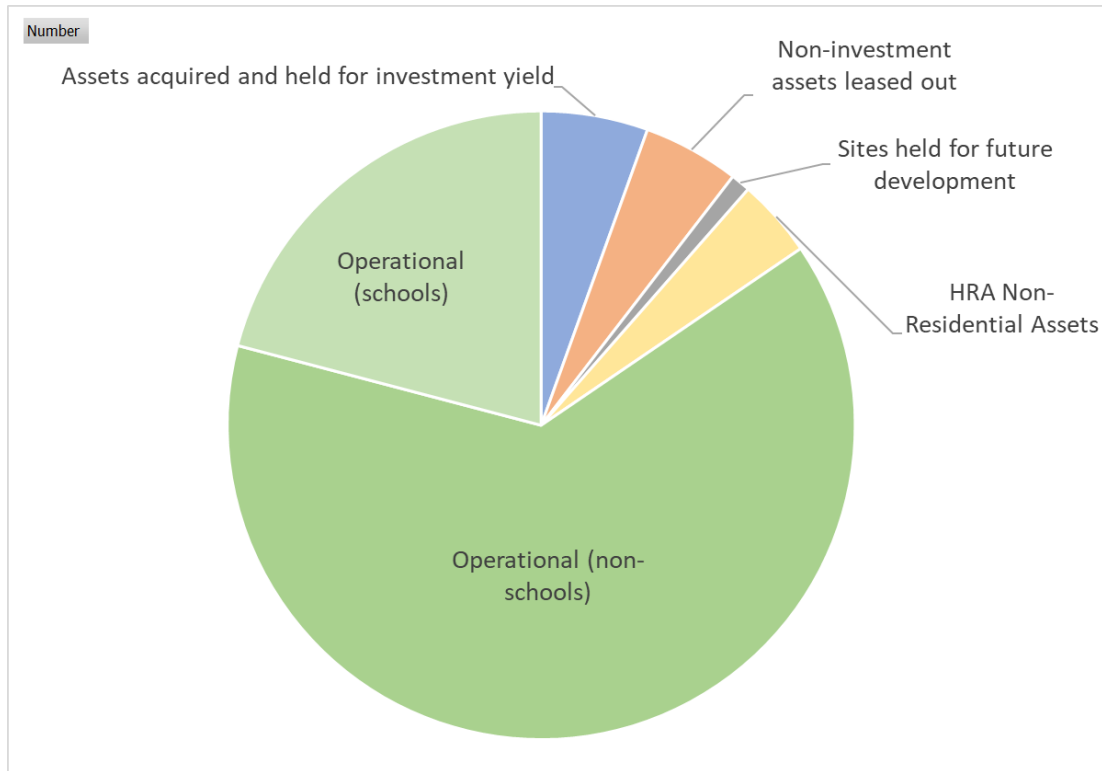
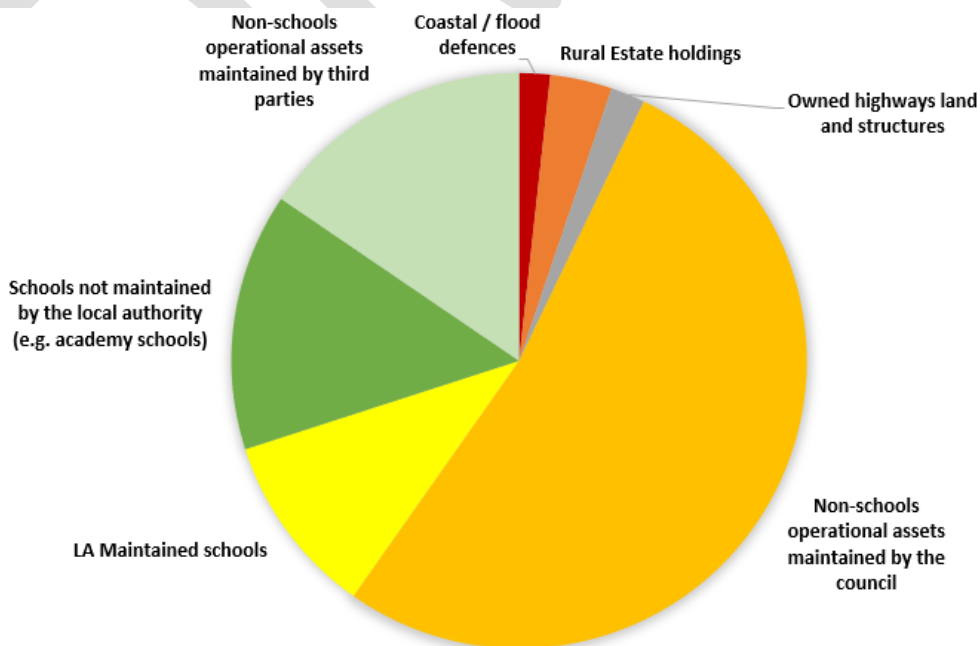


