

## SURREY FIRST JOINT COMMITTEE – 3 FEBRUARY 2011

**ASSETS MANAGEMENT AND CONSTRUCTION : COLLABORATION PROJECT****IESE SURREY PUBLIC SECTOR ESTATES REVIEW****Summary**

The principal public sector partners in Surrey have expressed a common desire to share buildings and facilities across the county. A mapping and data collection exercise with partners has now delivered the first phase of this work; this report updates progress and seeks agreement to take this initiative forward in more detail.

**Recommendations**

The Committee is requested to:

- i. Take this initiative forward in more detail with their Chief Executive and members as agreed in their own organisation.
- ii. Commit to implement a premises strategy for public sector property in Surrey, based upon future service delivery property needs.
- iii. Agree to the continuing involvement of health, schools and police providers.
- iv. Agree the setting up of joint partner project teams.
- v. Agree that partners explore the preparation of a financial proposal for a fair, proportionate and transparent charging mechanism for sharing accommodation where this may unlock significant mutual benefit .
- vi. Agree that partners explore the preparation of a detailed proposal for sharing capital contributions.
- vii. Agree to the sharing of centrally available property data hosted by Surrey i.
- viii. Agree to sharing of site mapping and data information between adjoining authorities.

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# 1 Executive Summary

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## The Vision

- 1.1 The principal public sector partners in Surrey have expressed a common desire to share buildings and facilities across the county. In June 2010, Surrey Chief Executives articulated the core aim of the review as the need *'to collectively take cost out of owning and managing our assets'*. This collective aim reflects the coalition government's ambition to rationalise the public sector estate and to create more accountability through community based budgets for local areas.
- 1.2 There is a collective vision across public sector organisations in Surrey that is starting to emerge. It is not one that can be fully articulated yet, but the public sector estate of the future in Surrey is likely to comprise:
  - A smaller number of headquarter and key operating bases for pan-Surrey organisations.
  - District and Borough headquarters, most likely based on existing council civic offices, where staff from local councils will sit alongside a range of Surrey County Council, Surrey Police (and possibly) NHS and Central Government staff, providing services to that locality.
  - Community service centres, specialist facilities and generic meeting points within individual communities. Ideally these should, wherever appropriate, be multi-use facilities extending the daily use of the buildings and acting as meeting and docking points for remote and patch based staff.
- 1.3 The cost of running the future public sector estate will aim to be based on a fair, proportionate and transparent sharing of costs with more flexible agreements replacing traditional leases arrangements.
- 1.4 This is a long journey, but we are not starting from scratch. There are already good examples of co-location and service integration in Surrey and this review has identified further opportunities to take cost out of the estate in Surrey.

## The Context

- 1.5 There is a very large public sector estate in Surrey. This review has collected data on around 8,000 assets from the 11 Borough and District Councils, Surrey County Council, Surrey Police, Surrey Primary Care Trust (PCT) and the Office of Government Commerce (on behalf of Central Government). To ensure a manageable scope, the voluntary sector and other public sector agencies have not been included in this mapping exercise to date, however a fuller picture of public sector property in Surrey would likely take the number of public assets in Surrey over the 10,000 mark.
- 1.6 In physically mapping these assets, it has become clearer that there is a large and diverse public sector estate in Surrey.
- 1.7 The current economic climate presents a challenge to the public sector at a national and local level to realise the opportunities and efficiencies that exist in improving the management of the public estate. With the development of Community Based Budgeting, it is increasingly likely that this challenge will be placed not on individual organisations, but on public sector collectives addressing asset management challenges together.

- 1.8 In the context of Local Government, the Audit Commission has articulated this challenge in the following way:

*“Local Strategic Partnerships should be encouraged to play a role in the development of asset management strategies across different local or regional providers, leading to the publication of local area strategies for the public estate.”<sup>1</sup>*

*“Many Councils simply do not have enough data and capacity to take strategic decisions about property assets which makes it harder for them to respond effectively to tougher economic times.”<sup>2</sup>*

## The Existing Situation

- 1.9 Organisations in Surrey have patchy and incomplete asset management data and information is not shared systematically. To date, strategic property related decisions have not been made using shared asset management data. Previously, modest progress has been made on collaborative and strategic approaches to property beyond organisational boundaries.
- 1.10 There are significant barriers that organisations face in Surrey. This review has concentrated on improving the information on the public sector estate that is shared between partner organisations. In doing so, the review has sought to answer the following questions:
- Where are all the public sector properties in Surrey and who owns them?
  - How do operational properties in Surrey perform?
  - Where are the potential opportunities to make efficiency savings from assets?
  - What are the possible savings to the public purse if public sector organisations chose to adopt a collaborative approach to asset management?
- 1.11 For the purpose of this review, the definition of ‘collaboration’ or ‘partnership working’ (used synonymously throughout this document) is when local government organisations, as a means of improving service delivery, ‘ensure that administrative boundaries do not act as a barrier to service transformation and efficiency’.<sup>3</sup> (Administrative boundaries at both borough and county level).
- 1.12 Working ‘collaboratively and in partnership’ with other public sector organisations on asset management is a core theme that runs through almost all of the Asset Management Plans prepared by public sector organisations in Surrey and is inherent in the principles set out as part of Surrey First. The Asset Management and Construction Surrey Collaboration Project will be reviewing the outcome of this review; Surrey First Joint Committee will then monitor the progress of future opportunities that will be turned into projects. It is expected that joint project teams will be set up to take the collaborative priority projects forward.
- 1.13 At the moment, there are existing co-locations of public sector organisations; therefore there will be more public buildings where the police and local authorities will be located under one roof.
- 1.14 Surrey Police has made good progress with its co-location and service integration project, seven of the eleven Neighbourhood Policing Teams have moved out of their old police stations and relocated into Borough Council Town Halls and Civic Centres. This has led to local policing teams working

<sup>1</sup> Audit Commission, ‘Room for Improvement’, June 2009 National Report

<sup>2</sup> Audit Commission, ‘Room for Improvement’, June 2009 National Report

<sup>3</sup> <http://www.communities.gov.uk/documents/localgovernment/pdf/152456.pdf>

closely with their Borough Council colleagues resulting in a better understanding of day-to-day issues and improved service delivery. Discussions are taking place with the remaining Borough/District Councils and it is envisaged that the majority of the Neighbourhood Teams Policing Teams will be co-located later this year.

