



FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

IMPROVEMENT AND SCRUTINY COMMITTEE - RESOURCES

THURSDAY, 27 JUNE 2024

**Report of the Director of Property - Corporate Services and
Transformation**

Property Asset Rationalisation

1. Purpose

- 1.1 To update Improvement and Scrutiny Committee on work being undertaken on property asset rationalisation across the county.

2. Information and Analysis

- 2.1 Councillor Swann recently requested the Executive Director CST to provide for a briefing on the Council's property holdings, current work on rationalisation of the Council's property holdings and details of properties that are or could be designated as surplus and can possibly be disposed of with current overhead costs and potential sale value. Councillor Swann also requested details of properties that currently generate an income and potential for increasing income value.
- 2.3 In addition, Councillor Swann also requested an update on the plans for County Hall so the committee can monitor progress in this respect.
- 2.4 The presentation appended to this report in Appendix 2 responds to this request and provides an update on all the work being done around property asset rationalisation.
- 2.5 The presentation contains:
1. An introduction to the Council's property portfolio, including the composition of the estate;

2. Details of the asset management strategy documents approved by Cabinet;
3. A summary of Property 2025 which sets out the Property division's plan for reviewing and challenging the estate;
4. Details about the ways in which assets are reviewed and decisions are made regarding their future;
5. Asset Plan Programme key data including:
 - a. how many asset plans have been completed;
 - b. what the outcomes of the asset plans are;
 - c. progress on the implementation of those outcomes;
 - d. data on capital receipts, revenue savings and the reduction in the Council's maintenance liability;
 - e. progress with leases;
 - f. information on the accelerated rationalisation programme;
 - g. key statistics on the asset rationalisation programme;
 - h. a summary of key rationalisation projects including Chesterfield, Amber Valley and County Hall.

3. Consultation

- 3.1 Staff, service user and public consultation on individual asset rationalisation projects is undertaken as appropriate.

4. Alternative Options Considered

- 4.1 Not applicable to this report.

5. Implications

- 5.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

6. Background Papers

- 6.1 There are no background papers to this report.

7. Appendices

- 7.1 Appendix 1 – Implications
- 7.2 Appendix 2 – Presentation on Property Asset Rationalisation.

8. Recommendation(s)

That Committee:

- a) Notes the work being undertaken on property asset rationalisation across the county.

9. Reasons for Recommendation(s)

- 9.1 So that members of Improvement & Scrutiny Committee understand the work being undertaken on asset rationalisation, the reasons behind it and the outcomes.

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Implications

Financial

1.1 The financial implications are detailed in the presentation in Appendix 2.

Legal

2.1 There no legal implications.

Human Resources

3.1 There no HR implications.

Information Technology

4.1 There no IT implications.

Equalities Impact

5.1 Individual equalities impact assessments are undertaken for each asset rationalisation project.

Corporate objectives and priorities for change

6.1 The Council's priority of rationalising land and property assets helps with the delivery of the financial strategy.

Other (for example, Health and Safety, Environmental, Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 The property and asset management implications are detailed in the presentation in Appendix 2.

Property Asset Rationalisation

Introducing the Estate

The Property Portfolio and Composition of the Estate

The Council's land and property portfolio comprises 1056 separately listed assets.

There is a wide range of assets in the Council's portfolio including homes for older people, day centres, country parks, libraries, adult education centres, schools, children's centres, and civic amenity sites, some of which are historic buildings. It includes land and buildings the Council leases in from other public sector and private sector landlords as well as the land and buildings the Council owns.

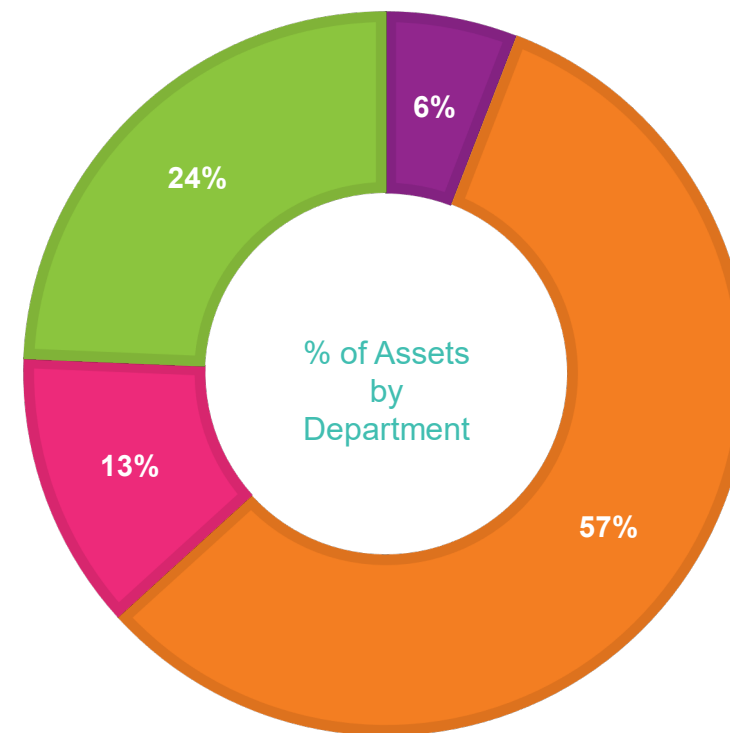
The primary objective for holding land and property is to enable the delivery of services to the people of Derbyshire and the strategic aim is to have appropriate and cost-effective buildings from which to deliver these services. It is therefore important that the Council reviews its assets regularly to ensure alignment with service delivery requirements.



Introducing the Estate

The table and pie charts below illustrate the nature of the Council's land and property estate used by the Council's four service directorates (as at 01/04/2024)

Department	Property Type	Number of Assets
Adult Social Care and Health	Residential	22
	Day Centres	18
	Others, e.g. administration, workshops, supported living accommodation, land	22
Children's Services	Schools	448
	Children's Homes	12
	Others, e.g. youth centres, children's centres, family support centres, land	146
Corporate Services and Transformation	Administrative	9
	Tenanted Non-Residential Portfolio (Industrial Estates / Small Business Centres)	23
	Others, e.g. land, property depots, registrars / coroner's offices, records office	99
Place	Highway and Transport Depots	14
	Libraries	40
	Civic Amenity Sites	12
	Land (including non-adopted highways land)	66
	Countryside Sites	75
	Others, e.g. tree plantation / woodland, managed properties and car parks	50
TOTAL		1,056



*In addition, there are approximately 2770 individual parcels of unadopted highway land that will be added to the asset database

Property 2025

Strategic documents approved by Cabinet in 2023:

- Corporate Property Asset Management Strategy 2022-2025
- Facilities Management Strategy 2022-2025
- Disposal and Acquisition Protocol 2022-2025
- Property Maintenance Strategy 2022-2025
- Estate Management Strategy 2022-2025

All published on Our Derbyshire and on the Council's website:

[Property asset management - Our Derbyshire](#)

[Corporate Property - Derbyshire County Council](#)

Property 2025

Scope

Property 2025 is a five-year programme to review every property asset the Council holds, challenge why we hold it, and ensure that our property portfolio is aligned to the delivery of our corporate objectives.

We review them by:

✓ **Locality reviews:**

- Links with partners, new models of delivery and co-location opportunities
- Focus on the assets required to deliver excellent service in each area
- Implementing wider corporate objectives and cross cutting projects
- Identifying gaps in provision and finding innovative ways to address them
- Seeking opportunities to consolidate assets and reduce operational costs

✓ **Service asset planning:**

- Working with service areas to identify short medium- and long-term service asset requirements
- Innovative new models of service delivery (SAMP)
- Flexible spaces, enabling agile working in alignment with Modern Ways of Working
- Strategic level and operational level joint planning meetings to ensure service area buy in

✓ **Portfolio Reviews:**

- By service area or service delivery purpose
- By type or purpose – administrative, depot etc.
- By potential and opportunity – industrial units, residential, sustainable energy generation, income generating

