

Agenda

Cabinet

Thursday, 3 March 2016, 10.00 am
County Hall, Worcester

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DISCLOSING INTERESTS

There are now 2 types of interests:
'Disclosable pecuniary interests' and **'other disclosable interests'**

WHAT IS A 'DISCLOSABLE PECUNIARY INTEREST' (DPI)?

- Any **employment**, office, trade or vocation carried on for profit or gain
- **Sponsorship** by a 3rd party of your member or election expenses
- Any **contract** for goods, services or works between the Council and you, a firm where you are a partner/director, or company in which you hold shares
- Interests in **land** in Worcestershire (including licence to occupy for a month or longer)
- **Shares** etc (with either a total nominal value above £25,000 or 1% of the total issued share capital) in companies with a place of business or land in Worcestershire.

NB Your DPIs include the interests of your spouse/partner as well as you

WHAT MUST I DO WITH A DPI?

- **Register** it within 28 days and
- **Declare** it where you have a DPI in a matter at a particular meeting
 - you must **not participate** and you **must withdraw**.

NB It is a criminal offence to participate in matters in which you have a DPI

WHAT ABOUT 'OTHER DISCLOSABLE INTERESTS'?

- No need to register them but
- You must **declare** them at a particular meeting where:
You/your family/person or body with whom you are associated have a **pecuniary interest** in or **close connection** with the matter under discussion.

WHAT ABOUT MEMBERSHIP OF ANOTHER AUTHORITY OR PUBLIC BODY?

You will not normally even need to declare this as an interest. The only exception is where the conflict of interest is so significant it is seen as likely to prejudice your judgement of the public interest.

DO I HAVE TO WITHDRAW IF I HAVE A DISCLOSABLE INTEREST WHICH ISN'T A DPI?

Not normally. You must withdraw only if it:

- affects your **pecuniary interests OR** relates to a **planning or regulatory** matter
- **AND** it is seen as likely to **prejudice your judgement** of the public interest.

DON'T FORGET

- If you have a disclosable interest at a meeting you must **disclose both its existence and nature** – 'as noted/recorded' is insufficient
- **Declarations must relate to specific business** on the agenda
 - General scattergun declarations are not needed and achieve little
- Breaches of most of the **DPI provisions** are now **criminal offences** which may be referred to the police which can on conviction by a court lead to fines up to £5,000 and disqualification up to 5 years
- Formal **dispensation** in respect of interests can be sought in appropriate cases.

Cabinet

Thursday, 3 March 2016, 10.00 am, County Hall, Worcester

Membership: Mr S E Geraghty (Chairman), Mr M L Bayliss, Mr A N Blagg, Mrs S L Blagg, Mr J P Campion, Mr M J Hart, Mrs L C Hodgson, Dr K A Pollock and Mr J H Smith

Agenda

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NOTES

- **Webcasting**

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Date of Issue: Wednesday, 24 February 2016

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Worcestershire County Council

Property Asset Strategy 2016 – 2020

**The next phase of our Better Use of
Property Programme**

January 2016

(Final vs8)

Peter Bishop

Strategic Commissioner for Service Transformation

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1.0 Executive Summary

The purpose of this strategy is to outline how WCC will approach the management of its property assets over the next 5 years. This has been considered across three broad areas:

- How it will continue to support service needs from the Council's property assets
- How it will deal with surplus assets
- How it could use property assets to lever further benefits for the organisation and the local economy.

The Better Use of Property (BuP) initiative arose as an initial property focused response to the corporate challenges of the Comprehensive Spending Review. It set ambitious targets for capital receipts and revenue cost reductions as a contribution to the Councils' overall savings planning. The first phase of this has successfully delivered a range of significant financial and corporate benefits while also acting as a catalyst for promoting transformational service change. By the end of the current phase of BuP in April 2016, it will have delivered:

- Capital receipts approaching £29 million
- Revenue savings in excess of £2.5 million
- Sold 99 freehold properties (against a BuP target of 55)
- Disposed of 33 leases (against a BuP target of 33)
- Avoided maintenance expenditure of nearly £5 million
- Reduced office buildings down from 17 to 4.
- Released 60,000 m2 of accommodation for sale or alternative use
- A reduction in energy consumption per m2 of accommodation of 22% and a reduction in carbon emissions of 24%.

The analysis of service needs has identified a number of themes that will need to be addressed through the next phase of the BuP programme. These fall into a number of common categories which can be summarised as follows:

- **Rationalisation:** Further rationalisation of services and associated property
- **Growth:** Some service areas will also experience growth.
- **Integrated working:** The complexity of shared arrangements for the use of property is likely to increase as fewer public sector buildings are used more intensively and across organisational boundaries.
- **Maintaining long term ownership of operational assets:** Where WCC currently own suitable property and a commissioned service needs access to such specialist facilities, there is a strong argument for the ownership of this to be retained by the Council and made available to the service provider for use in connection with the delivery of that service.
- **Unlocking Value of Reused Assets and taking a more commercial approach:** All assets have an open market value. It is logical that any business case supporting the reuse of a redundant asset should reflect its opportunity cost. Failure to do so will distort the true cost of the service provision and lock in the investment, at least for the duration of the service contract.

In developing this strategy the vision for the estate will be to **support our services well, help shape the local economy and generate income for the council with a well-managed and dynamic corporate core.** In order to deliver this vision the general principles to be applied to the

management of its estate will involve **partnering as the norm using commercial principles with investment linked to specific outcomes**. There needs to be clear and identifiable benefits linked to corporate priorities that equate to or exceed the level of investment being made. Viewed purely from a property management perspective, the strategic goals for the estate will be to:

- Manage the property assets to ensure optimal efficiency of usage and effectiveness of support for the services being delivered from them.
- Influence and enable service re-design and integration through effective challenge and innovative adaptation of the accommodation
- Achieve the maximisation of value from redundant assets
- Exploiting opportunities for generating revenue income from the estate to support our self-sufficiency agenda.

The goals will be achieved through a combination of:

- Improving on what we have done before
- Becoming more proactive in the redevelopment of redundant assets
- Developing the One Public Estate / One Public Service approach to locality reviews at scale and pace
- Develop new leadership and governance through our Property Management Joint venture Place Partnership

An estimate of the minimum that WCC should expect to achieve over the period 2016-2020 from capital receipts is £10m. We will also explore different vehicles for the delivery of these objectives e.g. Asset back vehicles, LLPs, or developing Place Partnership as a "Property Developer/Investor". Lessons will be learnt from other public and private sector organisations to ensure that investment opportunities are exploited as much as possible.

The next phase of the Better Use of Property programme will be based on the needs of the Councils evolving Operating Model reflecting the objectives of the Council as a "Strategic Commissioner". While the asset strategy should focus primarily on meeting those needs, it can also help to shape the councils operating model by reference to the wider public estate that the Partners within Place Partnership will have available to it. Partnering wherever possible with other public sector organisations has been a key part of the current phase of the BuP programme and will remain a key goal for 2016-20.

2.0 Introduction

The purpose of this strategy is to outline how WCC will approach the management of its property assets over the next 5 years. This can be considered across three broad areas:

- How it will continue to support service;
- How it will deal with surplus assets;
- How it could use property assets to lever further benefits for the organisation and the local economy.

This document states the achievements of the first phase for the Better use of Property programme, identifies the drivers for change as we enter our new phase (2016-2020), and presents a range of examples and new initiatives for how to achieve those goals. It has been developed reflecting the future alignment and objectives as part of the development of our Property Management Business "Place Partnership" which went live on the 1st September 2015.

This document does not summarise the development of the Place Partnership concept from outline to detailed business case to final go live on the 1st September 2015. It does not at this stage attempt to summarise all the financial and non-financial benefits identified in the Full Business case and summarised in the Cabinet paper of 18th December 2014. Those are available for readers separately.

3.0 Better Use of Property – achievements to date (2011-2016)

The Better Use of Property (BuP) initiative arose as a Property focused response to the corporate challenges of the Comprehensive Spending Review. It set ambitious targets for capital receipts and revenue cost reductions as a contribution to the Council's overall savings planning. It quickly became apparent that closer linkage of BuP to individual service reviews could enable a more ambitious programme to be developed where property changes levered additional revenue benefits for services. This approach was subsequently scaled up to work on a cross organisational basis through the Worcestershire Capital Asset Pathfinder (CAP), which was part of the foundation for the government's One Public Estate initiative, now being advocated across the country.

