

Cabinet

4th June 2024

Update on the Corporate Asset Management Plan 2023-2025



Ordinary Decision

Report of Corporate Management Team

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Councillor James Rowlandson, Cabinet Portfolio Holder for Resources, Investment, and Assets

Electoral division(s) affected:

Countywide

Purpose of the Report

1. To provide Cabinet with an update on the developments in corporate asset management since it approved the Corporate Asset Management Plan (CAMP) 2023-2025 in April 2023, and to set out priorities for further improvements which will inform the development of the next iteration of the CAMP to be presented in 2025.

Executive summary

2. The size, shape and location of our land and property portfolio is vitally important to enabling the success of the council's ambitions. It provides space for the delivery of our public services; it helps create jobs, housing, and economic growth as well as income to invest in our services. The strategic management of this valuable resource in the context of broader objectives for the economy and the environment is important to the council and to the communities we serve.
3. In April 2023 Cabinet approved the Corporate Asset Management Plan 2023-2025 which set out how the council will manage its estate and how it will be used to support the delivery of council services. The CAMP, in three parts, is to be developed further over the plan period and a new version will be produced in 2025.

4. The council's land and property estate changes continuously as we respond to new initiatives, the need to raise capital receipts, the need to improve the standard of our accommodation and the pressures on council resources. This report updates the baseline figures included in the published CAMP, both in terms of the estate statistics and the income and expenditure required to manage it. The CAMP excludes any transport and highway assets that are the subject of the separate Transport Asset Management Plan approved by Cabinet.
5. Apart from a significant housing acquisition programme, the size of the estate has remained fairly static over the past year. However, the amount of investment required to maintain and run an ageing estate continues to increase. This is a challenge for future asset management strategies.
6. Part 3 of the CAMP is the action plan which comprises a significant programme of activities to implement the Corporate Property Partnership (CPP) approach to asset management. This approach ensures that our property portfolio is managed and maintained consistently and corporately, allowing services to concentrate on their operational delivery.
7. Progress on delivering the activities in the action plan will be fundamental in the further development of the CAMP for 2025. This report sets out the progress made so far and the benefits that have been realised as a result.
8. In addition to the programme of activities that constitute the action plan, there are some broader themes of activity and review that will be incorporated into the next iteration of the CAMP. These include the potential changes to the council's corporate ambitions as well as adaptations to the way we work to accommodate business change. These factors have been summarised in the report.

Recommendation

9. Cabinet is recommended to:
 - a) Note the changes in the estate metrics contained in paragraphs 16-22 and that this will be revisited for the 2025 CAMP;
 - b) Note the improvements achieved and the progress that has been made on the actions identified in the Corporate Asset Management Plan 2023-2025 since its approval in April 2023;

- c) Note the areas for continued development of the CAMP which will be presented to Cabinet in 2025.

Background

10. In April 2023 Cabinet received a report on the Corporate Asset Management Plan 2023-2025 which is a strategic plan setting out how the property portfolio will support the council's corporate priorities and objectives, and which provides the direction for the ongoing management of the portfolio.
11. Members welcomed the plan and approved it for publication. It is available on the council's website and it forms part of the suite of strategic documents ensuring that the council fulfils its corporate duties and maximises benefits to the people of the county.
12. The purpose of the CAMP is to set out strategically how the council's property portfolio will support corporate priorities and objectives, and to provide direction for the ongoing management of the portfolio. It has three main sections:
 - a) The Asset Management Strategy which translates organisational objectives into property objectives.
 - b) The Asset Management Policy which sets out the rules and principles by which property assets must be managed.
 - c) The Asset Management Action Plan which is the delivery plan detailing activities or projects required to achieve the property objectives.
13. The CAMP action plan is aligned to the Corporate Property Partnership (CPP) programme which was established in 2019 to ensure that our property portfolio is managed and maintained consistently and corporately, allowing services to concentrate on their operational delivery.
14. The report in 2023 set out a number of key benefits that this corporate approach to asset management has already delivered. The main purpose of this report is to highlight further benefits and developments that have made a positive impact to the delivery of the property service and to outcomes for the council and the public it serves.
15. The 2023 report stated that the current CAMP would be subject to changes and refinement as the action plan is implemented and as it will need to reflect changes in working practices and corporate ambitions. These would be incorporated into the next iteration of the document in 2025. This paper identifies the key activities, in addition to those in the action plan, that will be important in the new document.