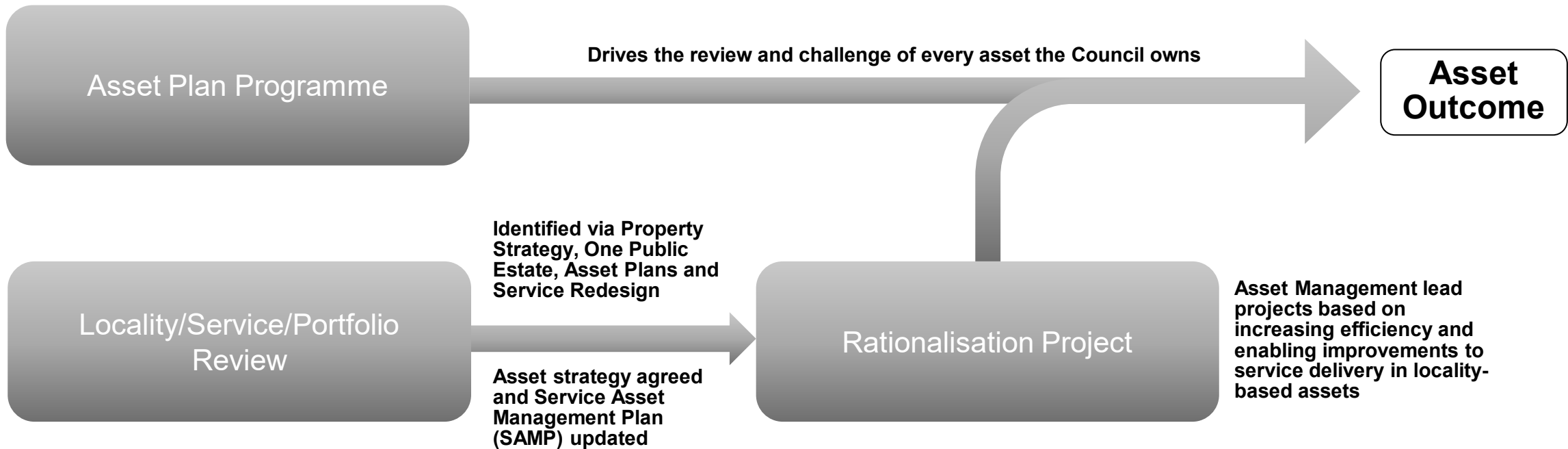
✓ **Individual asset plans:**

- Asset Plan Rolling Programme – 5 year
- Assess performance, challenge use, risk assessment, development appraisal, option appraisal and action plan

The programme will support overarching Council objectives by:

- Establish the efficiency of the council's property holdings by strategically optimising the portfolio, ensuring it consists of affordable assets that support essential services or serve as viable investments
- Improve the customer and staff employee experience at our sites by delivering fit for purpose spaces that are consistent, positive and conducive to productivity, thereby supporting overall efficiency in service delivery
- Drive asset-led transformation in service delivery by envisioning and developing the future County Council Headquarters and operating model, aligning them with the broader vision for the wider estate

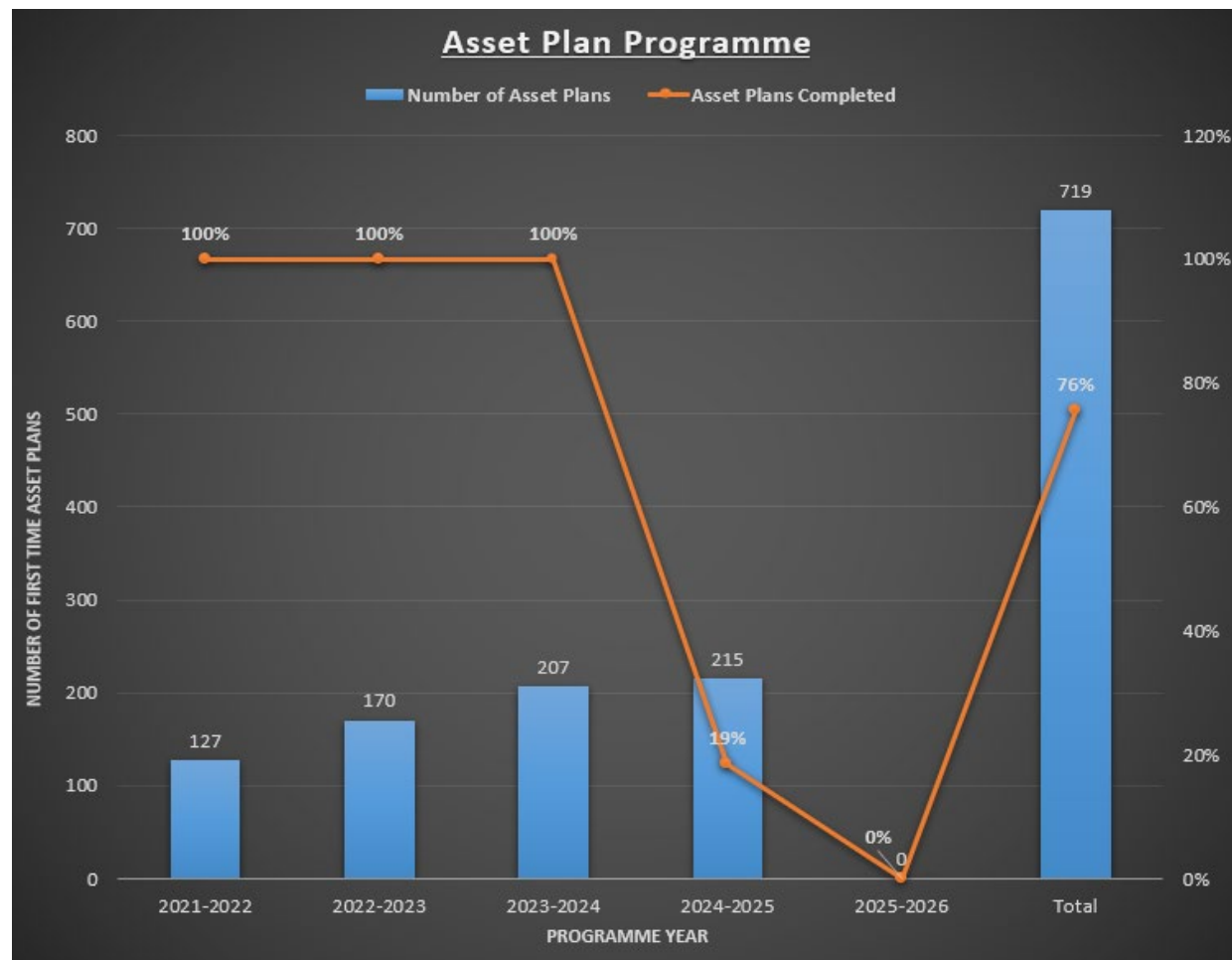
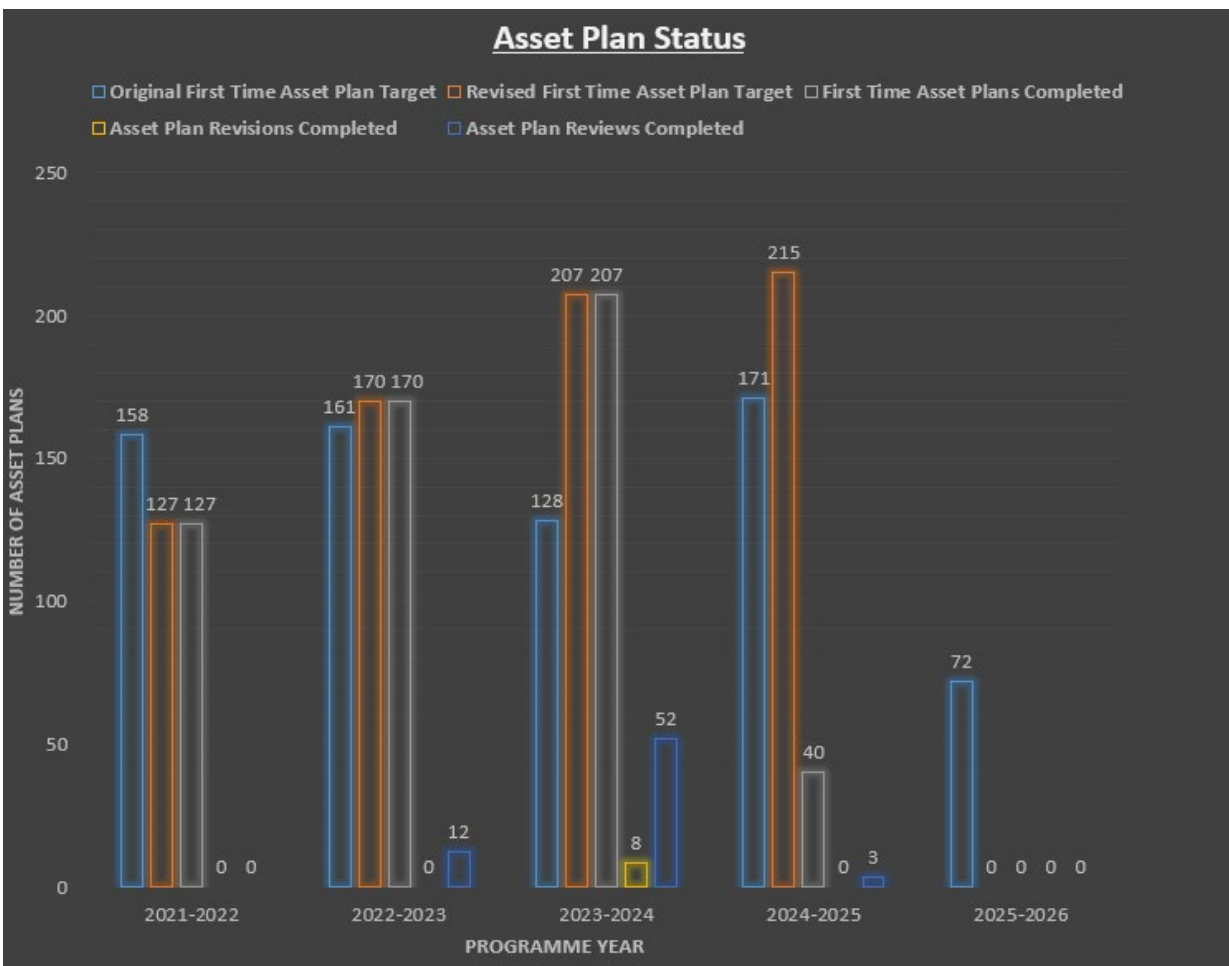
Asset Management Workstreams