The first phase of this has successfully delivered on a range of significant financial and corporate benefits while also acting as a catalyst for promoting transformational service change.

2.1 What has been achieved?

By the end of the current phase of BuP in April 2016, it will have delivered:

- Capital receipts approaching £29 million
- Revenue savings in excess of £2.5 million
- 99 freehold properties sold (against a BUP target of 55)
- Disposed of 33 leases (against a BUP target of 33)
- Avoided maintenance expenditure of nearly £5 million
- Reduced office buildings from 17 to 4.
- Released 60,000 m2 of accommodation for sale or alternative use
- A reduction in energy consumption per m2 of accommodation of 22% and a reduction in carbon emissions of 24%.

Figure 1 shows the leasehold and freehold disposal activity over the period. This has allowed limited maintenance and improvement budgets to be focussed on those properties that have a clear future supporting the delivery of council services.

The net result has been a significant improvement in the quality of some parts of the retained estate. This is illustrated by the scatter diagrams on Figure 2 on page 7 which show building condition mapped against suitability for libraries as an example. Figure 3 shows the value of the capital receipts received over this period.

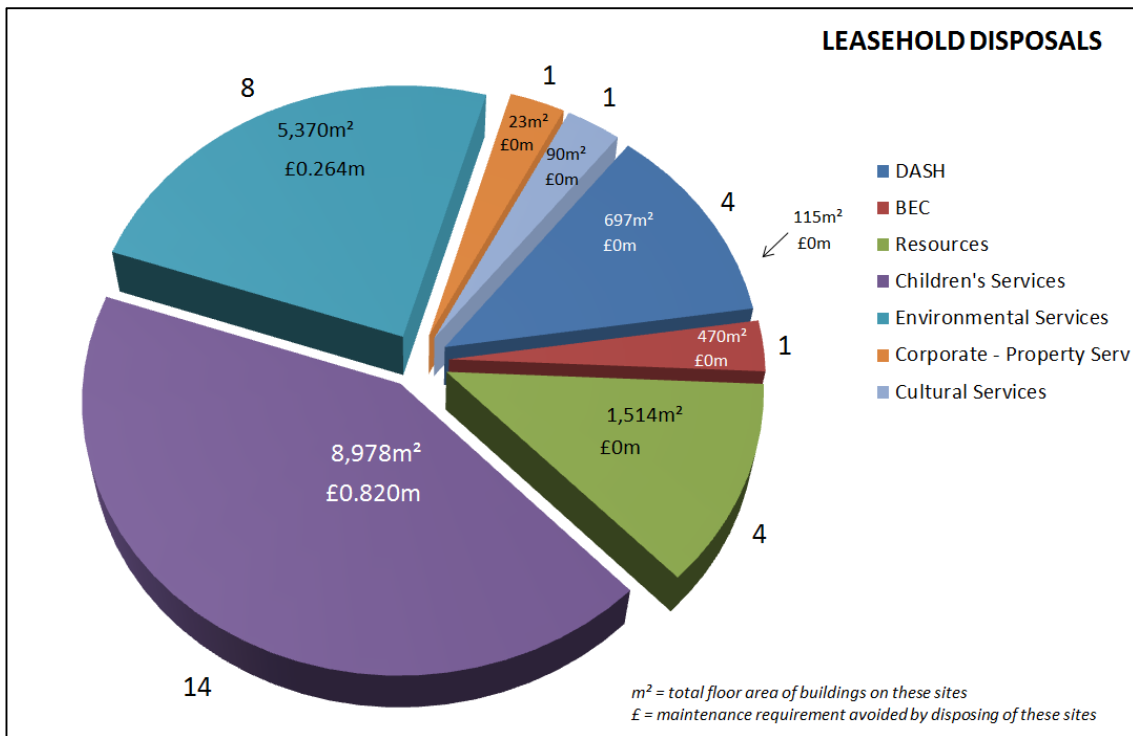
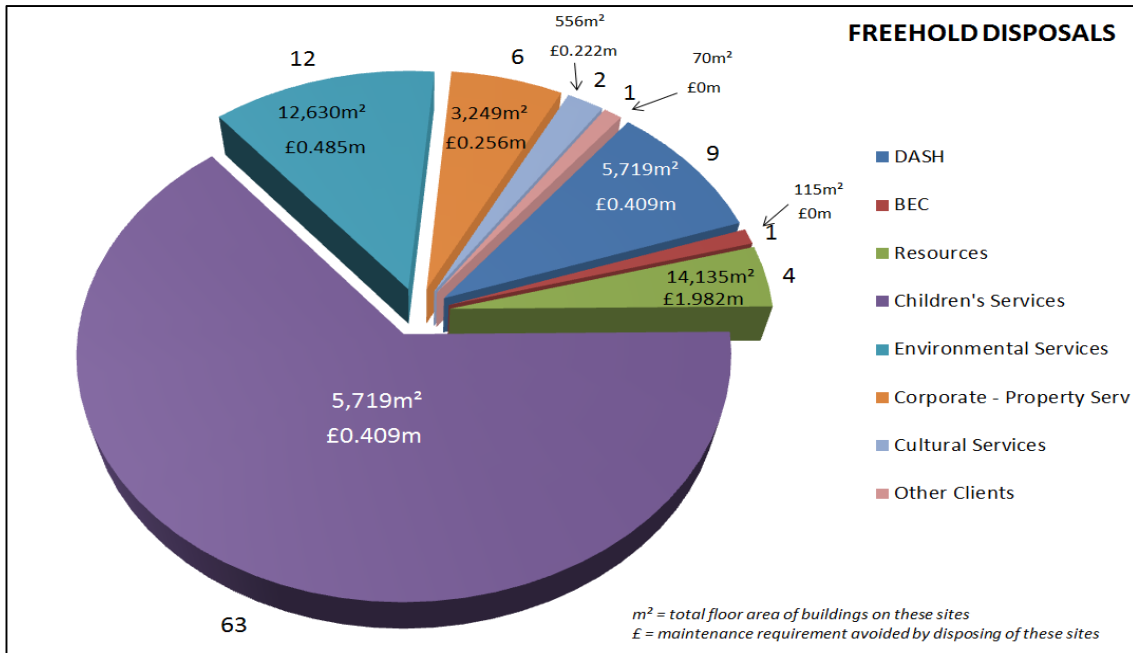
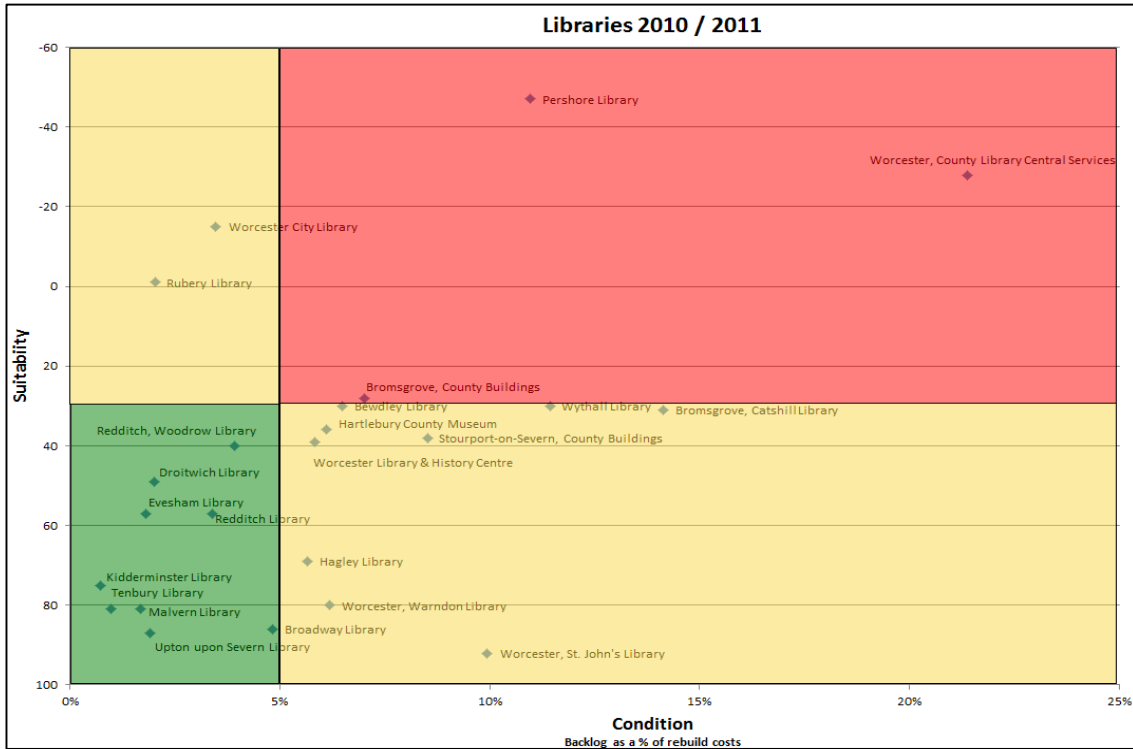
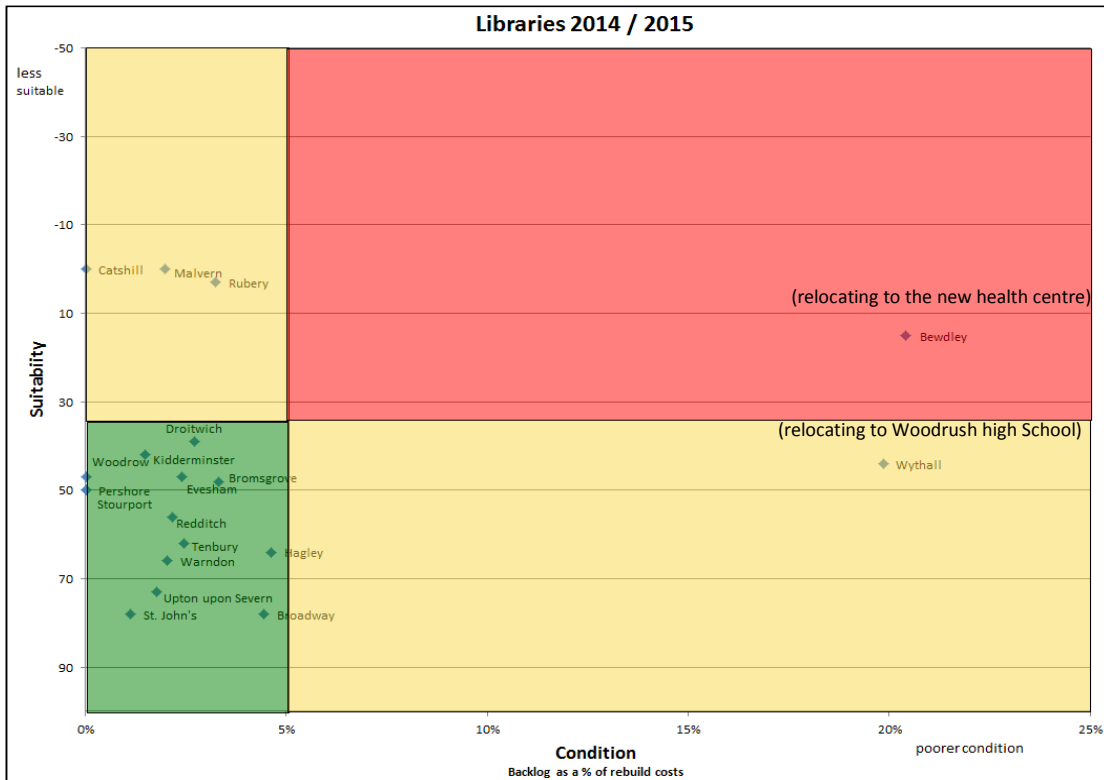