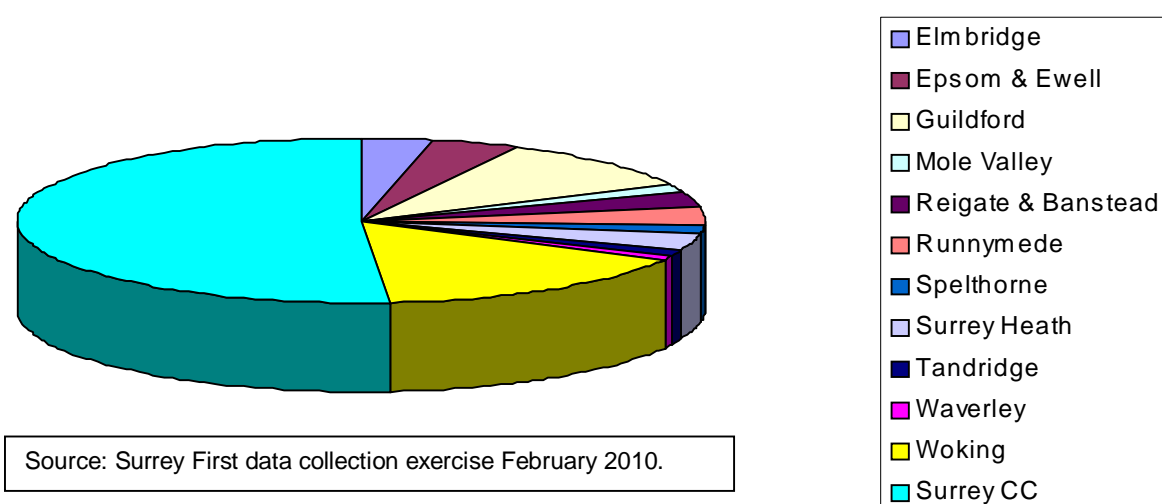
1.15 From a Surrey County Council’s perspective, there are Adult Social Care Teams based in the following Borough and Districts buildings: Epsom and Ewell, Elmbridge and Tandridge offices. Surrey County Council is currently paying rent for this space, and although located in partner buildings, the Adult Services Teams have operated separately and they are not fully integrated with Borough and Districts teams as they occupy separate building space. There are also various teams located in some hospital locations in Surrey, such as Farnham Hospital and Weybridge Hospital. At the moment, the co-location is about occupying space and not yet about service integration. The Adult Services restructure (Surrey County Council) is in progress at the moment and it is addressing this issue.

The ideal is to have the new ‘Locality Teams’ based in each of the Borough and District offices allowing for greater integration of staff e.g. social care workers are located with housing officers and other departments that mutually support the local community. Investment in IMT and changes to practice will enable greater flexibility for social care workers to capture information at source, in people’s homes, at GP surgeries, libraries etc. This will provide better outcomes for people who access adult social care services. There could also be scope to integrate the Borough and District and Surrey County Council day care services for adults with learning difficulties, physical disabilities and older people.

## The Opportunity

1.16 An additional data collection by Surrey First partners identified the estimated cost of operating and maintaining public sector assets across the 12 Local Authorities in Surrey as £58m per annum. (See Figure 1 below). That figure would have been considerably higher if it included other public sector organisations such as the Health Trusts, Surrey Police and Central Government and represents a significant cost burden to the public purse.

Figure 1 - Estimated collective cost of operating property portfolios (figures applicable to 12 LA’s only).



- 1.17 The analysis to date shows that when comparing the performance of Surrey's operational portfolio against an industry standard, there is potential for significant savings. Based on selected properties (circa 400) collected as part of this review, it is estimated that the Surrey public sector spends on average £38/m<sup>2</sup> GIA in maintenance costs, compared to an aggregated industry standard of £29/m<sup>2</sup>. The picture is similar when looking at the average costs of operating these buildings. Against an industry standard of £58/m<sup>2</sup>, public sector organisations are spending on average £81/m<sup>2</sup>. Furthermore, office accommodation is not used as efficiently as it might. Where office properties should have a desk for every 10.5m<sup>2</sup> NIA (Net Internal Area, 12m<sup>2</sup> for Civic Offices), on average public sector organisations use 21m<sup>2</sup> NIA per desk.<sup>4</sup>
- 1.18 Mapping public sector assets and benchmarking them all against an industry standard is a useful exercise. It starts to ask questions and acts as a prompt when thinking about future property related decisions. All of the partners involved in the review have expressed their desire to continue to share information in this way and work collaboratively on future projects. Many of the partners are already starting to use the Joint Asset Register, and GIS mapping information when carrying out their asset management planning functions.
- 1.19 Improved data on its own does not take the conversation very far. Following on from the data capture phase of the review, eleven 'Opportunity Workshops' were held with partners to discuss the asset mapping, data results and to review potential opportunities that could be analysed in the Property Analysis Tool. The workshops identified a number of potential opportunities covering a range of community service centre, 'public sector village', co-location and commercial opportunities. Organisations were encouraged to restate their commitments to existing projects to ensure that all possible projects were on the table. The opportunities discussed were therefore a combination of existing, planned or 'new' scenarios. A number of scenarios have been analysed using a Property Analysis Tool to scope the potential revenue and capital savings. The remaining opportunities were either predicated on third party commercial funding or did not have enough information and therefore could not be modelled by the review team. The information gathered here will now form the basis of discussions with members.
- 1.20 The work to date has been predicated on an underlying principle of collaboration and is based on a number of assumptions that require further scrutiny. Most notably, that organisations are willing to further explore 'pooling' capital receipts and sharing of any up front capital costs and that public sector partners take consideration of not seeking to make a profit margin from other public sector organisations when leasing out space. For a number of reasons explained in the report these will be challenging barriers to overcome. Furthermore, these scenarios have been developed from a property centric point of view. Understanding what front line services, and ultimately Surrey residents, require from public sector properties in the future is the key to progressing these scenarios to a feasibility stage.

## The next steps

- 1.21 The majority of the review team have now finished their secondment and have returned to their substantive posts. To avoid a loss of momentum, it is recommended that the shorter-term next steps are coordinated by the Estates Strategy team at Surrey County Council in conjunction with estates colleagues from the other organisations involved in the review as part of an integrated approach. However, depending on how opportunities are progressed to a feasibility and business

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<sup>4</sup> The industry standards referred to here are derived from the British Council for Offices (BCO) and the Building Cost Information Service (BCIS) for non-office accommodation. Please see 'IESE Estates Report 1' for a detailed description of the methodology. This report was sent to all partner organisations on 13<sup>th</sup> August (please contact lead officer identified in appendix H

case stage, it is recommended that Surrey First partners consider joint project teams and that opportunities should be led locally (by Districts and Boroughs with support from the other partner organisations).