Asset Plan Programme

Key Data

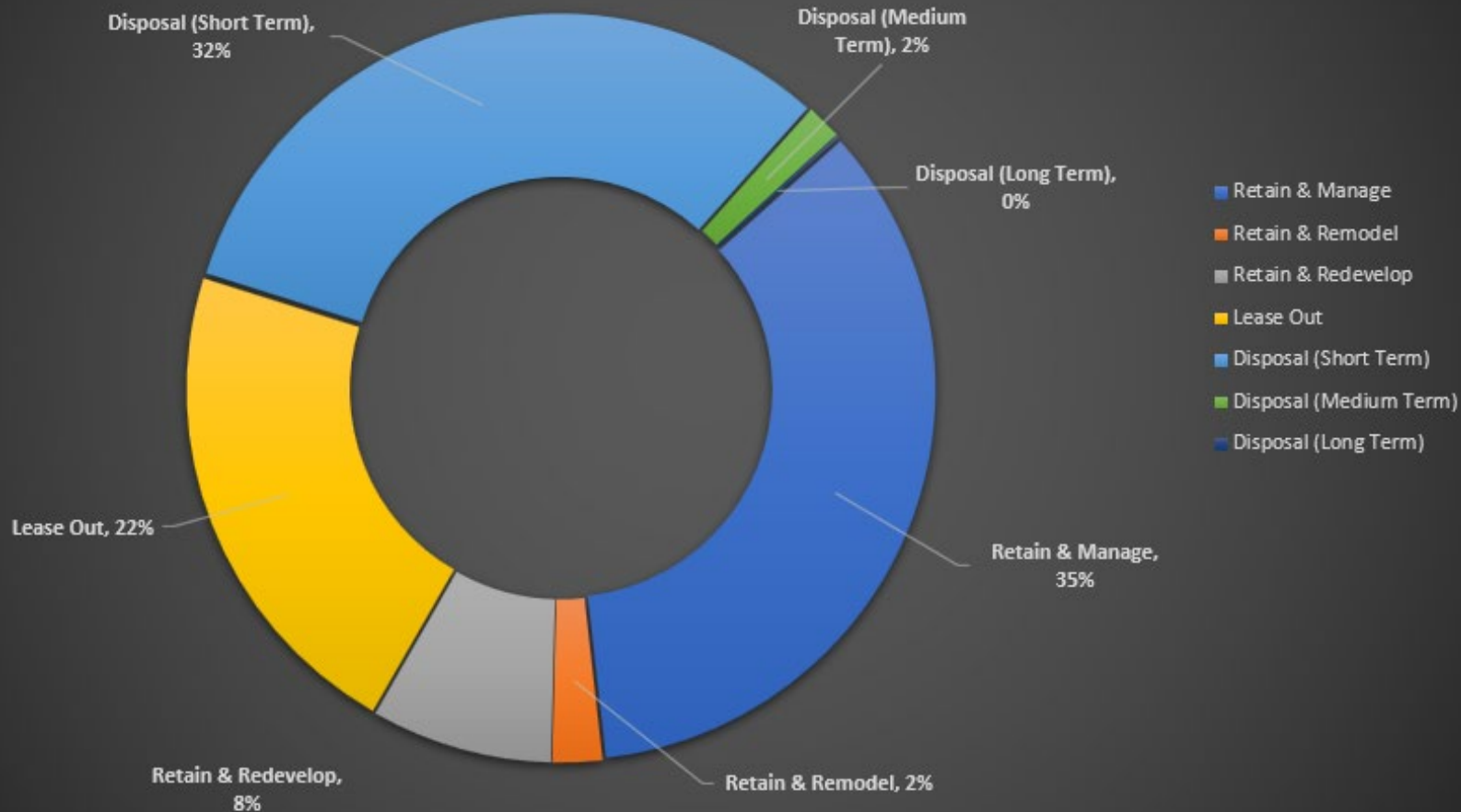
The original programme has been accelerated from 5 years to 4. This has enabled Year 5 of the programme to be dedicated to developing a methodology for reviewing the approximately 2770 individual small parcels of unadopted highways land



Asset Plan Programme

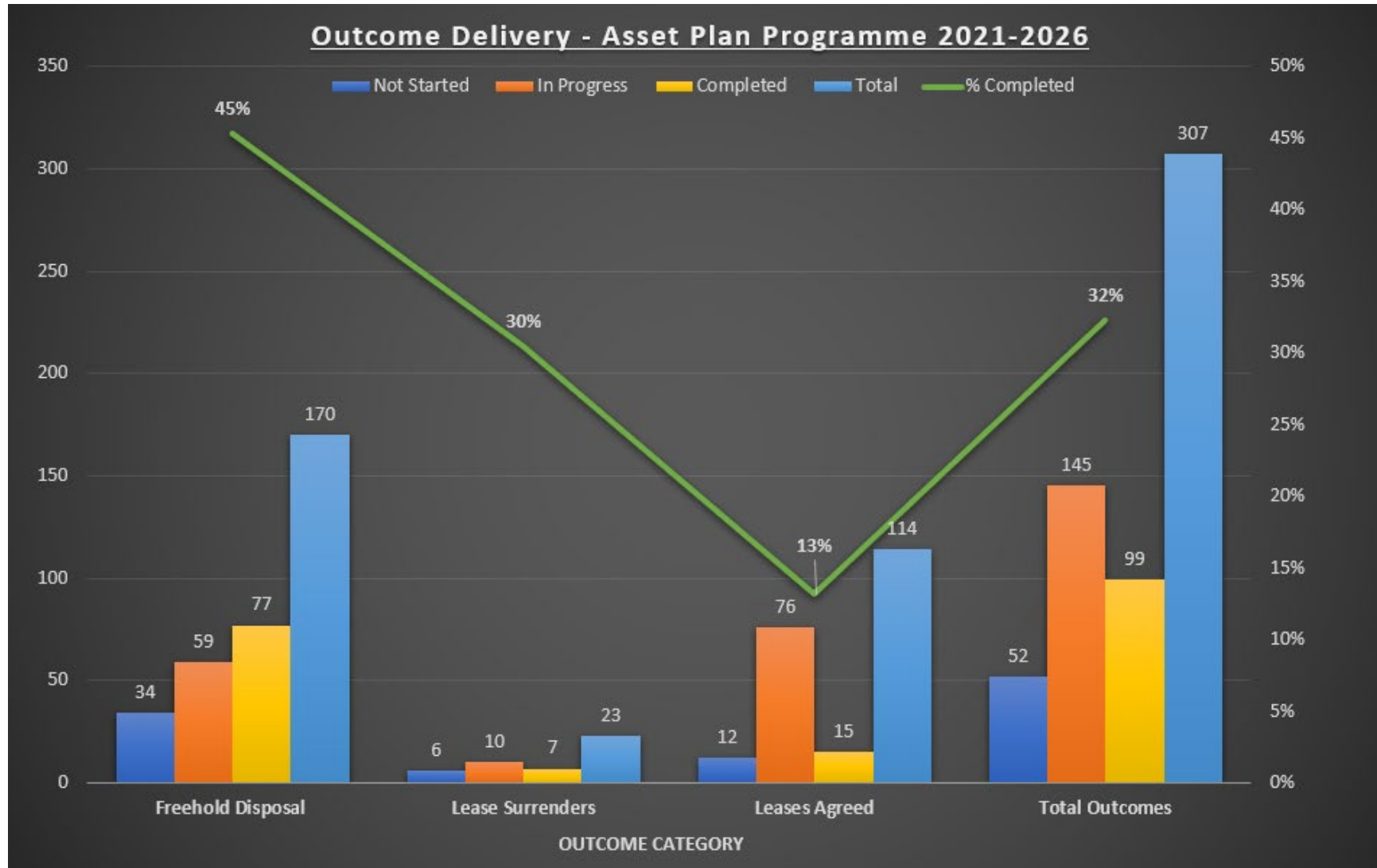
Key Data

Outcome Categorisation % - Overall



* The overall percentage of retained assets includes those that are pending the outcome of current service re-designs and have received an asset plan. Following the implementation of new service delivery models, the asset plans for these assets may require review and outcomes amended accordingly.