The estate in context

16. The CAMP as published includes data on the size and make-up of the estate and this will be updated for the next version in 2025 as the estate is constantly changing. Schools are not included in the CAMP as the management of this part of the estate is primarily driven by the DfE's academisation strategies and pressures on school places nationally, especially in respect of SEND provision.
17. Included at Appendix 2 is an extract from the published CAMP showing the baseline data on the number of sites (NB not individual buildings on those sites) held for service delivery. Sites that have multiple services in occupation have been counted under the primary use of that site. Since the publication date there has been some minor fluctuation in the number of sites, those changes are set out in the table below:

Property/site Type	2022	2024	Detail
Industrial Sites	19	20	Lease in of terrace of industrial units at Station Place, Newton Aycliffe
Childrens Homes	11	14	Acquisition of Childrens Homes
Childrens Centres, One Point Hubs & Outreach	31	30	Change of function from Barnard Castle Outreach Centre to Adults Positive Journeys premises
Commercial/Retail Buildings	25	30	Re-classification of sites as part of the Commercial Review
Surplus Buildings	29	21	7 sales; 5 now operational; 4 new
Regeneration Sites	10	9	7 Atherton Street/Hopper House is now surplus
Community Buildings	56	55	Communal Room damaged beyond repair and demolished
Recreation Grounds with Buildings	43	41	2 structures reclassified to open space to match land they sit on
Housing acquired for Homeless Reduction Act duty	4	110	See para.19

18. An important piece of work in our CPP programme is the continuing categorisation of our estate into 'family types' – this will help us manage our property portfolio more effectively and to make informed and consistent decisions. Since the CAMP was produced last year, we have completed a 'deep dive' into our agricultural estate, the analysis of our commercial estate is almost complete, and we are about to commence work on reclamation sites. Analysis of each family type will result in improvements to baseline data, development of defined management approach for each category, and an understanding of key risks, issues and opportunities that may exist.
19. The total number of individual buildings across the whole (non-school) estate has increased from 893 to 961 which is largely due to the acquisition of local letting agency properties – these are properties which are used to address the council's statutory duty to support the needs of the homeless and those in danger of becoming homeless required under the Homeless Reduction Act 2017.
20. The total amount of land owned by the council has decreased from 9296 hectares (22,971 acres) to 9218 hectares (22,778 acres). This relatively marginal difference reflects numerous small-scale disposals and land acquisitions undertaken as part of the Stockton and Darlington Railway project. It is also due to the continuous data quality checks being undertaken by Corporate Property and Land where our GIS base (geographical information system or mapping software) is being checked and cross referenced against deeds and against results of valuation or condition survey programmes.
21. Other property related metrics will be updated for the CAMP 2025+ but, as an interim, the information from the published CAMP has been updated to the end of March 2023 unless otherwise stated:
 - a) Book value of assets is £0.99 billion as recorded in the draft accounts in March 2024 (£1.04 billion in 2022);
 - b) Annual rental income is £10.7 million (£9 million in 2022 – increases from rent reviews and new lettings);
 - c) Annual rental outgoings are £3.1 million (£2.5 million in 2022);
 - d) 763 new property management cases initiated from 1st April 2023 to 12th March 2024;
 - e) Annual running costs £42 million (£34 million in 2022 – fuel and general repairs increases of £5.5 million and £1.4 million respectively);

- f) Capital receipt income from disposals completed during 2022/23 totalled £72.2 million. The large figure is principally as a result of the disposal of the former council's headquarters on The Sands in Durham City. With this individual sale excluded capital receipts from the other disposals completed that year totalled £2.2 million. Income from sales for 2023/24 is expected to total £3.1 million subject to a final end of year evaluation.
 - g) Non-school maintenance Backlog is £177 million of which 33% is classed as essential/urgent work (significant rise from £108 million in 2022 is mainly due to a review of the schedule of rates (costs/charges/inflation) allowed for repairs and maintenance).
22. The council's estate is managed strategically to maximise benefits, this includes the disposal programme, income generation, lease renewals, rent reviews etc. In summary, the number of properties retained for service delivery has remained fairly static over the last year but our residential estate has grown exponentially. This growth has had an impact on staff resources for both the acquisition process and for ongoing property maintenance. Although the core estate has not changed significantly, annual running costs (including energy costs and general repairs) have increased by approximately 25% and the backlog of required repairs continues to increase as the estate ages and deteriorates and as the baseline costs for maintenance continue to increase.
23. The backlog maintenance figure provided includes all backlog works, including those where a tenant may have responsibility under a lease agreement. Condition surveys are now carried out on buildings leased out, to understand issues throughout their lifespan and to ensure the council are aware of condition issues across the stock. Condition surveys on leased out buildings are not relied on for dilapidation claims but do provide the council with a picture of the condition whilst the building is under the direct management of a third party.
24. Continued programmes of capital investment and building surveys are employed to tackle the repairs backlog but all future property strategies that are developed will need to address this. This may be in the form of asset rationalisation, a new approach to works prioritisation or increased investment for example – or a blend of all of these. Other reports are being prepared to this effect, including one on maintaining safe assets and one which reviews our current repairs and maintenance service.