Figure 1: Freehold and leasehold property disposals achieved by our BuP programme

Before



After



Note: Plans in place to replace both Bewdley and Wythall libraries, and Catshill Library is now closed and sold.

Figure 2: Analysis of the "Before and After" Appraisal of the Libraries Estate

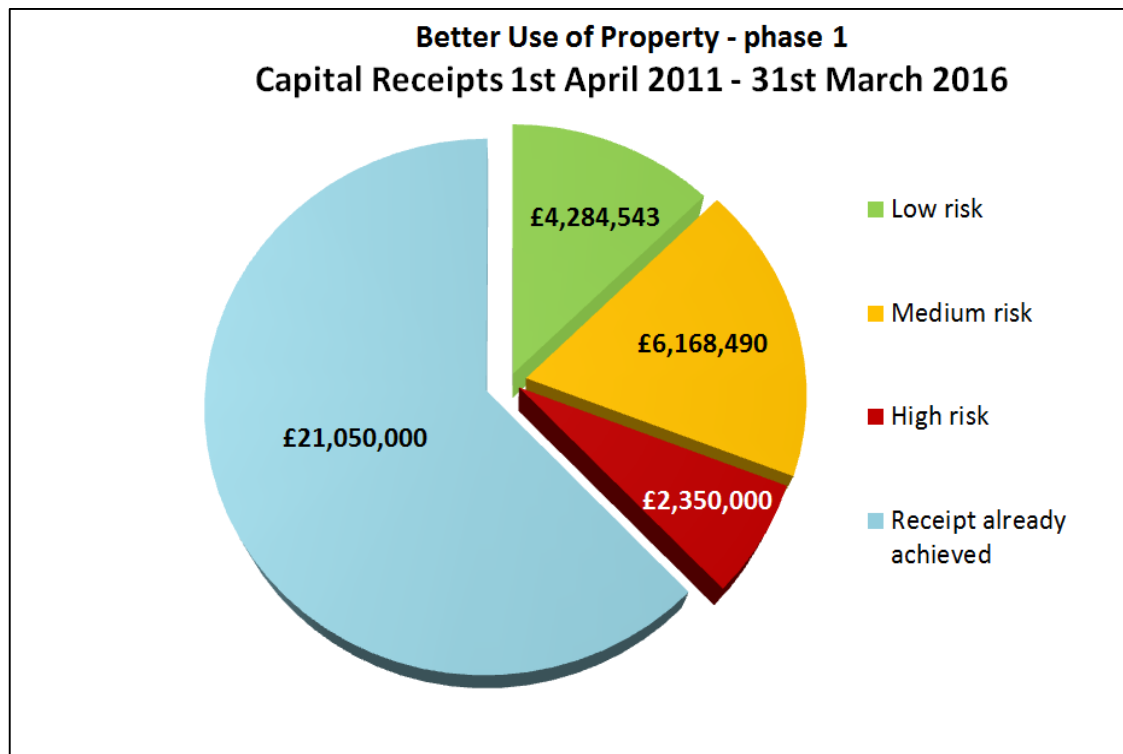


Figure 3: Analysis of Capital Receipts

2.2 Partnership working

Through BuP we have developed a number of joint projects with other public sector or voluntary bodies which has not only reduced property related costs for the council but also facilitated service savings and customer improvements for those organisations. These included:

- Parkside, Bromsgrove – joint scheme with Bromsgrove DC which includes county staff, the library, the Registration Service and Job Centre Plus
- Stourport Civic – a joint scheme with Wyre Forest DC and Stourport Council which incorporates the Coroners Service, Library, Stourport Town Council, the Police, The Civic Theatre group and supportive accommodation for start-up business enterprises.
- County Hall – Inclusion of DEFRA and HMRC as tenants in the building raising £1m in income annually
- Job Centre Plus – accommodating the service in Malvern and Evesham as paying tenants in other county properties with further opportunities being explored elsewhere
- Kidderminster Library – including new office accommodation (releasing a privately rented office costing over £200,000 p.a.), creating a Safeguarding facility for meetings and releasing space for Public Health England as paying tenants.
- Community led libraries – reconfiguring the use of small libraries to enable communities, voluntary groups and a Town Council to run the buildings while maintaining service delivery

Partnership working has been a critical success factor in the BuP and will be integral to any future strategy.

2.3 Where does this leave the County?

The first phase of the BuP has led to a step change in the way the Council views its property portfolio and has clearly been a catalyst for service transformation. WCC now has a much smaller operational property portfolio which, while more efficient and effective, now offers a reduced scope for future change. The following diagram summarises how the remaining portfolio is currently allocated and defined.