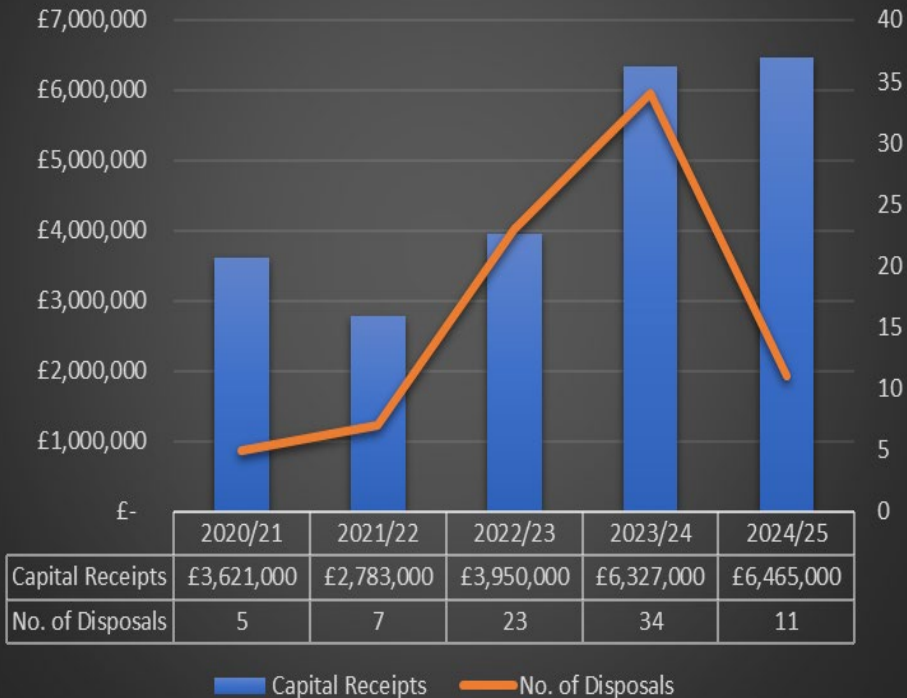
Asset Plan Programme Implementation of Outcomes



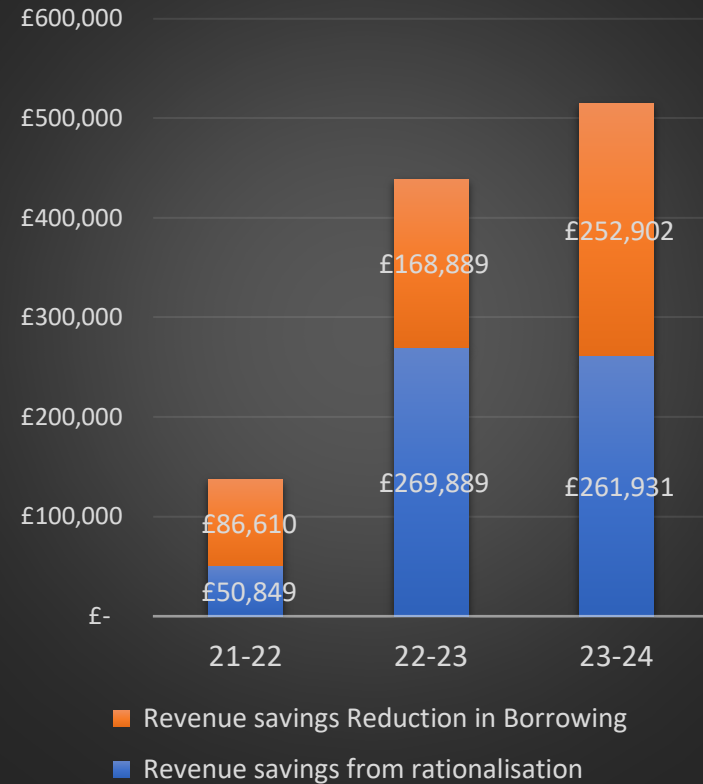
*This chart displays the progress made in delivering asset plan outcomes of disposal and lease out only. Lease agreed figures will include existing leases that are reviewed and/or renegotiated.

Asset Plan Programme Implementation of Outcomes

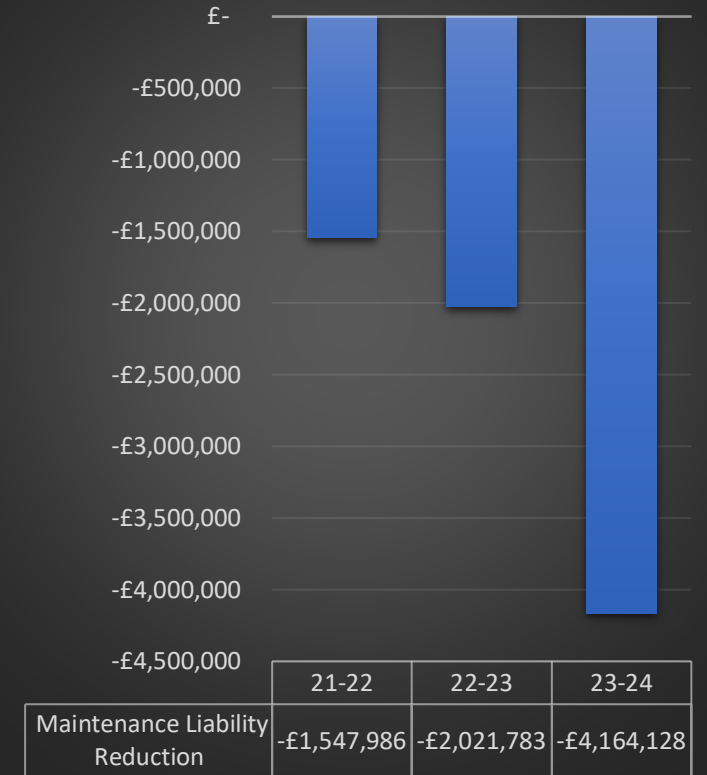
Asset Disposals through Rationalisation as at 17/05/2024