Key progress with the CPP model to date

25. Since its publication last year, there has been significant progress made in the implementation of the CAMP action plan which will deliver our aim for a fully corporate approach to property asset management. The following is a list of some of the key achievements from April 2023 to March 2024 together with an outline of the benefits that have been derived from them.
26. Policy developments:
 - a) A new Buildings Security Policy (2024-2027) has been produced which aims to cohesively align security measures to potential risks and threats, with the goal of providing a safe and secure environment for those at work and those affected by our work activities. The principles have been utilised in the set up and management of Corten House and County Hall and it has led to new training and awareness programmes for all staff.
 - b) A new Marketing Strategy report template has been developed. It is being used to enable officers to strategically think about the best way to market our assets, when to market them, which agency tools to use such as method of sale, offering a guide price or not, timing of marketing, planning strategy and other relevant disposal related matters. Its use has improved communication across the council, helped consistency in working practices and it is catalyst for continued professional staff development.
 - c) The work of the Community Assets Steering Group has led to 10 expressions of interest from community groups, these have been followed up by the submission of 8 business cases. In total 5 full business cases are being considered by the group. One potential transfer of a play area to a Parish Council will see it brought back into full use with a possible investment locally of £75,000. The Steering Group have prioritised the development of a Community Asset Transfer Policy which is currently being finalised. The policy will provide the context and criteria by which the council will consider and implement the transfer of a community-based asset to a community organisation. This is in direct support to the council's commitment to the development and empowerment of communities.
 - d) Corporate Property and Land and Resources have been preparing for the implementation of IFRS 16 (International Financial Reporting Standard) which requires companies and

organisations to take a new approach to accounting for leases. To date, surveyors have cleansed and audited the council's lease data to ensure that all details required for IFRS 16 are captured, along with any additional detail that may assist with strategic property decisions along with the day-to-day operational side such as repair and maintenance liabilities etc. Over the longer term Corporate Property and Land will need to review the estate annually to ensure compliance along with facilitating the property valuations required. A Policy has been developed to set out the council's approach and the potential resource implications.

27. Property safety initiatives:

- a) In order to assess and address the risks associated with Reinforced Autoclaved Aerated Concrete (RAAC) in the council's estate, over 1300 buildings have been surveyed (includes schools). A very small number of low-risk buildings are yet to be surveyed. No RAAC has been identified in any council buildings so no correctional works will be required.
- b) A review of radon gas risks and management across corporate property commenced in October 2023 to ascertain current levels of compliance and risk mitigation. Radon is a colourless, odourless, radioactive gas that occurs in rocks and soils, some building materials and water. Durham has many areas with high radon levels that are categorised as 'Radon Affected Areas.' The comprehensive radon management programme is testing circa 400 occupied premises, and all maintained schools. The council has worked closely with the United Kingdom Health Security Agency (UKHSA) to undertake testing and analysis. To date more than 150 test results have been returned with only one premise requiring action.
- c) Work is currently underway to ensure a rolling programme is formalised in relation to Reinstatement Cost Assessments, which are an insurance requirement. This will ensure that the information required to support the insurance and protection of council buildings is up to date and meets the changing requirements of our insurers. This will have cost and resource implications but it is necessary in order to protect the value of our buildings.
- d) The Vacant Property Working Group has overseen a project to review the arrangements for managing our current vacant/unoccupied estate with the aim of:

- i. Reviewing and challenging long term vacant sites
- ii. Updating risk management processes, including closer liaison with Police and Fire Services and with our insurance and compliance teams
- iii. Undertaking works to ensure vacant property is secure and receiving regular and appropriate inspections.

This work has helped reduce the number of vacant sites we hold and provided greater visibility of issues and consistency in vacant site management. The findings and outcomes of this project have been incorporated into a new Surplus Policy and into the action plan of ongoing improvements.