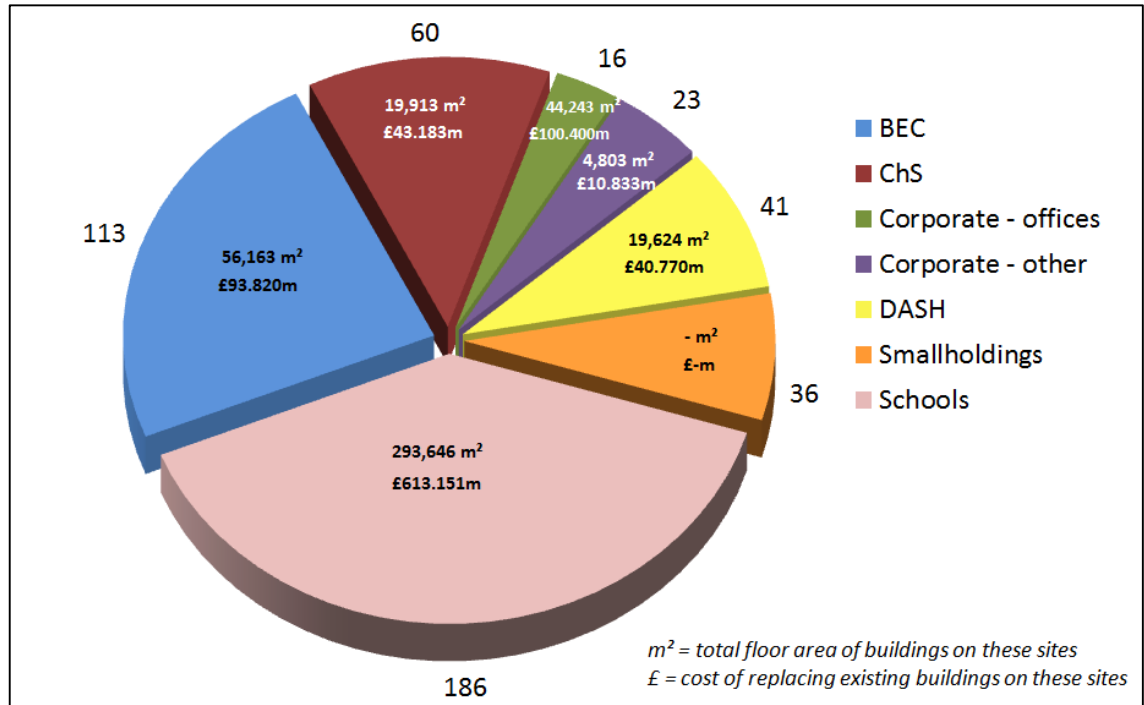


Figure 4: Allocation of remaining property assets across Directorates

In refreshing the strategy for the Better Use of Property 2016–20, it is clear from the reduced scale of remaining assets and core nature of retained services, that simply aiming to do more of the same is likely to produce significantly diminishing returns. The development of a new property strategy therefore requires a review of drivers for change in the estate including a reappraisal of demand for accommodation. The opportunities presented by closer collaborative working with other organisations brokered through Place Partnership does give the Council significant opportunities to develop and exploit all the excellent work delivered by the Councils Property Services Team to date while supporting the broader focus on property as an enabler of economic development in the County.

3.0 What are the Drivers for change?

There remain a number of significant drivers for further change in the portfolio. These are categorised as the following and will be addressed in turn:

- External drivers
- Council service related drivers
- Property drivers

3.1 External drivers

Creation of Place Partnership

Place Partnership and the collaborative approach to property usage and management across the public estate in this area will open up further opportunities for better use of assets through:

- Accessing better information on more properties
- Exploiting spare capacity in partners' buildings
- Rationalising services to produce a joint approach to meeting customer needs
- A programme of locality focussed reviews including public sector partners that are not part of Place Partnership, including the private and community sectors

The changing role of the Council

The future operating model for WCC will impact on both the range and scale of services being provided and the method of delivery. The commissioning cycle will also influence these factors.

- Demographics – population changes influencing customer demand
- Customer expectations – these can change quite rapidly and need to be managed. This factor will influence the perceptions around service delivery, quality of services and support delivered.
- Transactional changes – the way that services can be consumed. Customer preferences in this area can have a large influence on the demand for accommodation. Digital access will remove the need for a service presence and this is likely to accelerate over the next 5 years.
- Partnership opportunities – services are increasingly being delivered in partnership with other organisations. These present opportunities for further accommodation rationalisation or income if WCC properties are shared. These also create risks around stranded costs if not planned well in advance.

Asset Related

- Need to optimise capital lock in – assets have an opportunity cost which can be high if the asset has significant redevelopment potential. WCC needs to consider this in reviewing the way that accommodation is used across services and, if possible, focus usage of buildings by Council services that have a low opportunity cost.
- Need to minimise future liabilities – in effect managing the maintenance profile of the estate to target poor buildings for closure where possible.
- Matching assets to sustainable demand – ensuring that we only have the right amount of space to meet service need.

- Exploiting development opportunities – recognising that external "one off" factors can present development opportunities but these often have a short window during which these can be exploited and the impact this could have in demand for council services e.g. extra-care housing development.

Economic

- Continued downward pressure on budgets – public sector budgets will be subject to further real term reductions for the foreseeable future while customer demand is expected to continue to rise in many areas. This means getting used to doing more with less. Property can play a part in improving the efficiency of Council service delivery if planned and integrated as part of the Council's evolving operating model.
- Need to promote inward investment/regeneration – the public sector, through the creative leverage of its collective estate, can act as a significant catalyst for economic regeneration delivered through the private sector and public partnerships. Releasing this potential requires the public sector to act collectively and to de-risk development opportunities.
- Desire to use the estate to generate revenue strength – smarter use of assets can lead to a trade-off between short-term capital values and revenue income. Additional revenue can make the council less reliant of central government funding.

Technology & Digital Services

- Using technology to support flexible working and service delivery and taking advantage of digital based methods of communication and service delivery.

Political

- Priorities – key decisions will be made around service priorities. These need to be fully reflected in the use and management of the estate
- Maximise partnership opportunities – this includes opportunities to share accommodation as well as a joint approach to service delivery

Environmental

- Minimise environmental impact of service – this includes how customers access the service and not just the WCC inputs
- Reduce carbon footprint of estate – focus on the best performing properties for retention
- Optimise energy consumption of asset – ensure buildings are full and used as much of the time as possible, thereby stabilising the rate of energy consumption

3.2 Council Service Related Drivers

Our intuitive view of the estate (i.e., how much we need and how it performs, etc.), is largely influenced by how well it has supported service delivery in the past. This is not always a good guide to future needs. The scale of change within service areas, driven by the Council's new operating model and the commissioning cycle, will result in potentially significant changes in demand for supporting accommodation. Consequently there is a need to assess, insofar as it is possible in such as rapidly changing service landscape, what the future sustainable demand for accommodation is

likely to be, and this is best achieved jointly with service managers via the alignment of this strategy to individual Service Strategies.

The following is a summary of anticipated service driven future needs based on discussions with individual service managers. These findings should be regarded as "work in progress" because of the pace and scale of change being considered, but do provide a guide to future trends.

3.2.1 Children's Services

School Premises

Although a large proportion of the council's overall property portfolio, in reality WCC has little day to day control over it. WCC retains the responsibility for the provision of an adequate education infrastructure but individual schools have delegated responsibility for the management of their premises. WCC retains responsibility for the maintenance of accommodation for maintained schools but only has limited landlord's responsibility for Academies as these are subject to 125 year leases.

There will be a need to expand the estate over the 5 year strategy period, principally in the secondary sector, and where possible, this is likely to be through expanding existing establishments. Where new provision is required it is likely that the county will be involved with initial commissioning of the facilities. However, its usage and management will be devolved to the new management as soon as this can be put in place. The challenge for the council will be in managing the delivery of change through the individual institutions.

Children's Centres

There were 42 Children's Centres built throughout the County as part of a government SureStart initiative using grant funding. The decision to build many of the centres on school sites was based on using existing spare capacity within the school or to enable wider usage of the space for children's services purposes. In addition, many of the school sites were ideally located to meet customer demand. Separating this accommodation from the influence of wider school related activities can therefore be difficult, reducing their potential flexibility and market value. Appendix 1 contains a more detailed analysis of future needs/ opportunities but these can be broadly summarised as follows.

- Fewer dedicated Children's centres will be needed over the long term
- Due to the claw-back provision in the original funding arrangements, the council will not gain financially by closing and selling them on the open market as income arising from any asset sales would be outweighed by claw-back repayments to central government.
- Wider use of this network by other complementary services within the 0-19 integrated children's service spectrum, safeguarding, and use by community groups etc., will ensure that premises are utilised better, costs are shared, and emerging services accommodated without the need to extend the estate.