Revenue Savings from Asset Disposals



Maintenance Liability Reduction

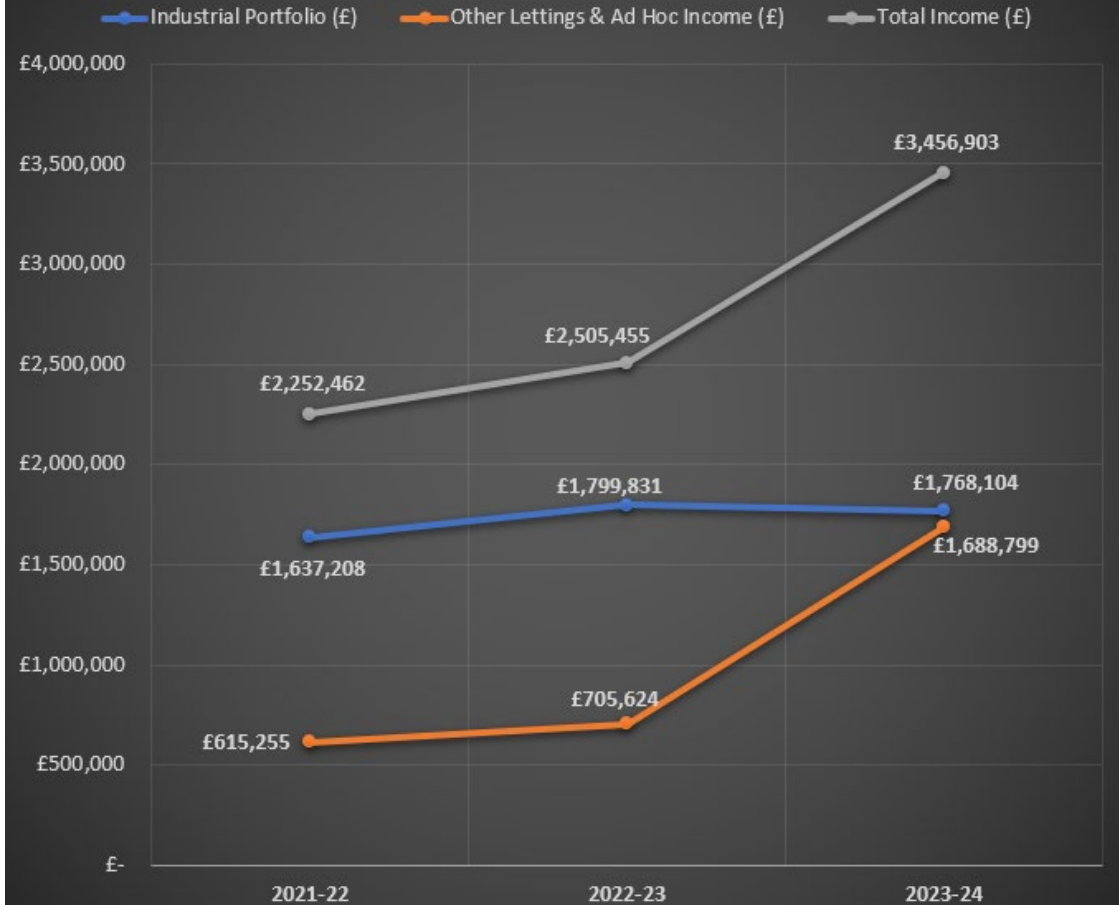


Asset Plan Programme

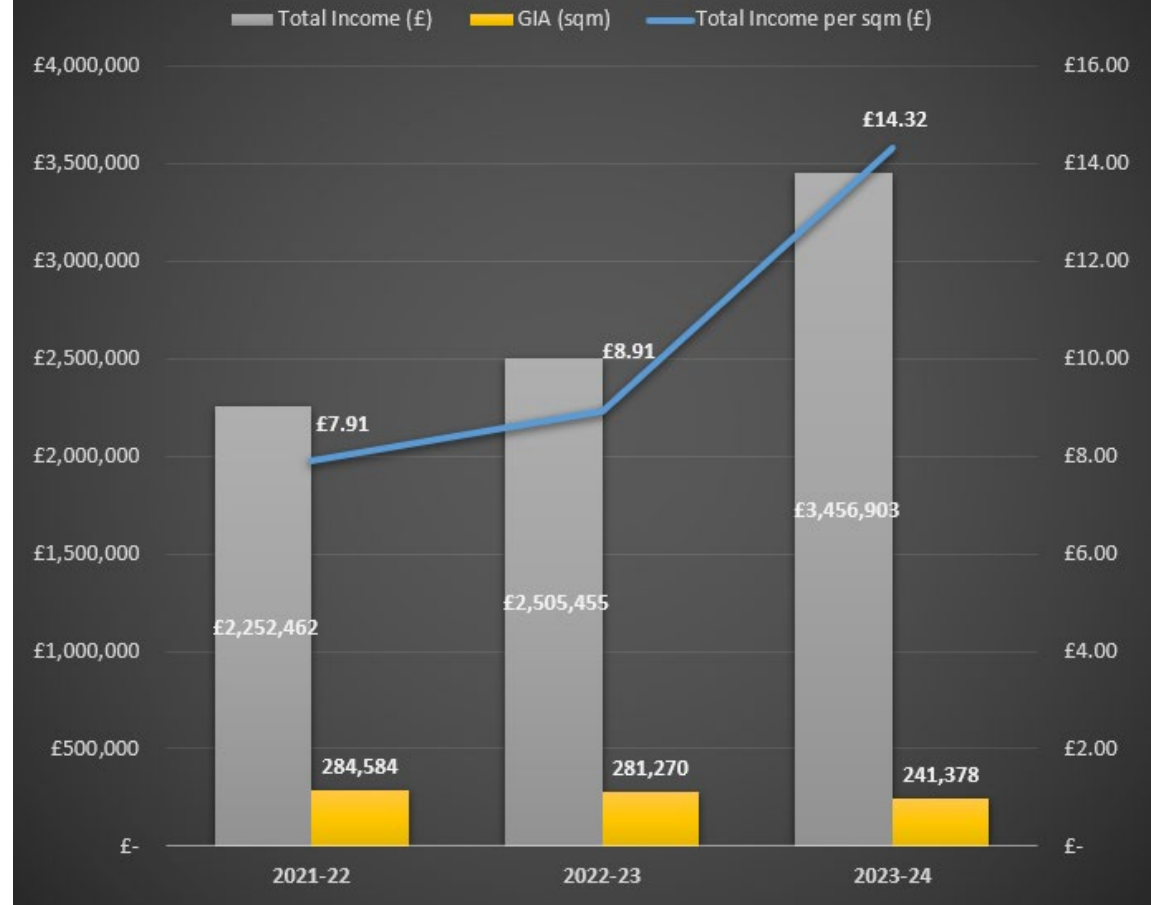
Leases Out and One Time Income

- Part of income increase in 2023/2024 is due to the transfer of property running cost budgets, as part of Asset Optimisation. Some of the transferred budgets had income streams attached
- Ad-hoc income includes wayleaves & easements, access agreements, rent arrears, service charges & arrears, one-off licence fees, surveyor and legal fees recovered from disposals and other estates management work