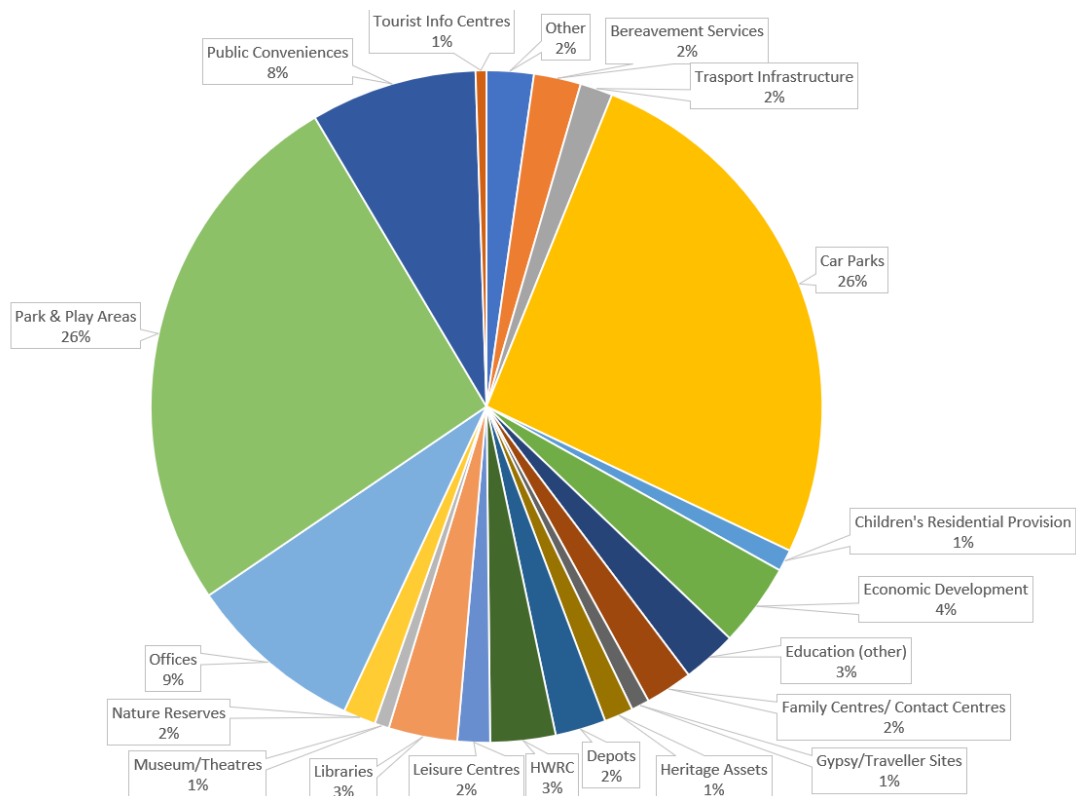
Chart 2a below analyses the subset of c.1,100 operational assets shaded in green above, distinguishing between those assets where the council is responsible for all aspects of asset management (including all repairs and maintenance), and those assets where the council is a landlord and repairs and maintenance risks have been substantively transferred to tenants or other third parties.

Chart 2a – Operational assets categorised by type and repairing liability.



Finally, Chart 2b below provides some further analysis of the c.570 non-school operational assets (the orange segment in Chart 2a above) where the council has responsibility for repairs and maintenance, to illustrate the range of different asset types in this portion of Somerset Council's property portfolio.

Chart 2b – Non-schools operational assets where the council has full repairing liability.



Asset Management Strategic Objectives

The following strategy statements have been developed from the Council Priorities and contextual analysis set out above. These objectives will guide policy making and decisions on how the Council's property and land portfolio will be used.

Strategic Objective 1: The Council's estate is financially sustainable, efficient, and effective.

This strategy objective will ensure that the Council is able to deliver effectively in a very challenging financial environment, and that the property estate does not create an unsustainable burden for future generations of Somerset council taxpayers.