Residential Accommodation - Children in the looked After System

Large and small children's homes and short breaks units

- No changes anticipated unless the Cabinet approve further increases in the in-house services

Accommodation for post 16

- There is a need to develop a network of residential accommodation for children aged 16 and over that have been in care, or are entering care as part of an independent living initiative.
- To support this initiative a capital fund of £1 million has been used to expand the property estate through of number of targeted acquisitions. This is an example of where the Council has used its ability to leverage its property estate, borrow money and deploy resources from Place Partnership to not only improve outcomes for younger people, but save revenue spend in later years.

Residential Accommodation - Children with Disabilities

- No changes anticipated which are likely to impact on the need for the maintaining the existing capacity

Social Care Facilities

- Recent management changes have resulted in a proposed review of the usage and effectiveness of a number of facilities used with the expectation that there will be some reductions in bespoke facilities.
- Place Partnership, with its broader perspective on the public estate may also be able to bring forward opportunities for shared use of facilities with other complementary community services

3.2.2 DASH

'Future Lives - Pathways to Independence' is the major change programme in Adult Social Care over the next 3 - 5 years. It will ensure that while continuing to offer high quality services that meet the needs of individuals and the Care Act 2014, the Directorate fulfills its statutory responsibilities and contributes to meeting the Council's financial challenges.

Direct Care

The following outlines DASH current strategies across a range of services. However, delivery of these ambitions is dependent on market interest and capacity. There is a market review taking place which is due to report in 2015/16. Depending on its findings, this report may lead to changes in strategic direction, including more direct intervention in the market for nursing homes and extra care provision.

Older People's Services

- New admissions for day services and respite have ceased and all service users have been transferred to new providers.
- Integrated Recovery services aim to support older people to regain independence following episodes of ill health, and enable them to remain in their own home for as long as they wish and reduce the need for long term care. They are provided within the following homes:

Howbury House in Malvern

The Grange in Kidderminster

Timberdine in Worcester

- These services are currently funded from the Better Care Fund, which is a fund to enable better planning and services across health and social care. Options for the future of these services are being considered and future development would be subject to agreement between health and social care.

Residential Care for People with a Learning Disability

These services fall into 2 groups: Replacement Care (formerly referred to as respite care) and Long term residential care. Reviews of these services are due to be completed by Autumn 2016.

Day Opportunities for People with a Learning Disability

- These services will be provided from WCC owned or other public sector owned sites through Place Partnership. However, this may change as we develop further our strategy
- The Connect Hubs combine services offered for service users with a Learning disability and service users with a physical disability, and will be located in town centre venues –
 - i. Wendron in Bromsgrove
 - ii. Halcyon in Redditch
 - iii. Connect Wyre Forest in Kidderminster
 - iv. Worcester Connect
 - v. Evesham Library
 - vi. Droitwich Library
 - vii. Malvern Cube
- Major investment is planned or on going at the last 3 of these locations and will be complete by February 2016 in all cases.
- The Resource centre model is provided for the more profoundly disabled people and are located as follows –
 - i. Wendron Bromsgrove
 - ii. Worcester Day services
 - iii. Orchard Street Kidderminster
 - iv. Three Springs Day Centre Pershore

- Major spends are planned at Three Springs Day Centre in Pershore and will be complete by February 2016.
- This service change will result in vacant properties at:
 - v. Malvern SEC including Touchstone.
 - vi. Kingfields Day Centre in Droitwich
 - vii. Evesham Day Centre

Supported Living and Extra Care.

Supported living and extra care developments provide accommodation and support to adults with a physical disability, learning disability, mental health challenge, dementia, and individuals experiencing increasing frailty. The aim is to support individuals to continue to live independently. There is a plan for additional supported living units through:

- Development of self-contained flats, (mix of new build and conversions)
- Shared housing – some new developments
- Other options – shared lives, family led options

Non-Direct Provided Services

There are a number of services that are provided by partner organisations where the council's involvement is limited to a relationship through property, either as landlord or as the holder of a lease on property used for that service. Some of these arrangements are on the basis of peppercorn rents, whereas others relate to full commercial terms. It is important that these are kept under review and, mindful of the decision by Cabinet around charging policies and full recovery of cost where possible, ensure that all opportunities are taken to optimise the lease terms to maximise the benefits for the council.

3.2.3 BEC

Libraries

The process of library re-modelling will continue with a further review of opening hours and working with community partners across the County on developing greater use of volunteers, greater income generation and further developing the concept of self-service in libraries. It may be possible to tie the continued remodelling of Libraries into the review of children's centres now under consultation.

Negotiations are also being undertaken with Worcester University and the PFI contractor on the future use of the Hive, with the intention of retaining its ethos but introducing a greater commercial element jointly with our partners. The service is also working with Finance and our PFI contractors on the possible re-financing of the Hive.

Depots

Depots are currently leased to Ringway at a peppercorn rent as part of the term maintenance contract. The justification for this has been that alternative arrangements would involve "circular" money, i.e. Ringway would passport rent costs back to WCC with a management on-cost addition. However, the current arrangements do not incentivise efficient use of the facilities or reflect the true cost of the service.

There are alternative options to this approach that achieves the same end. This involves deducting an asset rent directly from the from Highway Maintenance Contract budget. This avoids the "circular money" argument and incentivises better use of assets.

Countryside Service

There is a programme of service reviews/challenges underway looking at opportunities to work with or transfer properties to other public sector partners in Worcestershire, or alternatively national organisations such as National Trust or the Forestry Commission. Where these involve assets transfer, despite their relatively low value / limited alternative usage, or heavily covenanted title, decisions should be taken corporately and need to be based on a transparent business case.

Economic Regeneration

- County Enterprises Workshop, Worcester was recently transferred from DASH where the site was providing employment for people with disabilities. BEC needs to review its future.
- Malvern Science Park – this is managed on behalf of the Worcestershire LEP. While the income will always go elsewhere, the management of the asset enables the County to help to shape and support a key sector in the local economy.

3.2.4 Corporate Office Accommodation

WCC has rationalised its back office support facilities. The focus has been in two principle areas:

- Enabling flexible and mobile working which has seen a move away from cellular offices and individual desks, into more agile working with much more intensive use being made of retained office accommodation. This initiative is intended to evolve further, with an increased reliance on mobile working being undertaken out of the office, and retained accommodation becoming used in a more dynamic way to support team working, collaborative project spaces and through more creative, dynamic and innovative spaces.
- A move towards a smaller number of better equipped office bases where functional support such as printing and confidential waste can be managed very efficiently.

This approach has been very successful and the County will be down to only 4 principal offices at the start of the next phased of BuP. These are:

- County Hall
- Wildwood
- Parkside in Bromsgrove
- Stourport Civic

In parallel, there is the challenge from the supporting wider partnership working across organisational boundaries, such as the Patient Flow Centre and the Multi-Agency Safeguarding Hub (MASH). These initiatives provide accommodation for staff employed by other agencies, as well as increasing the traffic flow to county facilities.

A strategy of doing more of the same will not deliver much change to the financial costs associated with office accommodation, or necessarily support service delivery better going forward, unless

those organisations provide overhead support as part of the business case. To date no decisions have been made on this basis. A more radical approach may be required if further efficiencies are sought.

County Hall

WCC's new operating model has released significant space, as a consequence it has been possible to release sufficient space to enable DEFRA and HMRC to relocate. This is producing approximately £1m in revenue benefits to the council. Further options for improved performance within the building are possible. These include

- Altering the remaining county office space to become more flexible and dynamic, changing the emphasis from mainly a desk environment to one that has meeting areas, team spaces, project spaces and creative areas.
- Changing the usage and management arrangements for the space in County Hall. In brief the options include:
 - i. Remaining as we are
 - ii. Retaining the civic functions but letting the offices to partner authorities and/or commercial organisations. This builds on the multi-occupancy strategy which has allowed HMRC/DEFRA to come into County Hall from 2016.
 - iii. Transferring the management of County Hall to a third party and maximising the returns by exploiting its locality. There is a sub-option of doing this with the current management regime
 - iv. Selling the site and relocating

The feasibility of these options will depend to a large extent on the appetite the Council has for change. At this stage the recommendation is to develop the County Hall Campus for multi-occupancy investing in the re-configuration of the space into a more dynamic and innovative office space.