28. Improved joint/multi-agency working practices:

- a) To facilitate the review of the portfolio and manage land use conflicts across the council, the Land Use Change Working Group has been set up which comprises all service areas with an interest in land. The advantage of this group is that when a land use change is proposed, the group can review and discuss whether this use is suitable or if there are any conflicting potential uses which need consideration. Since its creation, the group has identified sites for uses including Biodiversity Net Gain (BNG), woodland planting, conversion of an unused playing pitch to a bio-diversity enhanced area and supported the change of use of agricultural land for residential development. This has had a positive influence on relationships between service areas who have been able to work collaboratively to resolve existing land management issues and make strategic recommendations surrounding the use of an asset.
- b) A Trespass Working Group has been established, which includes internal council officers and external representatives from the Police and Fire Services, with the aim of ensuring that council land is protected and that the people that use it are given the correct permission and that they accept the appropriate responsibilities. The multi-agency nature of the group is beneficial in dealing with many land related issues, not just trespass. Key activity to date is the production of a policy on commercial drone usage on council land together with the development of an Unauthorised Use of Council Land Policy to reduce encroachment on council land.
- c) A Landowners consent process has been developed to ensure a consistent approach to all proposals, by tenants or occupiers, to

carry out works on council owned properties. The process applies to schools/academies, commercial lettings and to community organisations and the type of work covered can include solar power installations, defibrillators, and CCTV systems, for example. This consent process is an important tool to enable the council to manage its estate, maintain accurate property records and it ensures that each party fulfils their legal responsibilities.

- d) In terms of team structures, the appointment of permanent Tier 4 managers to both the Strategy and Property Management Team and the Strategic Programmes Team have ensured that the objectives of both teams remain consistent with the overarching aims of the CAMP.

29. Major projects:

- a) Corporately, the capital investment budget outturn in 2023/23 was £143.05 million and officers across the team are instrumental in delivering this programme both in terms of construction and in land and property developments. Major projects that have been completed over the past year include:
 - i. The Story, a brand-new cultural venue and register office for Durham and the wider county. The project involved the restoration of a Grade II listed manor house and a contemporary, state-of-the-art extension.
 - ii. Corten House, new council administrative offices on the Aykley Heads estate which replaces County Hall. The building has been designed for energy efficiency and to support our workplace strategy by providing a wide range of working environments.
 - iii. Durham Bus Station, a modern transport hub that offers a safe and welcoming space for residents and visitors. It has increased space for passengers and new facilities including toilets, a changing places unit, improved information displays and additional seating in the passenger waiting area. It also has an office space where security, cleaning, neighbourhood warden staff, representatives from Durham Constabulary and Arriva, are based.
- b) The CAMP made a clear commitment to using our land and buildings to enable economic growth, celebrating our role as a key landowner and developer in the region:

- i. We are in the process of securing a delivery partner to work with the council on the development of land at Aykley Heads, which includes the former county hall site. It will provide a prime location for businesses to thrive and will form part of a wider innovation district which will bring together existing businesses and institutions with new land and opportunities.
- ii. NETPark is another successful model where the contribution of our assets and our leadership has supported opportunities to enhance and improve places and businesses in Sedgefield and the county as a whole. Over 40 successful businesses are operating in the area and the third phase of development is underway.
- iii. We are also currently seeking a development partner for our Durham city centre site at Claypath which will create economic, employment and leisure benefits for the city and add to the vibrancy of Millennium Place and its historic surroundings.
- iv. In addition to the income from sales reported earlier in this paper, the council's land has been disposed of to facilitate the building of new and affordable homes. Key amongst these developments are the former Roseberry College, land at Croft Street in Crook, self-build sites at Trinity Mews in Durham and the former Stanley School of Technology site. In 2023/24 the disposal programme facilitated 166 new homes and disposed of 4 vacant council buildings.
- v. Bishop Auckland Bus Station – the clearing of the existing site to enable the construction of a new bus station in Bishop Auckland has now commenced. This project has been made possible as a result of the successful bid to the governments Future High Street Fund. When completed a modern, fit for purpose bus station will support increasing visitor numbers and provide a welcoming and positive experience for public transport users.
- vi. Council House Building Programme – In October 2020, the council agreed to begin a council house building programme of up to 500 homes by 2026. In July 2023, Cabinet approved an updated business case for the council house delivery programme which included an updated financial model. This reflected updated assumptions and

forecast that the Housing Revenue Account is financially viable, without additional capital investment (other than land). A number of council owned sites have been allocated to the council house delivery programme. A main contractor has been appointed to construct the homes and deliver the sites. The July 2023 Cabinet report identified that for the initial stage of the programme, three sites would be identified for delivery which would be expected to deliver c.51 dwellings.