- 1.22 Whilst all organisations were involved in the opportunity workshops, an immediate next step is for the scenarios to be reviewed, refined and the source data that underpins them verified. All partners were given an opportunity to review the scenarios, provide updated data and to ensure that scenarios have been scoped appropriately by the review team following workshops, however further partner engagement is required. It is also strongly recommended that a refresh of Gateway 1 and Gateway 2 data be completed by all organisations in 2011 and that consideration be given by all of the organisations involved in the review as to whether they are currently adequately resourced to deliver on this recommendation.
- 1.23 The scenarios discussed in opportunity workshops represent a 'first pass' of ideas and opportunities. No attempts at prioritisation have been made at this stage and it should be recognised that the analysis to date is largely financial. Engagement with elected members and services will be crucial when considering which scenarios could move forward to a feasibility and business case stage. This will be particularly important, as some of the underlying 'collaborative' principles upon which they have been created, remain points of discussion and exploration rather than agreement. The Asset Management and Construction Surrey Collaboration Board suggested that Surrey Chief Executives and Surrey First Joint Committee would need to consider the report and the criteria that will be used to take any projects forward.
- 1.24 It should be stressed that further work is required to validate the input data. A full feasibility and business case, including service and member input, should be sought in order to verify this analysis before any decisions on the merits of this proposal can be properly considered.
- 1.25 The underlying principles in this review regarding a 'collaborative approach' raise questions about the most appropriate forms of delivery. The current operation of estates management teams within separate organisations across the public sector is based on adversarial negotiations that make the realisation of collaborative practice difficult. Some views go as far as saying that primary legislation may be required if the collaborative approach to property discussed in workshops is to be truly realised. Notwithstanding this, it is clear that costs and risks must be fairly apportioned. This will likely require options to be developed on the most appropriate way to achieve this. Whether it is an asset backed joint venture, joint property trust, or special purpose vehicles (SPV) (and even merged estate functions), this is something that Surrey Chief Executives and Surrey First Joint Committee should start to think about at the earliest possible opportunity.

## 2 Introduction

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### Purpose of this Report

2.1 The purpose of this report is to summarise:

- The outputs that have been achieved on the review to date with respect to the Joint Asset Register, GIS system and the Property Analysis Tool.
- The recommended next steps.

### The Strategic Context

2.2 Surrey is not alone in carrying out a review of this nature. National capital receipt targets for public sector organisations remain in the region of £35 billion over the next 10 years and the coalition government looks set to continue the roll out of 'Total Place' and 'Total Capital' pilots across the Country (albeit with a different name). Improvement and Efficiency South East (IESE) have sponsored this review and steered the methodology with a longer-term view to rolling this out to other public sector organisations in the South East – many of whom are just starting out on this exercise now.

2.3 With the Coalition Government's drive towards 'community based budgets', the requirements upon public sector organisations to work together on property issues will become more urgent. This review has started to expose the significant challenges organisations will face in this endeavour, but given the desperate need to find efficiencies and the incumbent Government's direction of travel, it is essential that we progress this conversation now rather than later.

### 'Surrey First'

2.4 In 2009, public bodies across Surrey came together to explore ways of securing improved value for money and better outcomes for citizens through improved collaborative working. The Surrey Local Government Association (SLGA) took a lead role in the development of this initiative (termed 'Surrey First' ) and a Member Task Group was formed to take the work forward and became the Surrey First Joint Committee.

2.5 The SLGA, as advised by its Member Task Group, agreed 5 key work streams as part of Surrey First initiative. These include: (i) ICT, (ii) Waste, (iii) Assets, (iv) Human Resources and (v) Procurement. The Asset's work stream, sponsored by the Chief Executive of Surrey Heath Borough Council, covers the following strands:

1. Surrey asset management and construction Cluster frameworks
  - Sub-Regional Construction Framework
  - Pilot Maintenance/FM Delivery Framework
  - Sub-Regional Consultancy Framework
2. IESE/Surrey Public Sector Estate Review
3. Shared Services – a joint venture type organisation, which could be a trading company for professional services.

2.6 A review team was recruited in December 2009 made up of representatives from Surrey County Council, Spelthorne Borough Council and MACE officers who were seconded to work on the review for a fixed duration. All public sector organisations were invited to support the review team and particular thanks should go to Spelthorne Borough Council and Surrey County Council in providing

key staff with a mixture of skills and experience. Thanks should also go to IESE who sponsored the review and provided key financial assistance to provide technical property and cost expertise to the review team in the form of MACE consultants who worked very closely with the review team throughout the review. Final thanks should also go to those organisations that provided staff and elected member input to the member and officer steering groups that supported the review team.<sup>5</sup>

## Links to other partnership projects

- 2.7 The review has linkages with a number of areas of partnership working, some of which involve all of the organisations involved in this review.
- 2.8 The Surrey Strategic Partnership agreed to roll out two Total Place pilots in Woking and Mole Valley in June 2010. These projects would ordinarily involve a mapping exercise of public sector assets and capital and revenue spend across these areas for property. This review will provide a significant amount of information on the asset related aspects of these projects. There are also strong links to the Surrey Infrastructure Capacity Project that has mapped larger strategic assets at a regional level. This information combined with the mapping work carried out on local operational assets as part of this review are key pieces of work that will continue to inform the delivery of local infrastructure plans in Surrey in the future.
- 2.9 Furthermore, this review has strong relationships to some of the other Surrey First work streams – for example ICT. Under this work stream options are being investigated to rationalise public sector infrastructure bringing everything into a single public sector offer. To do this, there needs to be a collective understanding of which assets this new infrastructure should ideally be located in.
- 2.10 Lastly, all partners involved in this review have signed up to the SURREYi as user organisations and data providing partners. Much of the data collected, as part of this review, will be stored in this system and maintained on an ongoing basis, providing significant benefits to all organisations using this system.

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<sup>5</sup> Representation on Officer Steering Group: Elmbridge Borough Council, Guildford Borough Council, Mole Valley District Council, Surrey County Council, Surrey Police, Surrey PCT. Representation on Member Reference Group: Surrey County Council, Mole Valley District Council, Waverley Borough Council, Guildford Borough Council and Epsom and Ewell Borough Council.

### 3 Objectives and Methodology

#### Objectives

3.1 The review team have worked to the following objectives:

- To collect and improve asset management information shared between partners
- To analyse the data to calculate the efficiencies that could be possible through improved asset management
- To begin a process in which high value opportunities (co-location, rationalisation) can be identified and taken forward to a feasibility or business case stage.

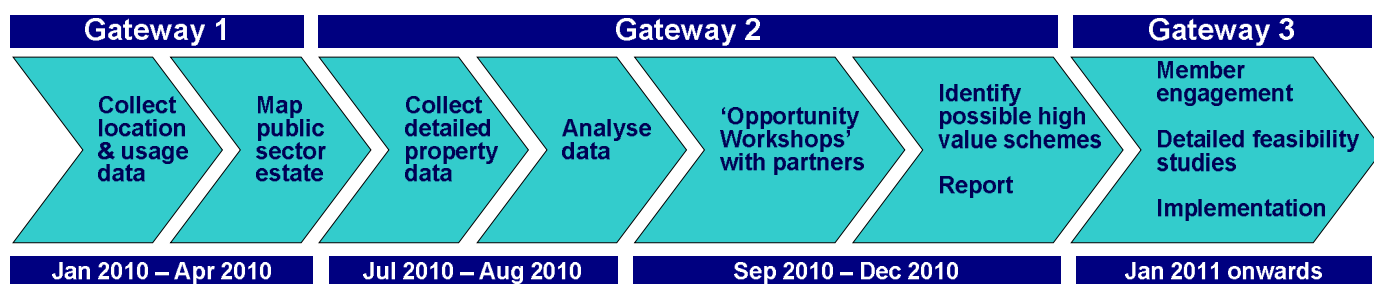
#### Organisations involved in the Review

3.2 15 partners have taken part to date including: Elmbridge Borough Council, Epsom and Ewell Borough Council, Guildford Borough Council, Mole Valley District Council, Office of Government Commerce/Government Office of the South East (representing Central Government), Reigate and Banstead Borough Council, Runnymede Borough Council, Spelthorne Borough Council, Surrey County Council, Surrey Heath Borough Council, Surrey Police, Surrey Primary Care Trust (PCT), Tandridge District Council, Waverley Borough Council and Woking Borough Council.