Other Office Accommodation

Most Directorates have access to some office space outside of the main administrative centres. These have increased significantly through various initiatives, particularly safeguarding and the development of DASH community teams. BEC has also relocated a number of back office functions into operational depots such as Warndon. These flexible bases provide a vital supporting role for the services being delivered through them, particularly as these services and delivery partnerships are developing. However, this comes at a cost, as each base has to be supported in terms of office technology, consumables, etc., and managed as a safe shared workplace. As these services mature and opportunities for closer cross organisation co-operation develop through Place Partnership, it would be prudent to keep these under review so that every opportunity to maximise the efficiency of satellite offices is taken.

3.3 Summary drivers arising from our analysis of Future Service Needs

The analysis of service needs has identified a number of themes that will need to be addressed through the next phase of the BuP programme. These fall into a number of common categories which can be summarised as follows:

- **Rationalisation:** Further rationalisation of services and associated property is expected to release some accommodation. This can be sold or reused to deliver services or generate income (see Appendix 2 – Alternative development / disposals strategies for redundant assets). Place Partnership should also be able to identify opportunities across the public estate as a whole from which WCC services may be able to benefit, and which could result in financial gains for the council. Predicting these at this stage is difficult.
- **Growth:** Some service areas will also experience growth. This includes the provision of small residential facilities for children, independent living accommodation for 16 – 19 year olds leaving care, and providing supported living accommodation for adults. While some of these facilities will be provided by others, it is possible that the estate could begin to grow in terms of the total number of properties managed by the council.
- **Integrated working:** The complexity of shared arrangements for the use of property is likely to increase as fewer public sector buildings are used more intensively and across organisational boundaries. This will bring income into the council, but could also see revenue flowing out if WCC ends up being a tenant of other party's buildings.
- **Maintaining long term ownership of operational assets** - A number of services that are subject to commissioning rely on having access to specialist and expensive accommodation for their delivery. Where WCC currently own suitable property and a commissioned service needs access to such specialist facilities, there is a strong argument for the ownership of this to be retained by the Council and made available to the service provider for use in connection with the delivery of that service, because:
 - i. The capital cost of the provision of such accommodation is high and investment on such a scale is incompatible with the length of service contract offered. This makes entry into the market high cost and potentially high risk, reducing competition for the delivery contract. Making the asset available reduces this factor and should provide both flexibility around the selection of the provider and aid competition.
 - ii. Ownership of the specialist accommodation makes the management of poorly performing commissioned service easier, and the ultimate sanction of early contract termination possible
 - iii. The temptation to transfer specialist assets to an incoming service provider in exchange for initially lower service delivery costs should be resisted unless supported by a clear and conclusive business case and confirmation that the problems outlined in bullet point 1 above are avoidable.
- **Unlocking Value of Reused Assets and taking a more commercial approach** - All assets have an open market value. This value may fall substantially below the cost of the initial acquisition or creation of the asset, and there may not be a ready market for them. A decision to reuse an otherwise redundant asset by commissioned service or other body will deny the council the opportunity to liquidate that asset and invest the funds elsewhere. It is logical that any business

case supporting the reuse of a redundant asset should reflect its opportunity cost. Failure to do so will distort the true cost of the service provision and lock in the investment, at least for the duration of the service contract.

Where services do bid to reuse assets, this should be considered on a:

- Business case by case basis
- The business case should fully reflect economic opportunity cost of using the asset
- Care should be taken to shift as much of the cost of ownership across to the service provider as possible
- Where service contract arrangements are such that levying a rent direct would only produce a cost plus invoice back to the council, consideration should be given to deducting the asset rent directly from the service budget.

3.4 Property Drivers

If all other factors had no influence on the estate, there are a number of issues that will mature over the life of the next phase of our strategy that would act as a further driver for change. These are broadly:

- The condition of the estate
- The suitability of the accommodation for the services being delivered
- The efficiency and effectiveness of its occupancy
- External development opportunities
- Energy profile and carbon emissions

The annual property audit co-ordinates performance data on the estate and highlights a number of these factors. This data is central to all decision making. Decisions on maintenance investment, retention and disposal of individual properties are influenced by these factors, with a clear preference being to retain and invest only in those properties that can demonstrate:

- High levels of service suitability
- Accommodation that is capable of being well used and is safe
- Assets capable of being improved in terms of achieving acceptable levels of energy consumption and maintenance profile.

3.5 Investment Portfolio

WCC holds a number of properties for non-operational purposes. These vary from the County Farms Estate, originally set up post WWI to provide a route into agriculture for returning soldiers, to properties that no longer fulfil an operational function but are leased to external providers (both in the private and voluntary sector).

There are generally three principal objectives behind the retention of an investment portfolio. These are (individually or in combination):

- To support priority service delivery and / or economic regeneration
- To raise revenue income
- To seek capital growth

There is a lack of clarity around the specific objectives behind the retention of many of the properties in the investment portfolio category, which makes retaining and managing it into the future open to greater question. A priority action arising from this strategic plan will be to review all investment properties and clarify the purpose of retention. This will identify those which may be able to deliver the required return in a different way. This review should also consider the goal for WCC to develop a specific targeted agenda for further acquisition to build its investment portfolio beyond its current stock.

County Farms Estate (Smallholdings)

A recent review of the County's Smallholdings has concluded the following:

- Worcestershire County Council's Farms Estate currently has 93 tenants occupying a total area of 3,336 acres. The Farms Estate is composed of 32 separate estates situated throughout the County. The rental income of the Estate is £311,000 per annum which income contributes to maintaining front line services. Capital receipts totalling £13,827,360 from sales have been produced over the last 10 years.

A revised set of management goals was approved as:

- To manage the Estate to produce an ongoing revenue surplus either through direct rental income or by using alternative revenue streams from non-agricultural use.
- To strategically improve the Estate by re-letting farms where appropriate, amalgamating farms to create more viable units and releasing surplus dwellings and buildings for sale.
- To pursue the maximisation of the Estate's value by seeking opportunities for residential and commercial development through the local planning process. A target to deliver further capital receipts of £5 million between April 2016 and March 2020, as part of the next stage of the BUP programme, is suggested.
- To use the Estate to support the County Council's wider environmental and sustainability objectives by appropriate land management measures.
- To explore the options for a solar PV farm and opportunities for sand and gravel extraction on smallholdings land.

By continuing to proactively manage the Farms Estate the Council will balance the objectives of income generation, social, economic development and environmental objectives of the Council

4.0 Where do we want to get to – Our Strategic Vision

The analysis of the drivers for change suggest that there are a number of influencing factors which will impact on the estate in the next 5 years, not all of which would push in the same direction. It is therefore important to develop a clear vision of where we want to get to and what a good estate might look like in 2020. This will enable strategies to be developed which can channel the influence of these drivers so that the estate is reconfigured appropriately.

Strategic Vision

The estate will:

- **Support our services well** – a good estate will provide the right amount of accommodation in the right location at a minimised cost to facilitate optimised service delivery. This need not just come from an owned estate and services should routinely expect to be housed in shared accommodation.
- **Help to shape the local economy** – Where possible occupied premises will help contribute to the economic vitality of the area, i.e., to encourage additional footfall to local businesses. Redundant assets will be used as leverage for economic regeneration through land assembly (as an investor or broker), developing appropriate planning briefs to encourage appropriate scale and type of development, and de-risking redevelopment for investors through the alignment of policy and resources.
- **Generate income for the council.** This will be from a more commercial approach to commissioned services and may also come from investments made in the estate where the council becomes either developer or partner in the development.
- **Have a well-managed and dynamic corporate core** – the core facilities used by the council will reduce in scale and become more dynamic in the support offered to services. The core will also be an engine for transformational working practices, optimising the benefits derived from the retained estate.

General management principles

In order to deliver this vision WCC expects the following general principles to be applied to the management of its estate:

- **Partnering as the norm.** Single use buildings should be the exception unless demanded by specific service needs. The council should be agnostic about ownership issues. The important factors are shared overhead, maximised usage and minimised running costs.
- **Commercial principles adopted.** Business cases need to drive change and need to reflect the economic realities. "Peppercorn" transactions may be expedient at an individual arrangement level, but these have to be backed up by reflecting the true costs in the budget management for the service. This has to drive the right behaviour of the assets involved.
- **Investment linked to specific outcomes.** There needs to be clear and identifiable benefits linked to corporate priorities that equate to or exceed the level of investment being made. This is particularly the case with factors that are difficult to define such as "social value". A decision to discount deals for reasons related to perceived social value need to demonstrate clear linkages to corporate priority investment areas, and deliver expected benefits commensurate with the level of discounting given. A foregone capital receipt is the same as investing cash in the scheme. Would the equivalent bid for cash investment succeed?