- vii. DLI Museum and Art Gallery – Cabinet agreed to reopen the DLI museum as a community asset and visitor destination and planning permission was confirmed in February 2023. Work is currently underway on site with the existing building to be refurbished and expanded to include an exhibition space, gallery, and café.

External Feedback

- 30. Corporate Property and Land have been working with all services across the council to implement the CPP model over a number of years now and the success of the ‘Durham model’ for Corporate Landlord is being highlighted through external feedback being received. Some examples of this are listed in the following paragraphs.
- 31. The CAMP itself has been referred to as “an example of a good approach to Asset Management documentation” at a recent regional CIPFA Asset Management event, with Durham highlighted specifically to delegates during the event. It has also been recognised by a leading property consultancy as “well-structured and containing many of the elements we would expect to see in a high-quality CAMP.”
- 32. As a reflection of this Middlesbrough Council are using the Durham CAMP as the basis for their new CAMP, as they feel it is a good practice example and contains various elements that are well structured and beneficial for their requirements.
- 33. North Tyneside Council (NTC) recently met with Corporate Property and Land, Planning and Housing and Economic Development to discuss Durham’s approach to listing, management, disposal, and reuse of heritage assets. NTC requested this as they recognise Durham’s approach to good practice which has been developed through a collaboratively and facilitated through governance established by the CPP.

34. Development of improved policies and processes are also key to CPP success and external auditors have used Durham’s approach to disposal as an example for other councils to utilise.

CAMP 2025 Review

35. In addition to the continued activity to deliver the CPP action plan and realise the benefits this brings to the management of our assets, we need to ensure that the next iteration of the CAMP, to be delivered in 2025, reflects wider corporate change and our developing strategic objectives.
36. A brief summary of the work we will be doing to capture this is set out in the table below:

<p>Asset Management Strategy</p> <ul style="list-style-type: none"> ▪ Establishment of a vision statement for our estate ▪ Review of Council Plan objectives ▪ Engagement with and assessment of corporate strategies (Economic Strategy / Ecological Emergency / CE Devolution Statement / etc) ▪ Ensuring a link between these strategic objectives and specific goals in the CAMP ▪ Set out associated baselines and high-level targets as an introduction to performance measures ▪ Develop the performance management regime for the service and the estate
<p>Asset Management Policy</p> <ul style="list-style-type: none"> ▪ Revisit and reinforce key principles ▪ Reflect on the actions/change over the plan period and assess impact rules/culture/behaviour ▪ Further development of governance, decision making, structure, resourcing issues, and information systems – review of how Corporate Property and Land work with others in the organisation
<p>Asset Management Action Plan</p> <ul style="list-style-type: none"> ▪ Review action plan activities and priorities ▪ Link actions and achievements to outcomes / targets / trends ▪ Continued development of portfolio statistics and analysis

Conclusion

37. In the year since the CAMP was endorsed and published there have been changes to the make-up of the estate, progress with the implementation of the action plan that will deliver the CPP model, and careful consideration of the work that still needs to be done to ensure that the next iteration of the CAMP, due in 2025, continues to support our corporate objectives and priorities.

Background papers

None

Other useful documents

None

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Appendix 1: Implications

Legal Implications

No implications.

Finance

There will be financial and resource implications arising from the further work to develop and implement the Corporate Asset Management Plan. These will be presented and considered as appropriate and with reference to MTFP requirements.

Consultation

Engagement will be ongoing involving a wide group of stakeholders.

Equality and Diversity / Public Sector Equality Duty

No implications.

Climate Change

The Corporate Asset Management Plan will reflect the Council's commitment to carbon reduction/neutrality.

Human Rights

No implications.

Crime and Disorder

No implications.

Staffing

There may be changes to working practices and resource implications arising from the further development and implementation of the Corporate Asset

Management Plan. These resource implications will be considered as part of the CAMP implementation.

Accommodation

No implications at this stage, although the implementation of the CAMP is likely to result in changes to the property portfolio. Changes to the portfolio will be subject to option appraisal and corporate approval processes and governance.

Risk

None at this stage.

Procurement

None at this stage.

Appendix 2: Extract from CAMP 2023-2025 – sites held for service delivery