3.3 The above list does not represent the entirety of the public sector estate nor does it include the voluntary and third sector. Careful consideration was given to the involvement of other organisations in the review, but to ensure a manageable scope it was felt that organisations could be brought into the process once satisfactory progress has been made with those given above.

#### Approach

3.4 To achieve the objectives above, the review team divided the review into 2 distinct phases known as Gateway 1 and Gateway 2. This process is illustrated in the diagram below and is described in more detail in the subsequent sections.



## 4 Gateway 1 and Gateway 2

### Gateway 1 – ‘Mapping the Surrey Public Sector Estate’

#### 4.1 Project Set up

The review team, officer and member reference groups, terms of reference and objectives were agreed by partner organisations and were in place by the end of January 2010. Throughout January and early February a member of the review team met with each organisation to discuss their involvement and to initiate the data collection process.

#### 4.2 Capturing Core Property Information

All 15 organisations listed in paragraph 3.2 provided core information on their operational and non-operational land and property holdings, which was subsequently mapped using a Geographic Information System (GIS). To keep the scope manageable for all partners involved, information was collected on buildings above 50m<sup>2</sup> Gross Internal Area (GIA) and land parcels above 5,000m<sup>2</sup>. Smaller parcels of land such as highways land that falls below this threshold was not requested at this stage, as this would have added a significant burden upon the review team, and smaller parcels of land were not considered to be where the largest opportunities would lie. This phase was completed in April 2010.

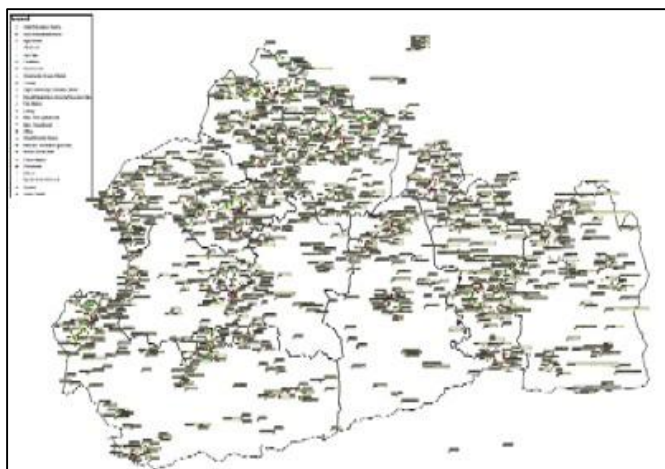
### Outputs from Gateway 1

4.3 The following outputs were achieved as part of Gateway 1:

4.4 **Joint Asset Register (JAR)** - A database containing core property information (tenure, function, location) on around:

- 8,000 asset records collated across 3,700 sites (with unique usage)
- 5,600 operational buildings or land records
- 2,300 non-operational buildings or land records

4.5 **GIS mapping database** - 97% of assets have been mapped at site level on a Surrey wide GIS layer (work is ongoing to map the remainder manually). All Gateway 1 and Gateway 2 information is stored in a version of ArcGIS 9.1 (compatible with most other GIS systems). This system can be used to produce maps of public sector properties at a site level or on a countywide / individual property basis.



- 4.6 Following the creation of the Joint Asset Register and GIS system in April, a partner workshop was held on 22 April 2010 to review Gateway 1. The purpose of this session was to discuss progress to date, the benefits and application of the Joint Asset Register and GIS mapping and to plan ahead with respect to Gateway 2.

## Gateway 2 – how does our operational portfolio perform?

- 4.7 Having a database and GIS map of all public sector properties in Surrey was a straightforward output of Gateway 1. Provided that it is maintained, it is something that should be of value to all organisations in the future for a variety of different applications.
- 4.8 The data and mapping information consolidated in Gateway 1 is useful but it does not answer the question of how assets in Surrey perform and where the opportunities are to make efficiency savings. To answer these questions the review team needed to collect more detailed cost, utilisation and condition data. Generally speaking, there are two types of asset in Surrey. Operational assets are those that directly or indirectly provide a public service (library, day centre, office building). Non-operational properties are those that do not provide a public service in any way. (E.g. investment portfolio). Following the April workshop, it was agreed that detailed information should be captured for the operational estate only. This is largely because detailed cost information would be very difficult for organisations to retrieve for the non-operational estate. Where this data exists, it is usually with a third party and very unlikely to be in a format that would be useful (or time prohibitive to coordinate). It is also likely that operational properties offer the greatest opportunities to realise efficiencies through a collaborative approach.
- 4.9 Schools represent a significant community asset and remain fundamental to the aspiration of making greater use of public assets. However a decision was taken not to collect Gateway 2 information for schools on the grounds that this would, in effect, add 430 additional stakeholders and could slow progress considerably at this stage.
- 4.10 All organisations took part in the second phase of the review to the extent that they were able. A second data request was then sent out to all partners in early May 2010 requesting more detailed performance information about their selected properties.
- 4.11 The Gateway 2 exercise was a challenging and time consuming piece of work for all organisations involved amidst scarce resources and competing priorities. On the whole, there was a very good response. Whilst strong progress has been made there remain gaps in the dataset. Some organisations were not in a position to provide all of the Gateway 2 information in the timescales requested. Most organisations provided some data as part of Gateway 2 but there was a mixture of practical issues around capacity and data availability that prevented the template being completed for all the properties in the scope.

- 4.12 As a general point, many of the public sector organisations involved are in the process of improving their asset management information. Some are in the process of tendering for new property information management systems (Reigate and Banstead Borough Council, Mole Valley District Council, Surrey County Council), and most are seeking solutions to the common problem of financial systems that do not yet correspond to asset management systems against common unique property reference numbers (UPRNs) all of which make data collection activities harder than perhaps they should be.
- 4.13 It is important that in future, data is collected and shared between partners as quickly and as easily as possible. As organisations improve their property information management systems (E.g. Mole Valley District Council, Surrey County Council, Reigate and Banstead Borough Council have all recently tendered for new systems) this should become a less burdensome task. Furthermore, from the perspective of sharing information on an ongoing basis, all 11 Districts and Boroughs, Surrey Police and Surrey PCT have signed up to the SURREYi as user organisations. SURREYi is a management information tool and public portal that enables intelligent decision-making, freedom of information and citizen engagement. It is anticipated that all of the estates data will be collected, presented and shared using the SURREYi network. Generally speaking, core property information (what the building is, who owns it, what is it used for) will be public facing.