Property driven goals

Viewed purely from a property management perspective, the strategic goals for the estate will also include:

- Managing the property assets to ensure optimal efficiency of usage, effectiveness and safety of support for the services being delivered from them.
- Influencing service re-design and integration through effective challenge and innovative adaptation of the accommodation
- Achieve the maximisation of value from redundant assets and/or consider how they can support the local economy
- Exploiting opportunities for generating revenue income from the estate to support our self-sufficiency agenda.

5.0 How will these goals be achieved?

The goals will be achieved by building on the beacon role that WCC has locally and nationally developed in terms of asset rationalisation and service transformation through a combination of the following:

- Becoming more proactive in the redevelopment of redundant assets
- Developing the One Public Estate / One Public Service approach to locality reviews at scale and pace
- Develop new leadership and governance through our Property Management Joint venture Place Partnership

5.1 Becoming more proactive in the development of redundant assets

WCC will develop and adopt alternative disposal strategies for redundant assets that can lever in greater financial benefits or deliver additional priority service objectives. This could see WCC:

- i. Acting as developer for the redevelopment of some of its redundant assets
- ii. Becoming a more proactive landlord with an expanding and dynamic investment estate
- iii. Developing new relationships and partnerships with other public and private sector organisations
- iv. Developing different vehicles for the delivery of these objectives e.g. Asset back vehicles, LLPs, or developing Place Partnership as a "Property Developer/Investor". Lessons need to be learnt from other public and private sector organisations to ensure that investment opportunities are exploited as much as possible

By committing to being a key partner in locality reviews as part of the One Public Estate initiative this will require:

- i. Reshaping some priorities and timescales to maximise joint opportunities
- ii. Working closely with the LEP to deliver appropriate infrastructure to support regeneration
- iii. Recognising that other council services have a role to play in regenerating areas and ensuring that WCC is "joined up" in terms of policies.

In spring 2016 Place Partnership Limited (PPL) will work with the Council to explore alternative disposal strategies, to maximise capital returns and potentially to generate rental income for the County Council. This can be achieved through a number of ways and a detailed exploration is included as Appendix 3 to this report. In brief the options will include the following:

- i. Dividing large disposal sites into individual building plots for sale
- ii. Development of surplus sites for Housing e.g. Private Rented Sector (PRS) housing, Extra Care or other opportunities. A new model for identifying value will be an important part of a more holistic approach.
- iii. Developing redundant sites for other public sector uses

We wish to develop a holistic approach to the opportunities for housing across the County within which we operate providing long term sustainable downstream improvements in demand for social

care services. This will require us to develop a more enriched approach to investment appraisal used in other authorities such as Essex County Council for example. For example, how can those assets be used to more innovatively drive housing growth, increasing council tax collection, and reducing long term social care costs by developing opportunities for extra care housing and/or supported living properties. To do this will require us to invest in the capacity and capability of skilled land development expertise, improve our appraisal process and overall approach.

It is clear that there are multiple options for WCC to participate in extracting greater value from the disposal of their surplus assets. However, one size does not fit all. The right model will be dependent on the complexity of the asset, requirements for timing of receipts, professional inputs and the availability of capital. However, the Council has options for how it wants to take on the challenges through its own investment, private sector investment and Place Partnership as manager/facilitator.

While it is probable that PPL will possess many of the skills needed to undertake this kind of development in-house, some of the options considered will require additional specialist input. The role of the sales/letting/ investment agents will be important to ensure projects are the most suited to market needs and expectations including the potential for private sector funded investment.

5.2 Developing the One Public Estate Approach

Place Partnership will support the Government's push to move from One Public Estate to One Public Service. A detailed programme of locality reviews will be developed in September 2015 and delivered over the period of this strategy.

What is the One Public Estate approach?

It is a review of public sector assets within a defined geographical area, identifying the assets, ownership / tenure issues, wider stakeholder interest and their current usage. It also considers development objectives for that area including known issues and opportunities. This analysis goes beyond public sector interests and seeks to identify the more obvious private sector / partnership opportunities.

The review then specifically looks at all public sector needs and resources, together with private sector interest in a town to find the best fit. In so doing it:

- Identifies sites that are or could become surplus
- Looks at ways in which those sites could be used to lever in economic growth or regeneration

The outcome aligns need with resource, creates opportunities for service to share the best buildings, releases poorer performing buildings for redevelopment and exploits wider development / regeneration opportunities with private sector partners.

One Public Service

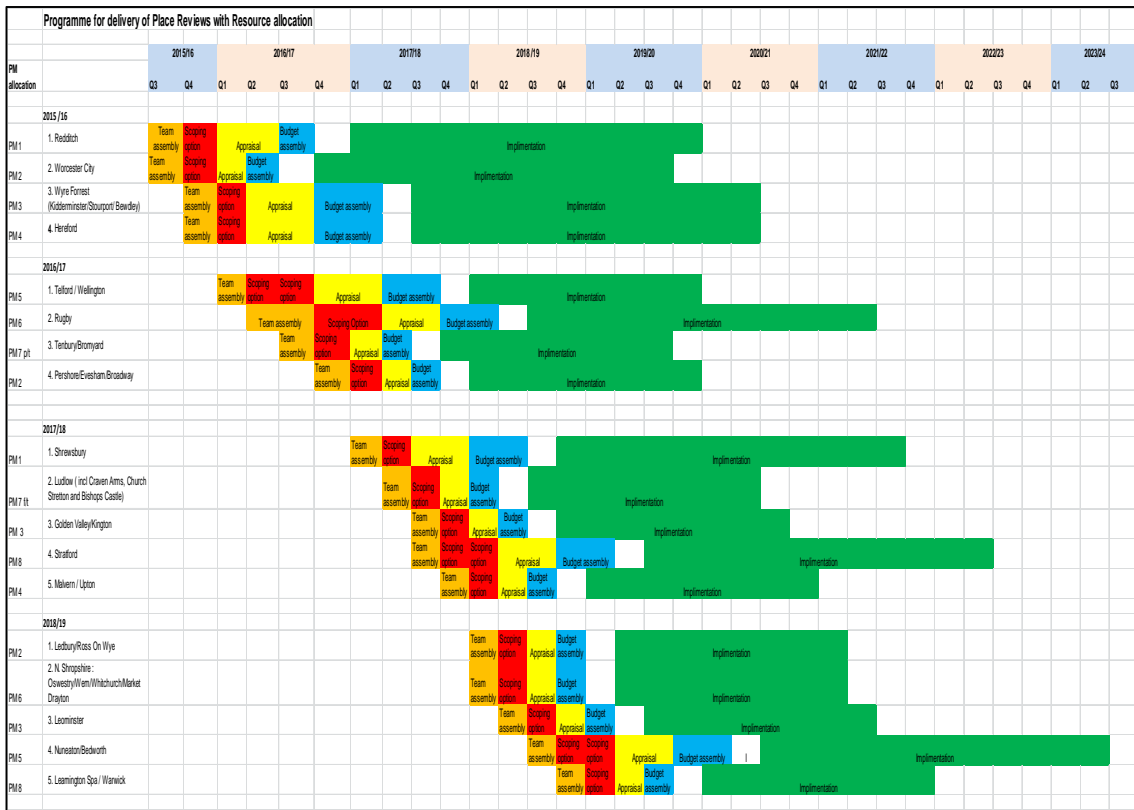
The One Public Estate also considers a One Public Service concept. This is where co-location of services takes place amongst services that may be delivered by different organisations but impact on the same service user group. By aligning and co-locating these services it makes access easier for customers. By aligning the services it can make delivery more efficient by avoiding potential

duplications. Ultimately it also offers opportunities to fully integrate working practices and possible share management. Benefits arising from this level of integration can be significant both in financial and customer service terms.

The Programme Plan

A more detailed programme will be agreed with Place Partnership but early suggestions are that Redditch and Wyre Forest could be priority areas for consideration. The scale and nature of opportunities in both of these locations are outlined in more detail in Appendix 3.

Both locations have key public sector assets that would benefit from an urgent review and both present opportunities to exploit assets to lever in economic regeneration. A bid to the Cabinet office has already been submitted to enable further investment in skills, capacity and capabilities. A draft plan suggests the following:



5.3 New Leadership and Governance

Place Partnership Ltd (PPL) is an innovative commercial partnership of 6 public bodies to form a single strategic property and asset management company. It will deliver a substantial proportion of the strategy. To compliment this new venture the Council has created a new client team and governance structure (see Figure 5 below) to ensure that not only are the services being delivered to the right standard but also to ensure the strategic objectives of this strategy are owned and driven, complementing the drive within Place Partnership.