Asset Plan Programme - Total Income to Date



Asset Rationalisation - Income Per sqm

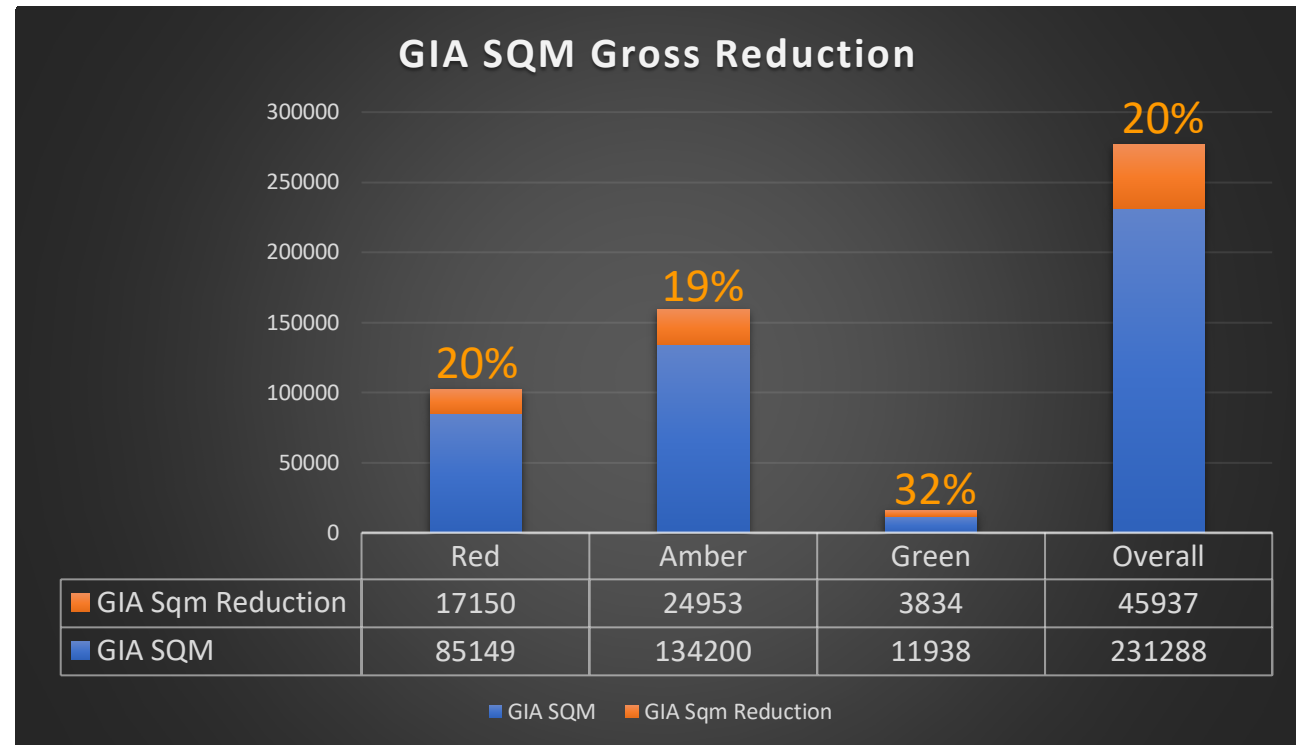
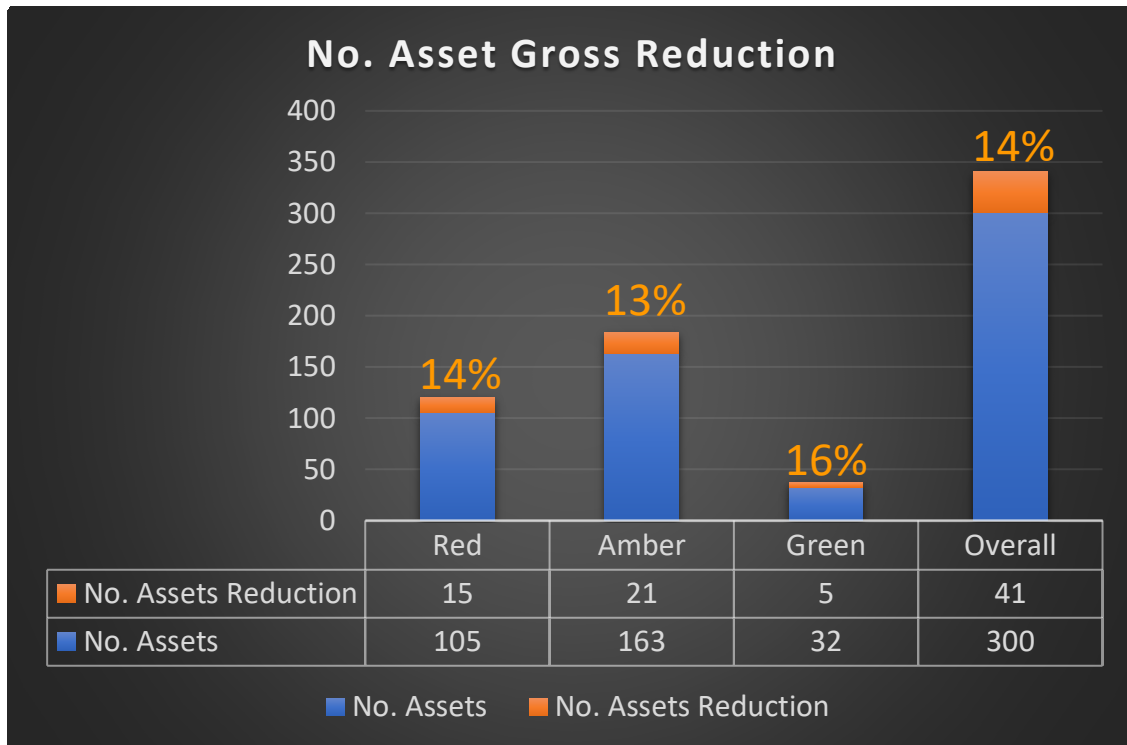


Accelerated Programme

'The Art of the Possible'

Original method were Assets RAG rated for disposal based on their primary use and whether it is a statutory requirement or supports the delivery of a statutory requirement.

Red = Property provides a statutory requirement **Amber** = Potential for rationalisation **Green** = Prime for disposal



*Excludes Industrial Estates, Civic Amenities, Countryside Sites and Land
All figures include 2024/25 forecast

Accelerated Programme

Revised Methodology – Performance

To assess the overall performance of the assets, we followed the same method which is used in the production of Asset Plans.



Energy Consumption

For buildings over 250m² DEC rating:

- A & B: Good (**score 1**)
- C & D: Satisfactory (**score 0**)
- E & F: Poor (**score -1**)
- G: Very Poor (**score -2**)

For buildings under 250m² kWh usage formula.

Maintenance Liability

Based on the condition category – this is calculated by taking the total maintenance liability from the condition survey as a percentage of a theoretical rebuild cost. There are thresholds in Asset Manager which automatically determine whether a percentage is:

- A: Good (**score 1**)
- B: Satisfactory (**score 0**)
- C: Poor (**score -1**)
- D: Very Poor (**score -2**)

Running Costs

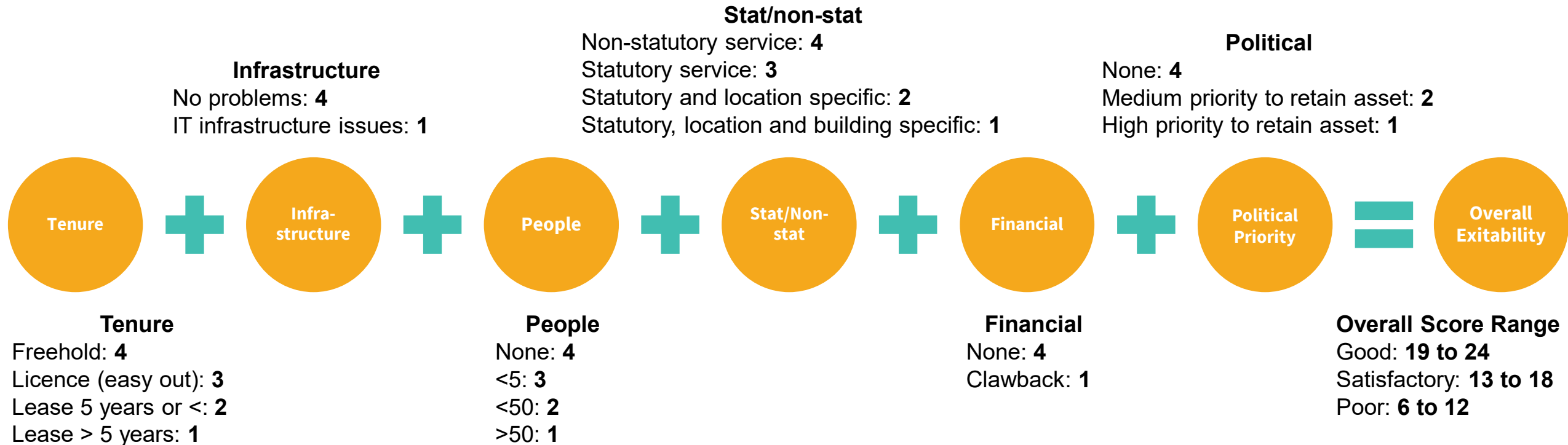
Running costs per square metre are compared to the BCIS industry standard average for that primary use. Asset plan formula then applied:

- A: Good (**score 1**)
- B: Satisfactory (**score 0**)
- C: Poor (**score -1**)
- D: Very Poor (**score -2**)

Accelerated Programme

Revised Methodology – Exitability

To assess how difficult each asset would be to exit, six key dependencies were considered.