## Property Analysis Tool (PAT)

- 4.14 In order to make sense of the vast amount of data that was collected as part of Gateway 2, IESE/Mace have developed a 'Property Analysis Toolkit'. The tool is designed to analyse the data that has been collected as part of this review and in the future on an ongoing basis. Following the issue of this report, the tool will be available for all partners to use for their own purposes as well as those relating to this review. It has two main functions:
- 4.15 **A benchmarking tool** – The tool analyses the performance of properties across the public sector against an industry standard (and potentially each other).<sup>6</sup> Further to benchmarking, the tool ranks each selected property in an attempt to highlight the potential savings that could be made from a property based on three factors. (i) an aggregated assessment of the performance of the building (ii) the size of the property and (iii) the potential to make revenue savings from the property.
- 4.16 **A scenario analysis tool** - intended as a 'pre-feasibility tool' that can start to model the capital and revenue impacts of any rationalisation, co-location or community service centre opportunities that are identified by partners either in the opportunity workshops or at any time in the future. The scenario tool combines capital cost and whole life cost models and is based upon the data that has been collected as part of this review. Where data is missing or has not been provided for particular properties, the Property Analysis Tool uses 'assumed values' generated from data collected on identical property types.
- 4.17 It is worth noting here that whilst the Property Analysis Tool is very useful, it is not a decision making tool. It acts as a prompt for organisations to consider the performance of the asset base in Surrey and where there may be opportunities to make savings. It also allows organisations to start to scope out potential projects to understand the capital and revenue implications of any given scenario (rationalisation project, community service centre for example). However, it is a 'pre-

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<sup>6</sup> The British Council for Offices (BCO) provided metrics for office accommodation and the Building Cost Information Service (BCIS) provided metrics for cost based measures.

feasibility' tool and does not replace any of the feasibility study or business case development that organisations would normally carry out when evaluating new projects.

- 4.18 The tool is reliant on robust data, which at present is work in progress and there are reasons to be cautious on its outputs. To cite one example, the data set currently includes performance information based on 08/09 financial records only. A property that has a spike in maintenance costs for this financial year (e.g. it happens to be repainted in this year but not again for another 10 years) will at present be disproportionately represented with a higher 'Opportunity Index'. In the longer term, performance information should be collected and reviewed over a three-year window to strengthen the reliability of the data set and the application of this tool in the future. It is a complex tool and should only be used by property professionals that understand the inbuilt assumptions contained within it to avoid misinterpretation.

## Outputs from Gateway 2

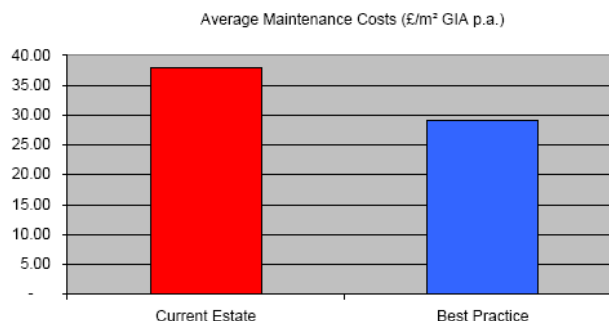
4.19 Gateway 2 was completed in August with the following outputs:

- A database of detailed asset performance information based on selected properties (circa 400) across the Surrey public sector estate
- A property analysis toolkit that provides a robust methodology for carrying out 'pre-feasibility' scoping exercises on the capital and revenue implications of property related scenarios.

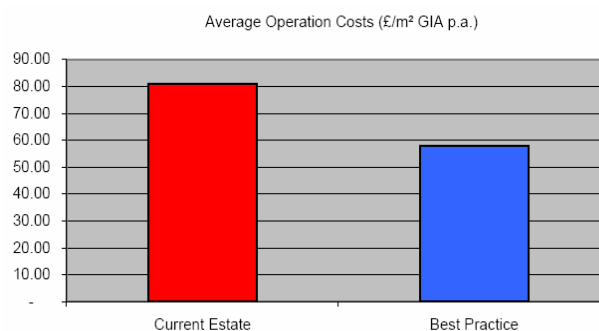
## Key findings from Gateway 2 - the 'size of the prize'

- 4.20 Public sector organisations in Surrey submitted selected properties (circa 400) in Gateway 2 totalling 647,250m<sup>2</sup> of floor space (gross internal area). Of these properties, 78% are freehold (321) and 15% are leasehold (61). The remaining 7% (29) do not have a confirmed tenure.
- 4.21 Each property has been given an 'Opportunity Index', which acts as a prompt when considering where there may be opportunities to make efficiency savings (see Para 4.22). An analysis of these properties indicate that there were 17 properties which represented a 'very high' opportunity to make efficiency savings and a further 72 properties in the 'high' category.
- 4.22 An analysis of how operational properties perform against industry standards can be done by individual building types/functions/tenure/locality/ownership using the Property Analysis Tool. Below is a high level summary of the aggregated performance of these properties across the whole of Surrey.

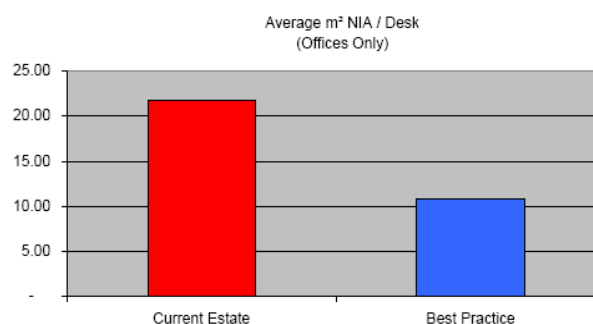
4.23 **Maintenance costs** across the portfolio are high when compared to the industry standard. Across all buildings public sector organisations are spending about £38/m<sup>2</sup> GIA in maintenance costs, compared to an aggregated industry standard of £29/m<sup>2</sup>. At present, the level of spend on maintenance costs appears high. This could be because of the high level of ‘assumed values’ for maintenance costs in the data set and is an area for further investigation.



4.24 The picture is similar when looking at the average **costs of operating** these buildings. Across the public sector, public sector organisations are paying on average £81/m<sup>2</sup> GIA against an industry standard of £58/m<sup>2</sup>.



4.25 **Office utilisation** - as a group of organisations, the public sector in Surrey is not using its office accommodation as efficiently as it might. The industry standard suggests we should have a desk for every 10.5m<sup>2</sup> NIA (Net Internal Area, 12m<sup>2</sup> for Civic Offices); on average public sector organisations use 21m<sup>2</sup> NIA per desk.



4.26 The statistics above may not be entirely surprising for anyone who works in a property related role in the public sector, however they do demonstrate the scale of the improvements that may be possible through improved asset management.