Strategic Objective 2: Assets that are fit for purpose, safe & compliant.

This strategy objective will ensure that the Council meets all legal requirements in the management of its estate, and that assets support effective, modern service delivery for customers and effective, modern workspaces for staff.

Strategic Objective 3: Assets that address the Climate Emergency.

This strategy objective will directly support the Council Plan priority to deliver a **greener, more sustainable Somerset**, as well as delivering against the Climate Emergency Strategy goal of decarbonising the local authority estate and operations.

Strategic Objective 4: The Council's estate is used to meet housing and care needs, with an emphasis on social housing.

This strategy objective will directly support the Council Plan priorities to deliver a **healthy and caring Somerset**, and a **fairer Somerset**, in particular by ensuring that the council's land and property assets support the ambition to be innovative in its approach to housing, and deliver decent quality, low-carbon social housing.

Strategic Objective 5: The Council's estate supports prosperity and economic growth.

This strategy objective will directly support the Council Plan priority to deliver a **flourishing and resilient Somerset**.

Strategic Objective 6: Address the growing challenges in the Council's school buildings estate.

This strategy objective will also directly support the Council Plan priority to deliver a **flourishing and resilient Somerset**, as well as addressing one of the most significant challenges created by a long period of austerity.

Asset Management Plan

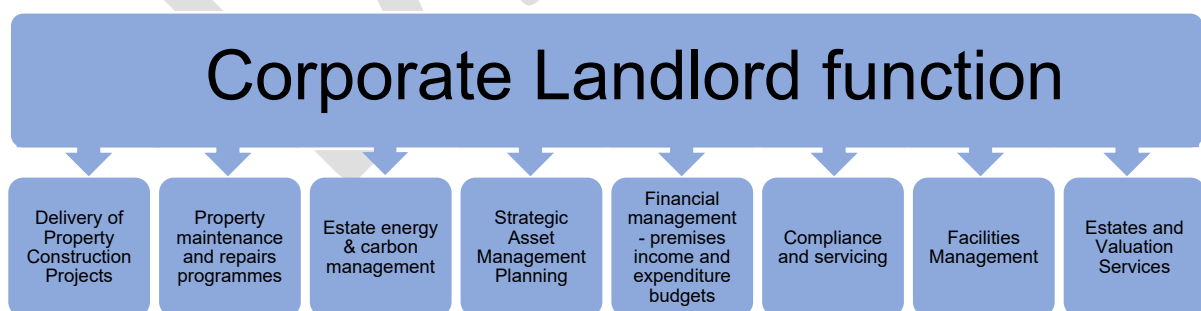
The Asset Management Plan in this section sets out a broad methodology and approach to property asset management which Somerset Council will adopt to deliver the strategic objectives identified in the Asset Management Strategy, as well as providing some additional detail on the initial, high-level plan for its implementation. The Corporate Landlord operating model, in conjunction with a new Asset Management System for Somerset Council, will be central to the effective management of the council's estate and the delivery of strategic objectives. The strategic objectives explained above will be implemented through the framework of policy commitments and high-level plans detailed at the end of this section.

The Corporate Landlord Operating Model

What is The Corporate Landlord Model?

In the past, public-sector assets have often been managed by services rather than a centralised department. For example, the libraries service would be responsible for all or almost all facets of property asset management for the buildings from which they operate – for example, arranging repairs, statutory compliance, and the financial management of premises costs.

The Chartered Institute of Public Finance Accountancy (CIPFA) and the Royal Institute of Chartered Surveyors (RICS) recommend that property is used to meet the requirements and objectives of the organisation as a whole, rather than through decentralised, service-led arrangements¹. In order to do this, many local authorities are moving towards an asset management approach known as the Corporate Landlord model, which manages assets owned by the Council centrally by one dedicated property department. This allows for improved corporate oversight by the Council of important issues such as compliance and financial management. The approach also drives improvement in the utilisation and long term value of the property estate, by enabling flexibility to adapt to changing requirements, driving the optimisation of properties through co-location, and improving the quality of decision making on asset management issues by bringing a professional, longer term focus. Somerset Council will adopt this approach.