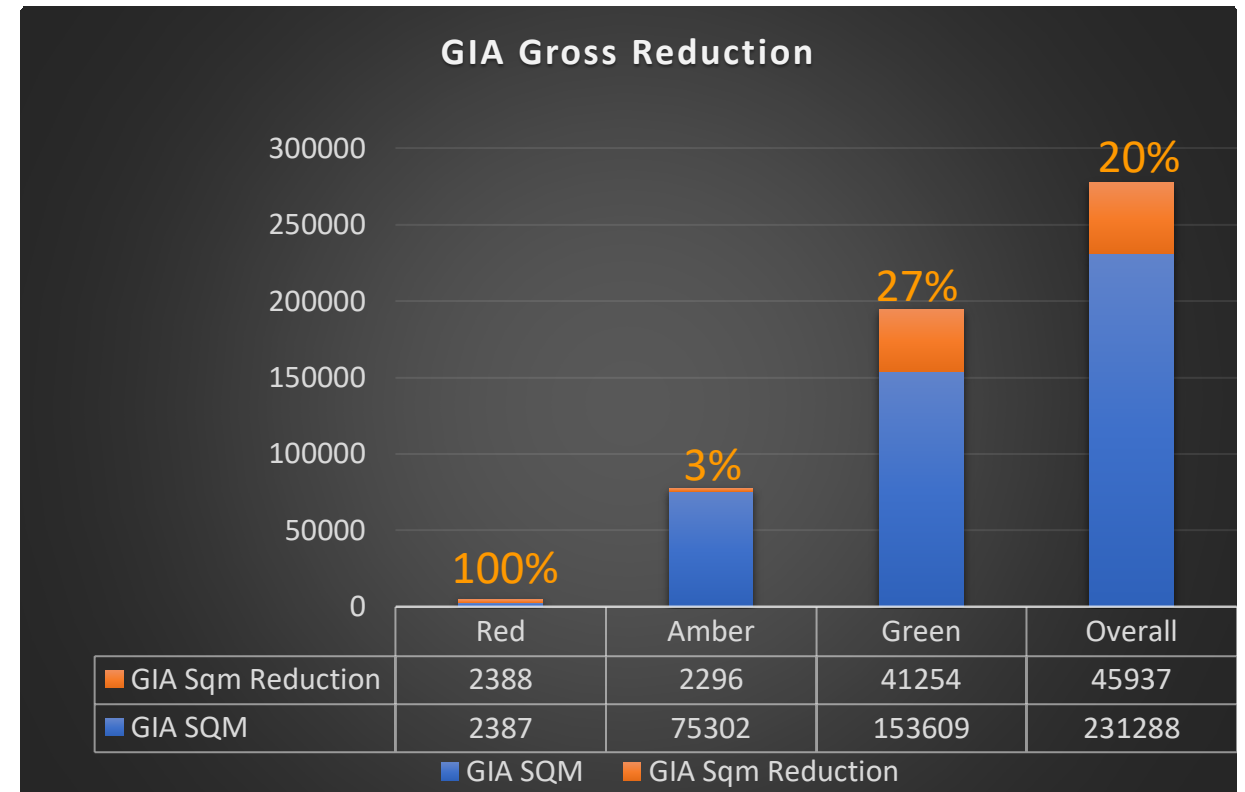
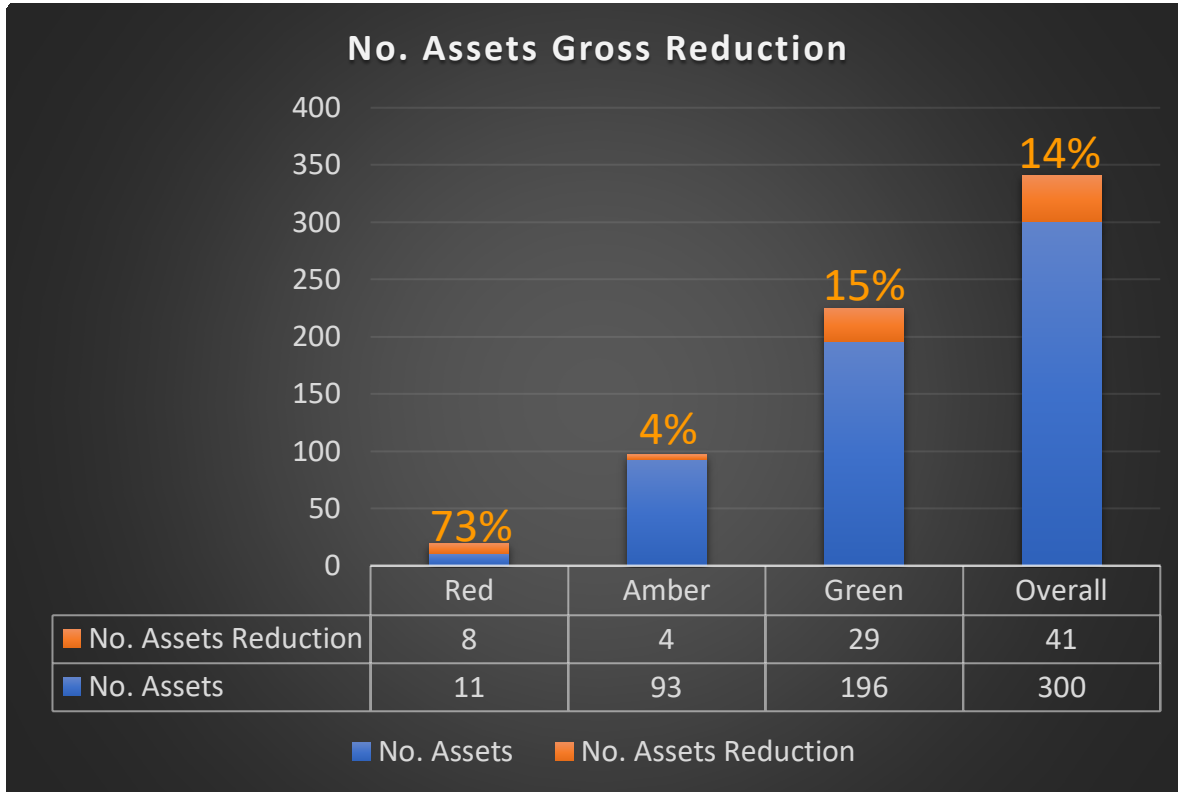


*‘Exitability’ – The ability to exit a particular asset (the higher the overall score, the easier to exit).

Accelerated Programme Revised Methodology

Overall Exitability:

Green Good (Score 19 to 24) **Amber** Satisfactory (Score 13 to 18) **Red** Poor (Score 6 to 12)



* Excludes Industrial Estates, Civic Amenities, Countryside Sites and Land

All figures include 2024/25 forecast

Accelerated Programme

- **Original Estate Total GIA*** **231,297 SQM**
- **Total Gross GIA Reduction to Date[#]** **45,938 SQM**
- **Overall Gross Reduction to Date[#]** **20%**
- **Target Reduction 2026** **50%**

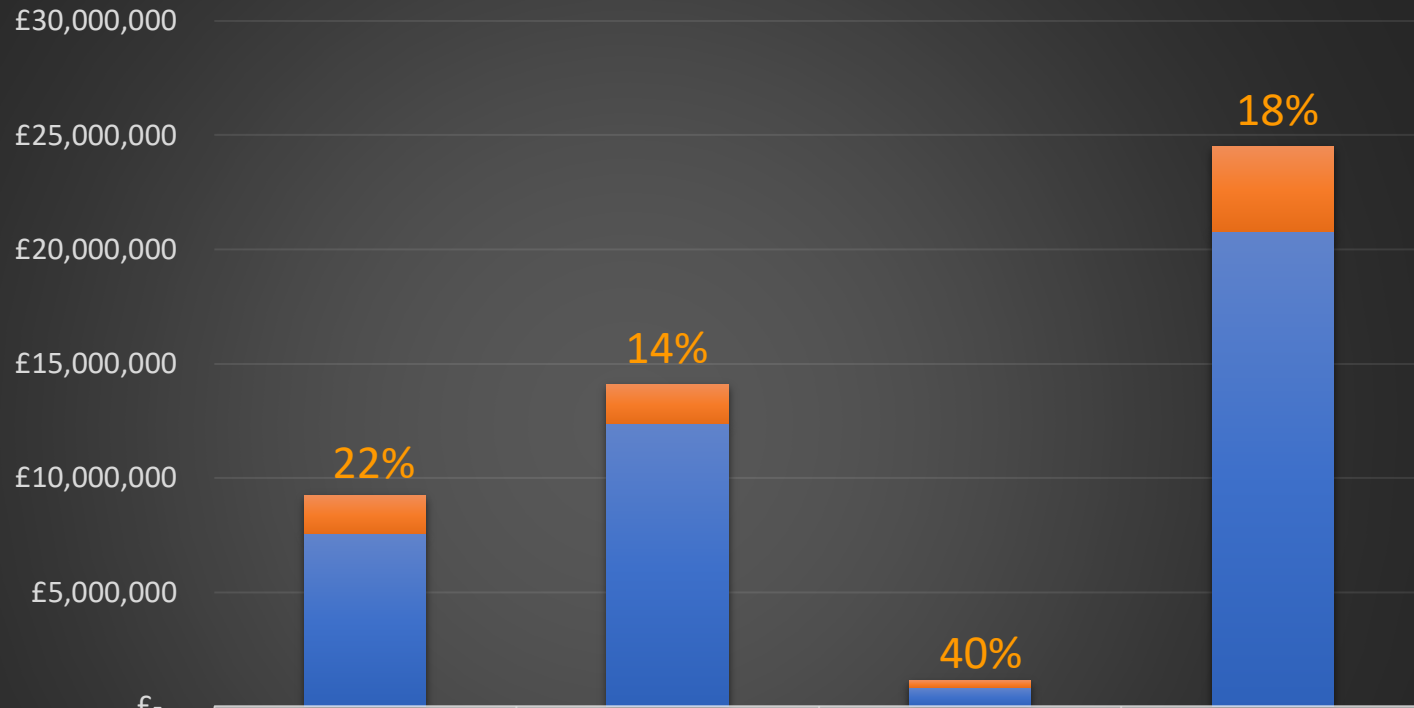
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[#]All figures include 2024/25 forecast