4.27 By using the data collected, the analysis of the portfolio suggests that if all office buildings were working to the industry standards of 10.5m<sup>2</sup> NIA/per desk and 1.33 staff per desk then there would be a potential to save 23% or 30,864m<sup>2</sup> of office space in Surrey.

4.28 These figures should be treated with a healthy amount of caution, as it is very unlikely and would be cost prohibitive to bring all properties up to industry standards in this way. This is because it does not take into account the capital that would be required. Nevertheless this type of analysis starts to size the possible benefits and raises questions about the estate in Surrey that merits more in depth analysis.

## 5 Opportunity Workshops

### What are the opportunities to make efficiency savings from assets?

- 5.1 Following the data capture phase, between September and November 2010 the Review Team held eleven 'Opportunity Workshops' with each of the public sector partners involved in the review. The workshops were organised on a Borough and District basis to look at the totality of public sector assets in a geographical area. Countywide organisations (Surrey Police, Surrey PCT and Surrey County Council) attended all of the workshops across the county. The workshops were officer level meetings and were generally attended by Chief Executives/ Senior Directors from the Local Authorities, Heads of Asset Management, and members of the Review Team as well as planning representation. Central Government was represented at the Guildford and Woking workshops given the high concentration of Central Government assets in these localities.
- 5.2 The purpose of the workshops was the following:
- To consider the initial data collection, property performance and mapping information
  - To 'start a conversation' with public sector partners in Surrey as to where there may be opportunities to take cost out of managing the public sector estate and to integrate service delivery.
  - To generate an understanding of respective organisational visions and future service delivery models and their impact on property.
  - To recognise existing schemes already at planning / implementation stage.
  - To identify some opportunities (rationalisation, community service centre, intensification of use) that could be progressed, following member discussions at a local level, to a feasibility / business case stage.
- 5.3 The workshops were about sharing ideas but not about getting into the detail of the practicalities of the opportunities or ideas that were generated.
- 5.4 As a priority, views will be sought on the properties from elected members and the residents they represent, as well as the services that work from these locations.

### Organisational Contexts

- 5.5 Before identifying opportunities to work together, each organisation was given an opportunity in the workshop to set out their organisational model.
- 5.6 **Local Authorities (SCC and Boroughs and Districts)** – All organisations are in a degree of flux following the Comprehensive Spending Review, much of which will not become clear until 2011. Given the changing shape and size of the public sector, all Local Authorities stated that they are looking at ways that they can make better use of their office accommodation. Broadly speaking, Boroughs and Districts are looking to utilise their freehold civic offices more efficiently and Surrey County Council have taken break opportunities in leaseholds with a view to moving more front line staff into District or Borough Council Civic offices. Conversations between the county and Borough/District councils are at an early stage in this regard but are predicated on a more integrated model where complementary functions are not just co-located but integrated to enhance service delivery (as opposed to the straight landlord/tenant relationship where one organisation leases space from another, usually in a separate space in the building).

- 5.7 Co-location and service integration underpins **Surrey Police's** estate strategy, which is the most advanced of any public sector organisation involved in the review. Good progress has been made on the reorganisation of their estate. Public consultation has taken place on the closure of selected police stations and there is a general acceptance of this given the poor utilisation of these properties and the alternative means for contacting the Police. To replace these operational properties agreement has been reached with many of the Borough/District councils to relocate front counter facilities, as well as Safer Neighbourhood and Community Safety teams, into Borough/District premises.
- 5.8 In larger Borough or Districts, some additional IT networked 'police offices' will be required as drop-in facilities and the police are currently seeking to locate visible and accessible 'police meeting points' where members of the public can access their neighbourhood team at pre-advertised times. Through the process of this review, and through other means, it is envisaged that opportunities to utilise partner premises including community service centres, schools, libraries, local borough council offices, fire stations and supermarkets will be explored.
- 5.9 The recent health white paper sets the context for health services in the future and will see the abolishment of **Surrey PCT** to be replaced by a consortium of General Practitioners (GPs) in the future. The government has not yet announced the property implications of this policy, in terms of where assets will sit with respect to title, lease and liability.
- 5.10 The context at a **Central Government** level is similar to the local. With cost reductions required in the medium term individual departments are working through the implications for service delivery. With respect to property there is a significant amount of pressure to rationalise the central government estate. The Central Government Property Unit has also set up regional programmes to identify opportunities. The 'Civil Service and English Regions Programme – South East' is focussing their attention on key locations including Portsmouth, Southampton, Brighton and Hove, Woking and Guildford.
- 5.11 As the above seeks to show, within a relatively similar timeframe public sector agencies in Surrey are all looking at opportunities to re-engineer their estate to fit changing political priorities. There is nothing to stop organisations working on these challenges in isolation, but the greatest opportunity lies in trying to coordinate this activity.

## Outputs from the workshops

- 5.12 An attempt to start to coordinate this activity was essentially what the opportunity workshops were about. Having considered the data collection and performance analysis element, maps from the GIS system showing key locations in each Borough and District (town centres, areas with concentrations of public sector properties, areas of deprivation, or areas identified by partners as priority areas for any other reason) were then used to explore where there may be opportunities to work collaboratively in each area. Each map was considered in turn.
- 5.13 A number of opportunities were recorded in the eleven workshops that were carried out. They are a mixture of new, existing or planned schemes and can be loosely categorised into the following types of project:
- Community service centre opportunities – generally speaking these were opportunities to bring properties and service functions together to serve centres of population or deprivation.
  - Opportunities for intensification of existing properties – these involved making better use of an asset that is currently underutilised.

- Commercial Redevelopment / Regeneration / Housing schemes – these schemes were usually associated with town centre regeneration projects or large housing projects and usually involved a commercial contribution.
- ‘Public Sector Villages’ – these were generally opportunities to rationalise a concentration of public services onto one ‘campus’ – usually a civic office site.
- Rationalisation opportunities – these involved opportunities to reduce the number of public sector properties in an area.

## 6 Savings to the public purse

### Analysing high level opportunities using the Property Analysis Tool

- 6.1 Using the Property Analysis Tool, the review team started to answer the question of what the possible savings to the public purse might be if public sector organisations chose to adopt a collaborative approach to asset management.
- 6.2 Based on the discussions in the workshops, the Review Team attempted to populate the scenario analysis tool for each of the opportunities.