There are also financial benefits to the Corporate Landlord Model; through the benefits of economies of scale, a more focussed financial management of premises costs, and the

¹ The Royal Institute of Chartered Surveyors. *RICS Public Sector Property Asset Management Guidelines*. Retrieved from RICS.org.uk: <https://www.rics.org/globalassets/rics-website/media/upholding-professional-standards/sector-standards/real-estate/rics-public-sector-property-asset-management-guidelines-2nd-edition.pdf/>

longer term financial benefits of considering whole-life building costs when making property investment or acquisition decisions. The centralised Corporate Landlord property function should be formed by a group of property experts with the appropriate technical / professional expertise, who work in conjunction with service managers who have different skills related to their core delivery functions. This allows the development of a pooled professional resource to focus on asset management leaving service managers and non-property professionals to focus on their various areas of expertise and knowledge.

What does this look like at Somerset Council?

Somerset Council will operate the Corporate Landlord model of property management for the majority of its non-Housing Revenue Account (HRA) land and buildings assets. There may be some exceptions for specialist groups of assets (for example, Leisure Centres) where economies of scale and expertise for some aspects of asset management is more appropriately concentrated in a service department. However, for all non-HRA, non-schools buildings the default operating model will be a Corporate Landlord approach.

The Corporate Landlord function will generally hold the budgets for rental income and premises costs, undertake all statutory compliance, management of records, estates activities, financial management, and improvement works. Generally, the management of building construction projects will be overseen through the Corporate Landlord function – with service commissioners taking a client role. This will ensure that property is treated as a corporate asset and is optimised to meet the needs of the Council as far as possible, as well as allowing strategic oversight of the entire portfolio simultaneously.

Corporate Landlord asset management principles will be extended to the day-to-day management of Somerset Council's Investment for Yield property estate (though, as noted above, these assets will be subject to different strategic objectives and sit outside of the scope of this strategy). Asset management of Local Authority maintained schools will sit outside of the Corporate Landlord model and will be subject to specific arrangements governed through the Financial Management Scheme for schools.

Working across Somerset Council, with local partners, and with communities

An important principle of the Corporate Landlord model in Somerset is ensuring that the property estate meets the needs of the Council, and the communities and customers it serves. For the Corporate Landlord model to work effectively, it is important that the property function engages thoroughly with its internal customers – the services occupying buildings and service commissioners who deliver outcomes through the council's estate - to fully understand their property requirements. This requires strong relationships to be built and maintained and for communication to be open in both directions. At Somerset Council, a collaborative approach with open communication will be fostered through formal, regular communication and feedback, and informally through a strong collaborative culture and positive working relationships.

Equally important is engagement work with communities and customers, using the insights of community representatives and customer intelligence data to understand how Council assets can be used to meet the needs of the population of Somerset most effectively. This engagement will drive discussions about how asset devolution, or a greater community involvement in local assets, might drive better value and outcomes for communities and customers.

The five predecessor councils have all been active in working with local partners, in particular through a long-running One Public Estate programme in Somerset. Somerset Council will build on this approach, using the opportunity of a stronger, single voice for local

government in Somerset to drive collaboration with local partners and stronger engagement with central government departments. This is particularly relevant for local Health and Police partner organisations, who are already integrated into the Somerset Council estate: the council will continue to collaborate closely with these partners, where appropriate taking joint decisions through the One Public Estate and Integrated Care System partner governance.

Property Records and the Asset Management System

A strong grasp of asset management data and property records underpins effective asset management, enabling the efficient evaluation and comparison of properties and land to support decision making and robust record keeping to support estate management and compliance activities. Somerset Council has implemented a new integrated Asset Management System which has an extensive range of asset management functionality.

This asset management database will be a fundamental foundation for property asset management at Somerset Council and will be fully utilised and optimised by the property function. This means that the system will be a single source of property records and data, and the property function will invest in populating the system fully, maintaining the integrity of data records over time, and integrating the new system functionality into day-to-day operations.

Governance & Decision-Making

Decisions on property and assets are made in line with the Somerset Council Scheme of Delegation, Contract Standing Orders, and the council's Constitution. In line with the Council's corporate governance framework, decisions on the acquisition or disposal of assets or spending on building condition works will be made by Executive members, or senior officers in consultation with Executive members as appropriate (depending on agreed thresholds). Informing and consulting with Local members is a key aspect of the Council's decision making governance, and Local members will be involved in the decision making process for asset acquisitions or disposals in their area in accordance with the Council's procedures. An important principle of the Corporate Landlord model, enshrined in the Council's Scheme of Delegation, is that decisions to acquire, grant or dispose of property interests for 'general fund' (i.e. non-HRA), non-schools properties will be overseen by the corporate property function. This will include decisions relating to leasehold interests, licences and tenancies.