Accelerated Programme Potential Savings

'Art of the Possible' RAG Rating

***Property Gross Running Costs Savings**



*Running costs forecast figures for 23/24 not actuals

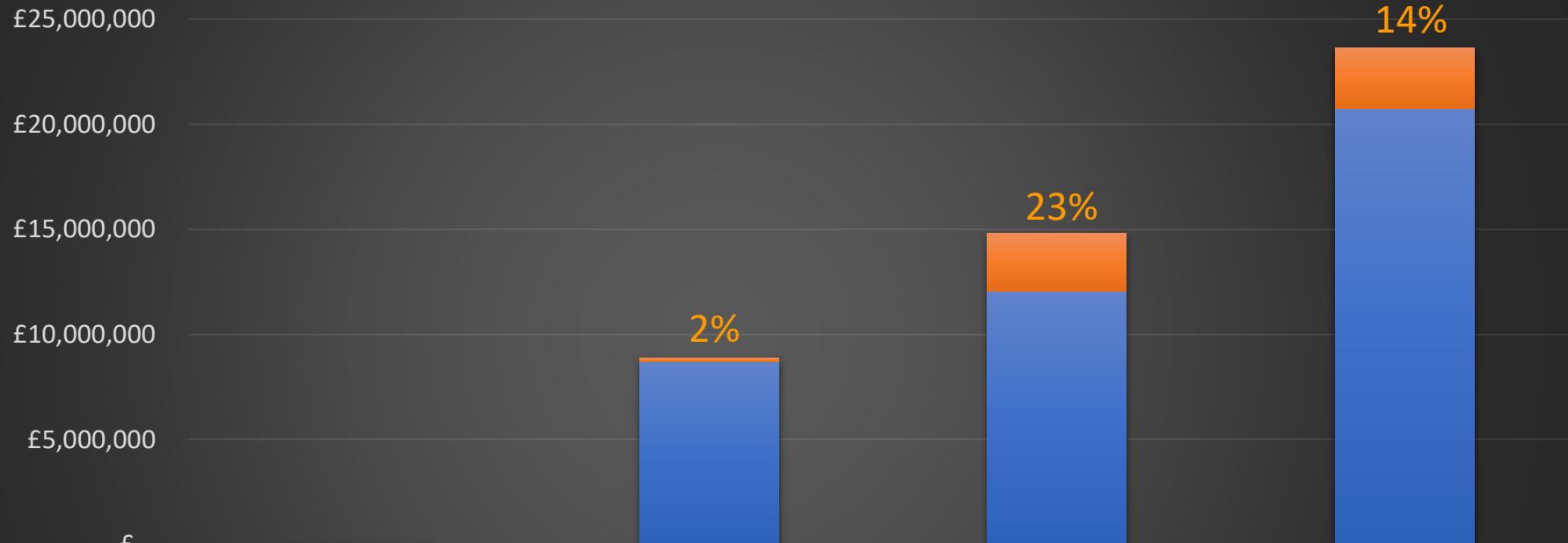
Property Cost Reduction	£1,662,859	£1,741,478	£325,521	£3,729,858
Property Running Costs	£7,562,671	£12,376,193	£823,643	£20,762,507

■ Property Running Costs ■ Property Cost Reduction

Accelerated Programme Potential Savings

Accelerated Programme Method

Property Gross Running Cost Savings



*Running costs forecast figures for 23/24 not actuals

	Red	Amber	Green	Overall
Property Cost Reduction	£-	£161,047	£2,728,538	£2,889,585
Property Running Costs	£-	£8,705,516	£12,056,990	£20,762,506

■ Property Running Costs ■ Property Cost Reduction

Key Projects: Chesterfield

Rationalisation of 10 assets into one:

West Street Offices
Peter Webster Centre
Offices at School Road
Brimington Centre
Chesterfield Community Centre (Tontine Rd)
Market Hall Offices
Former Hasland Youth Centre
Hunloke Centre
Offices at High Street, Staveley
Clay Cross Resource Centre



The Quad, Boythorpe
Road

Chesterfield Rationalisation

- ▶ 15 June 2023 Cabinet approval
 - ▶ Modern, flexible, accessible space that is cost effective
 - ▶ An efficient place to work for all employees
 - ▶ Facilitates improved service delivery and new working practices.
 - ▶ Delivers reduction in overall running costs, Carbon Footprint
 - ▶ Improves engagement, community, wellbeing, recruitment and collaboration well into the future.
- ▶ Lease signed October 2023 – starting January 2024
- ▶ Staff relocations completed by April 2024



Future

2024

Polygon

Relocation of service to Parkwood **Summer 2024**
Closure and disposal

2024

Godkin House

Vacated and lease surrendered **February 2024**
Saving in rent of £145,000 plus other running costs

2024

Alfreton Library & SEN Support Services, Alfreton

Intensification of use

2022

Amber Valley Rationalisation

New Hub

5+ Years

2025

Leasehold asset in Alfreton

Relocation of service to existing alternative freehold premises
Hard deadline **30 October 2025**

2024

The Hub at South Normanton

Intensification of use

2024

Parkwood Centre

Intensification of use

2022

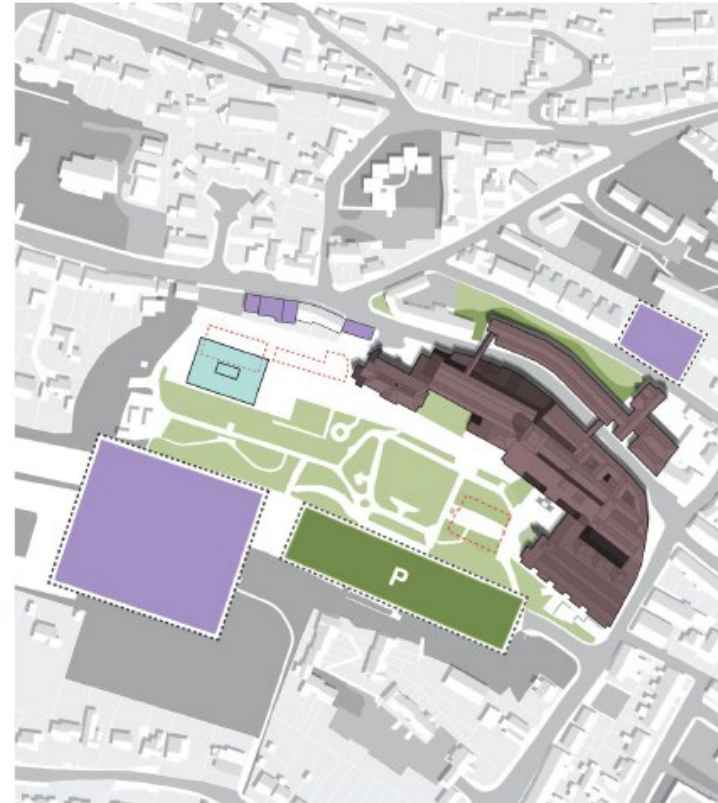
Long Close Site






Closed August 2022
Site now sold (£1.99m capital receipt)

County Hall Project Objectives

The purpose of the project is to:

- Identify a long-term financially sustainable future for the Council's headquarters operations
- Capitalise on the hidden value of the County Hall complex by attracting private sector investment
- Provide a more efficient and flexible workplace
- Deliver a significant economic impact to Matlock and the surrounding area
- Enable the Council's strategic priorities and objectives to be better supported



-  Conversion of North and South Blocks (plus ancillary buildings) for hotel and residential units
-  Generation of value from various development opportunities across the complex
-  New low carbon offices for council and partners
-  Opportunity for decked car park with landscaped green roof and solar panels
-  Demolition of ancillary buildings to improve amenity e.g. former gym

Conclusion

The optimum solution for the Council is to:

- Procure new low carbon offices on site to accommodate a maximum of **500 FTEs**
- Secure conversion of South Block / Winter Gardens for hotel and events venue – and explore how viability can be improved through grants e.g. National Heritage Lottery fund
- Dispose of North Block for residential conversion and south-west car park for residential development
- Provide office / studio space for SMEs and start-up businesses
- Integrate site with town centre with sustainable transport link – e-Shuttle and Mobility Hub
- Strengthen and broaden the town's economic base



Benefits



- Major reduction in revenue costs
- Stabilised and predictable future revenue costs
- Avoidance of almost **£130m** in capital expenditure on repairs, decarbonisation etc
- Potential to generate new income streams – ground lease for hotel, lettings of ground floor units in North Block and former bath house in South Block

- Diversified and more resilient economy
- Tackles shortfalls in demand e.g. high quality hotel, venue for events, space for SMEs
- **£56m** boost to Matlock economy and almost **£150m** across Derbyshire
- **130** new permanent jobs from hotel operation