### Underlying assumptions of a 'collaborative approach'

- 6.3 Only one Opportunity Workshop has been held per Borough or District and the conversations to date have been at a high level. It should therefore be understood, that at present, there is a very high level of assumption in the scenarios that have been analysed. Site and planning constraints, level of capital receipts and market conditions, legal or contractual issues, fit to service requirements have all been assumed or estimated at this stage. This is to be expected given the exploratory nature of the discussions and the number and variety of different opportunities that were identified. Whilst each of the scenarios were sent to each partner to check their understanding of what is being proposed, there remains further work to ensure that the scenarios are as accurate as possible and underpinned by actual data rather than assumed values. This is an immediate next step.
- 6.4 There are two further important issues to note when considering the scenarios that have been developed. The first is that the analysis of the financial viability and potential benefits of any given scenario has been done from the perspective of the public sector as a whole. Efficiency savings have not been calculated for individual organisations at this stage. As such, where the analysis below suggests a particular scenario 'is financially feasible' this means that there are potential savings to the public purse, NOT that it is feasible from an individual organisation's perspective.
- 6.5 The second key consideration is that the scenarios have been modelled on the basis that organisations adhere to the underlying principle of collaboration outlined in this report. This is to say that 'as a means of improving effectiveness and efficiency, local government organisations ensure that administrative boundaries do not act as a barrier to service transformation and efficiency'. For the purpose of the analysis undertaken, what this means is that it has been assumed that organisations will hypothecate capital receipts and will not seek to make a profit from another public sector organisation when leasing out accommodation. One of the principle purposes of this work is to understand what the benefits of a collaborative way of working would be if 'total place' principles are adhered to. How realistic these assumptions are is the subject of Section 7.

### Savings to the public purse?

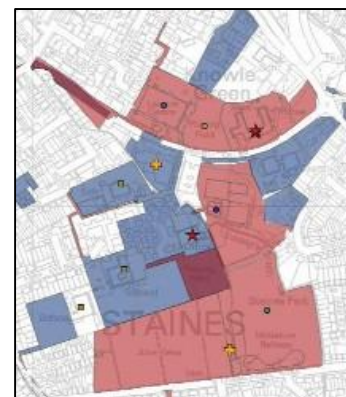
- 6.6 For the scenarios where analysis was possible, a 'do minimum' ( maintain the building and address backlog maintenance) scenario was compared to a 'proposed scenario'. The whole life cost model in the scenario analysis tool compares capital and revenue expenditure over a 25-year period between both scenarios. It assumes a level of capital receipts and land sales for enabling

developments, where these are applicable and have been provided by the estates review team<sup>7</sup>. Assumptions have been made for each scenario in terms of a partnership rental charge when occupying a partner’s property, design specification levels have generally been assumed at ‘Value’ and BREEAM ‘Very Good’ rating. Office furniture, IT and car parking requirements have been estimated for each specific scenario.

6.7 It would be unwieldy to review each individual scenario as part of this report and many of them involve sensitive information. However to illustrate this process, and with the permission of Spelthorne Borough Council, the following scenario arising out of the opportunity workshop is explained here in detail. This analysis has been undertaken for the other 30 scenarios identified as part of this review.

6.8 **Example: SPL – Staines - Knowle Green:** Using the mapping information, a concentration of public sector properties was identified in the Knowle Green area of Staines. A review of the performance of these properties and their ‘opportunity index’ suggests that they do not significantly under perform compared to industry standards. However there is still an opportunity to rationalise the provision in this area. The following excerpt below was the note generated from the opportunity workshop:

“The Knowle Green Civic Offices site presents a significant opportunity to create a public sector village in Spelthorne. This scenario has been the subject of previous discussions with Spelthorne and will require a master planning exercise to be undertaken as part of the feasibility study in the next phase. The proposed scenario assumes capital receipts from the rationalisation of surrounding public sector buildings in the ownership of Surrey County Council, Spelthorne Borough Council and Surrey PCT. An integrated public sector village could be created by undertaking a light refurbishment of Spelthorne civic offices and a new extension to accommodate the day /community centre, administrative offices, youth centre and health facilities.



6.9 This scenario includes the following properties in scope. A further scenario could be run that includes the magistrates courts, but it was decided that this is something that could be amended at a later date given that central government were not represented at this meeting. It should be noted that this scenario is hypothetical and discussions at a service or member level as to whether this scenario is practical or feasible have not taken place.

| Properties                      | Partner |
|---------------------------------|---------|
| Knowle Green Council Offices    | SBC     |
| Fairway Day Centre              | SCC     |
| Staines Social Services Centre  | SCC     |
| Staines Health Centre           | PCT     |
| Sunbury social services offices | SCC     |
| Thameside Youth Centre          | SCC     |
| Leacroft Building               | SCC     |

<sup>7</sup> Capital receipts have been estimated at this stage only. Please note that individual valuations normally run to many pages with clear statements as to the instructions, caveats and assumptions. Valuations were undertaken by an SCC valuer as a desktop study and therefore has not involved: (i) Site inspections. (ii) Planning research, (iii) Highway development control information, (iv) Legal research, (vi) whether third party land might be needed to achieve an effective sale.

- 6.10 The scenario planning tool looks at the 'do minimum' cost of operating and maintaining these properties and compares them against the modelled costs should the proposed solution described in the note above be delivered.
- 6.11 The existing Gross Internal Area (GIA) of the properties in scope above is 12,122m<sup>2</sup>. The hypothetical scenario, as per the discussion in the workshop, would be to dispose of all properties above apart from the Council Offices that would be refurbished and extended to re-provide space for those that are being disposed. The new floor area for this campus would be 8,201m<sup>2</sup> GIA in total.
- 6.12 The purpose here is to scope out the 'face value' viability of the scheme. **Further work is required to validate the input data and a full feasibility and business case, including service and member input, should be sought in order to verify this analysis before any decisions on the merits of this proposal can be properly considered.**
- 6.13 As a first pass, a number of scenarios discussed in Opportunity Workshops have undergone the same analysis. Each scenario has been defined into three categories (A), (B) and (C) described below:
- Category A:** Scenarios that appear to have the greatest potential to deliver efficiency savings for Surrey and warrant further investigation. These scenarios deliver substantial combined capital and revenue savings over a 25-year period. Most of these scenarios have 'break-even' points of less than 10 years, where scenarios break even later these will be less attractive, unless the scenario is re-scoped.
- Category B:** Scenarios that appear to be 'un-viable' as they deliver minimal or no capital and revenue savings. As these scenarios do not deliver efficiency savings, they do not warrant further investigation at this stage, although further review or refinement of the scenario may identify 'latent viability'.
- Category C:** Opportunities (existing or new) that may or may not be viable, however could not be analysed in the PAT for two reasons; they are predicated on third party commercial funding to which the value is unknown at this stage or did not have sufficient information to create a scenario at present.
- 6.14 A total of 247,058m<sup>2</sup> of existing floor area has been analysed in one round of opportunity workshops and scenario planning sessions with partners. This equates to over half the available operational portfolio footprint submitted as part of Gateway 2 (444,675m<sup>2</sup> - excluding multi-storey car parks).

## Commentary of Category A Scenarios

- 6.15 The purpose of the Opportunity Workshops was to identify possible opportunities (hypothetical at this stage) for public sector organisations to work together to take cost out of the estate. The analysis undertaken as part of this review was to scope out the 'face value' viability of these hypothetical scenarios. **Further work is required to validate the scenarios, including service and member input, before any decisions on the merits of any proposals can be properly considered.**

## 7 Underlying principles

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7.1 The opportunities/scenarios and the analysis to date have been predicated upon collaborative principles. In discussing what a collaborative approach to asset management might look like the following principles discussed in the opportunity workshops. These are listed below:

### **Number and type of premises required**

- There will be less public sector buildings in Surrey, whilst improving the quality and efficiency of those that are retained or newly provided.
- There will be a range of flexible, well located premises close to the population they service; multi-use community service centres and facilities meeting the needs of the local communities.