Procurement activity will be carried out in consultation with the procurement department and in line with the Contract Standing Orders. Somerset Council's property asset management function will tender a wide range of contracts for condition and improvement programmes, and the construction of major projects.

The Asset Management Group

While this Asset Management Strategy is set by the full Council, its implementation will be driven and overseen by the Somerset Council Asset Management Group. This group will not be a formal committee of the Council, and as such it will not have decision making powers and will be subject to the Council's wider governance and scrutiny functions. The Asset Management Group will comprise of senior officers, including representatives of the finance and property asset management functions, with Executive Member representation. It will be chaired by the Lead Executive Member. The Asset Management Group may convene sub-

groups as required, on a task-and-finish or ongoing basis, to oversee specific asset groups or programmes of work. The group will also be responsible for developing further property policies.

It is important to note that the scope of the Asset Management Group will reflect the scope of this Asset Management Strategy: it will not be responsible for non-property assets, assets held within the Housing Revenue Account, or investment properties held for yield. These asset groups will be subject to separate governance and oversight mechanisms.

A Policy framework for Asset Management

Somerset Council will develop a suite of policies, through the Asset Management Group, and these will be agreed and adopted through the Council's corporate governance framework. The policy framework will be developed to meet the objectives of this Asset Management Strategy and Plan, but will, as a minimum, include policies governing the disposal and acquisition of properties, the operation of the Corporate Landlord model, and the approach to the Council's Rural Estate.

Asset Management Plan – implementing the strategy

Strategic Objective 1: The Council's estate is financially sustainable, efficient, and effective.

Policy commitments and implementation plan:

- Rationalise and reduce the number of buildings and areas of land wherever possible and appropriate, considering potential long- and medium-term needs, and ensuring assets are held for a clear purpose and provide best value.
- Improve the effectiveness and financial sustainability of assets, devolving assets where appropriate and working with partners and services to maximise use and value.
- Adopt and implement a Corporate Landlord model for the non-schools estate, which treats all properties as a corporate resource and manages them centrally.
- Protect heritage assets where and when affordable, bring them into a financially sustainable use, devolving or disposing of them to deliver long term sustainable protection.
- Develop an acquisitions policy to ensure new assets are financially sustainable and reduce costs.
- Develop proactive maintenance strategies, or dispose of assets, to ensure long term affordability.

Strategic Objective 2: Assets that are fit for purpose, safe & compliant.

Policy commitments and implementation plan:

- Work in partnership with building users and service departments to ensure assets are safe, effective and optimised to support service delivery.
- Modernise asset records and systems and monitor the condition and safe use of buildings to provide comprehensive assurance of compliance and health and safety.

Strategic Objective 3: Assets that address the Climate Emergency.

Policy commitments and implementation plan:

- Eliminate or reduce the use of fossil fuel heating systems and improve thermal efficiency across the estate, when and where affordable.
- Take opportunities to locate and utilise land and building assets to support active travel.
- Use our land and buildings to generate renewable energy and develop smart systems and processes to optimise energy use across the estate.
- Encourage sustainable agricultural practices on the council's rural estates.
- Develop an acquisitions policy to ensure new assets meet Climate Emergency pledges and reduce the consumption of embodied carbon in new build and refurbishment projects.

Strategic Objective 4: The Council's estate is used to meet housing and care needs, with an emphasis on social housing.

Policy commitments and implementation plan:

- Rationalise and reduce the council's estate in urban areas, to release sites for housing.
- Work with partners, central government and the council's housing services to facilitate the use of surplus land for social housing (including community led and self-build schemes).
- Work with social care commissioners to use the council's asset base to improve the sufficiency of care placements in the county.

Strategic Objective 5: The Council's estate supports prosperity and economic growth.

Policy Commitments and implementation plan:

- Maintain a strategic, targeted network of economic development sites to support business growth.
- Retain a rural estate to develop opportunities to support new entrants to farming.
- Where appropriate and affordable, work with partners and develop opportunities to utilise surplus assets to support regeneration and economic growth.
- Ensure that Asset Rationalisation strategies support the sustainability of Town Centre economies.

Strategic Objective 6: Address the growing challenges in the Council's school buildings estate.

Policy Commitments and implementation plan:

- Lobby and influence central government to provide funds to address the critical condition of Somerset schools.
- Develop strategies for the replacement of end-of-life school buildings.
- Work in partnership with school leaders to improve proactive maintenance practices in schools.
- Work in partnership with school leaders to ensure school buildings are safe.