### **Service integration**

- Public buildings will be available to public and voluntary sector staff from a variety of organisations, where they are working directly for the benefit of that area.
- Co-location of front line staff working collaboratively to meet the needs of the communities they serve will become standard practice.
- 'One Stop Shops' will increasingly be available to the community i.e. public buildings where the police, local authority and voluntary sector will be located under one roof.
- There will be considerable benefit gained from the police Neighborhood Teams working in the same buildings as their local authority colleagues.
- There will be considerable financial benefits to all sectors if public buildings are shared i.e. business rates, running costs etc.

### **Place based budgeting**

- The charge for the use of public sector buildings made to partner organisations will be fair, transparent and proportional to the actual cost of operating and maintaining the premises.
- A central fund will be established to help progress the achievement of the new Surrey wide property estate.

7.2 There was a high level of agreement on the first seven principles. Whilst the vast majority of partners agreed with the latter two principles as well, this was not unqualified agreement. All organisations were realistic about the obstacles that must be overcome if they are to be realised.

7.3 This concept of one public sector organisation not making a profit out of another is intuitive in the sense that public sector organisations are all funded publicly and charging each other commercial rents incurs costly and potentially needless transactional costs with the net result of simply recycling money around the same system. There are existing discussions between organisations on the concept of a 'hosting agreement' or 'partnership rate', which the review team have not sought to duplicate. Nevertheless a number of issues with this principle were raised in the workshops and are worth stating here. Firstly, an asset by definition is a possible future source of income and any assets that do not derive income may not really be considered as assets at all – they may simply be liabilities. From an accounting point of view, all of the organisations involved have their own financial obligations and reporting procedures and as such are incentivised to yield an income from their assets where possible. For some organisations the income they receive from their property is a fundamental part of their medium term financial strategy. Secondly, it is important to note that a pan-Surrey partnership rate is going to be problematic at a point in time when some of the partners involved in the review are exiting expensive leaseholds or disposing

of surplus properties at the same time as they are negotiating space in other public sector locations on a reduced rate (primarily in Borough or District Council offices). This is cost shunting by a different name and it is crucial that the sharing of assets is a two way process.

- 7.4 The principle of pooling capital receipts presents some challenges. Bringing public services together in the ways that were discussed in the opportunity workshops often involves the disposal of a number of disparate buildings or land with a new build or significant refurbishment of an existing facility on another or existing site. Such projects often require a mix of capital and funding sources to become viable.
- 7.5 In the context of delivering 'place' based services based on the vision set out at the start of this report how should Local Authorities approach their statutory duties to seek 'best consideration'? Under what circumstances can capital receipts be hypothecated and what would fair, open and transparent mean in practice with respect to capital receipts? How will agreement be reached on the ownership of liabilities and how will risk be shared across organisations fairly and proportionately? There is plenty of experience around the county of schemes that provide long-term savings to the public purse, demonstrate real and lasting benefits to service users but where answers to these questions have proved illusive.
- 7.6 Surrey Chief Executives and Surrey First will need to find a consistent and recognised method of scoping the added value of service integration and community benefit that can justify and unlock investment. This must go further than a partnership model predicated solely on 'win-win' opportunities and a standard business case methodology that is currently heavily weighted in terms of financial and service cost/benefit from the perspective of individual (and not collective) organisations.
- 7.7 No one organisation can lead this work alone and the review team have started to engage the professional networks that exist in Surrey across planning, finance and IT disciplines to start to tease out what work will be required to investigate these challenges further. The purpose to date has been to share awareness of the review but it is recommended that these groups are kept involved, and indeed drive, part of the next steps.

## 8 Next Steps and Recommendations

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### Next Steps and Recommendations

- 8.1 Surrey First and Surrey Chief Executives are asked to consider these estates recommendations as part of a service-led approach.
- 8.2 Some of the recommendations will be easier than others to achieve. The ongoing management and sharing of data should be a relatively straightforward task particularly as new Property Information Management systems are employed by partner organisations.
- 8.3 The implementation of these recommendations does not need to be uniform across the county. Some partner organisations, particularly those already embarking upon Total Place pilots (e.g. in Mole Valley and Woking) have already set up mechanisms for taking the opportunities forward. In practice there will be a variety of different mechanisms for taking collaborative approaches to property forward. In this respect, the outputs of this review should compliment rather than duplicate.
- 8.4 The recommendations are deliberately high level at this stage to allow Members, Chief Executives and all of the other participants in the review the opportunity to reflect on the work that has been done to date and to consider their respective positions before the next phase is defined.
- 8.5 Recommendations:  
The Committee is requested to –
  - 8.5.1 Take this initiative forward in more detail with their Chief Executive and members as agreed in their own organisation.
  - 8.5.2 Commit to implement a premises strategy for public sector property in Surrey, based upon future service delivery property needs.
  - 8.5.3 Agree to the continuing involvement of health, schools and police providers.
  - 8.5.4 Agree the setting up of joint partner project teams.
  - 8.5.5 Agree that partners explore the preparation of a financial proposal for a fair, proportionate and transparent charging mechanism for sharing accommodation where this may unlock significant mutual benefit .
  - 8.5.6 Agree that partners explore the preparation of a detailed proposal for sharing capital contributions.
  - 8.5.7 Agree to the sharing of centrally available property data hosted by Surrey i.
  - 8.5.8 Agree to sharing of site mapping and data information between adjoining authorities.

## 9 Conclusion

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- 9.1 The amount of work that has been done to date demonstrates the willingness that exists on behalf of public sector organisations in Surrey to work together. Whilst the next steps that will be required to take this work forward are both time consuming and challenging it is crucial that public sector organisations continue to think about collaborative approaches to asset management. Having a Joint Asset Register and shared GIS repository for asset management information is in itself a vast improvement in the way that public sector organisations work together in Surrey. The successful ongoing management of this alone represents a significant benefit for the organisations involved in the review.
- 9.2 When it comes to collaborative approaches the challenge is clear. Despite the intentions of the 'Total Place' (often now referred to as Community Based Budget) agenda, there is currently no structure to identify the cross – over long term benefits that collaborative practices can provide and certainly no pressure for all beneficiaries to pay for cross–organisational programmes such as this. Strong leadership is vitally important if we are to achieve a situation where agencies work together to centre available resources on the demands of the residents within a defined place, and where all agencies share an understanding and vision of that place.<sup>8</sup> If collaboration is about ensuring administrative boundaries do not act as barriers to service transformation and efficiency, then it is only through political and officer leadership that this will be achieved.

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<sup>8</sup> 'Total Neighbourhood', Placing Power back into the Community, Localis