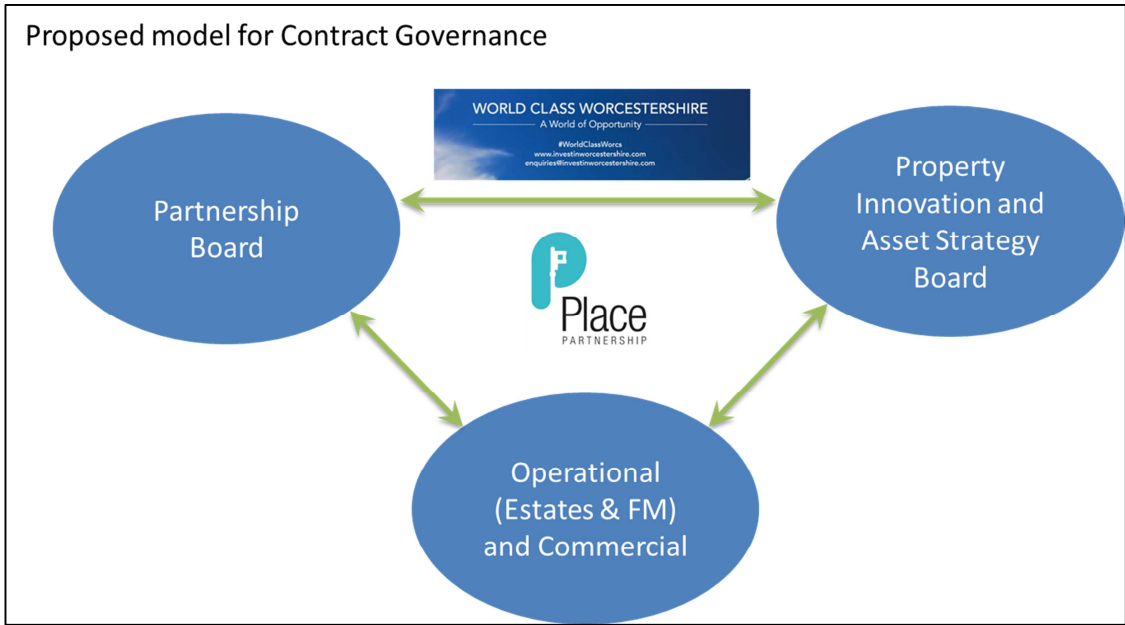


Figure 5 – New WCC Governance model

This new governance model will be implemented progressively through 2015-16.

6.0 Projected financial benefits - Capital receipts

Identifying capital receipts at this stage of development of a strategic plan is both difficult and high risk. There are so many factors that can influence the eventual outcome, and the complex interdependencies between them mean that plans can easily be blown off course. Equally, failure to quantify the potential benefits makes the adoption of the strategy, and the discipline that runs with it, more difficult too. Figure 6 identifies a realistic, if conservative, estimate of the minimum that WCC should expect to achieve over the period 2016-2020 (a total of £10m in capital receipts).

A decision to become more proactive in redevelopment could add significantly to these financial benefits, but would require consideration of a detailed evaluation of risks, investment requirements and likely timescales which would be included in the business case at the time. Similarly, a decision to retain properties and exploit them as an income stream rather than disposal would also impact on the likely level of receipts.

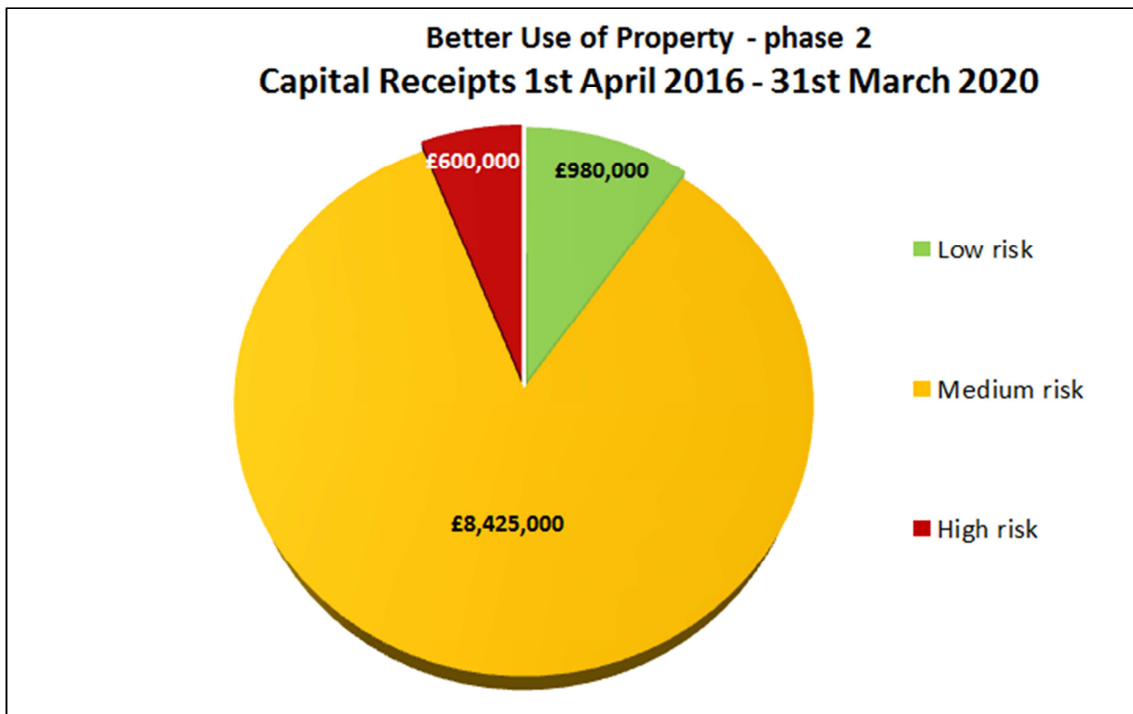


Figure 6 – Anticipated Capital Receipts 2016 - 2020

7.0 Summary

The next phase of the Better Use of Property programme will be based on the needs of the Councils evolving Operating Model reflecting the objectives of the Council as a "Strategic Commissioner". While the asset strategy should focus primarily on meeting those needs, it can also help to shape the councils operating model by reference to the wider public estate that the Partners within Place Partnership will have available to it. Partnering wherever possible with other public sector organisations has been a key part of the current phase of the BuP programme and will remain a key goal for 2016-20.

Appendix 1 - Children's Centres

There were 42 Children's Centres built throughout the County as part of a government SureStart initiative using grant funding. A decision was made to build many of the centres on school sites, as these were ideally located to meet need, and using spare capacity within the school where possible. Each capital scheme was closely scrutinised by a cross party scrutiny panel, DfES (as was) and Atkins the contractors to ensure the building was in the correct area, contained the necessary accommodation (earlier schemes had to provide full day care accommodation), were value for money and delivered on time. A review undertaken jointly with ChS during the service commissioning process in 2013/14 assessed each centre against the requirements for the future Early Help providers, as well as for potential alternative uses. This exercise resulted in 9 buildings being transferred, either to the school to cater for their basic needs or to Social Care to meet the family contact needs.

3 of the Children's Centres are located in leased buildings, one of which is Wythall Library. The centres vary in size and configuration e.g. converted caretakers bungalow, extension to a school.

The overall capital grant awarded to WCC to fund this development amounted to more than £10m. This included all capital build, adaptations, fees and equipment. The grant carried a 25 year claw-back provision which is legally binding and was designed to ensure that the buildings continue to be used for families and their children under 5yrs.

Children's Centres are currently leased to Early Help providers who offer support to families and their children 0-19yrs. Originally built for 0-5yrs old they offer a flexible space to deliver services for families which include:

- Antenatal and postnatal checks
- Speech and language support
- Parenting programmes
- Support for families struggling with issues such as domestic abuse, debt and family breakdown

This Early Intervention is seen as a significant factor in preventing families entering or returning to the social care system. A number have separate full time child care providers within the centre who have a direct lease with WCC, others have part time child care providers who have licences to occupy from the provider

A map has been produced showing all children's centres and other hired venues. This has been extended to an app. For social workers mobile phones showing all touchpoints, and Children's Services service venues.

The 33 centres are leased to the successful Early Help providers (Redditch Borough Council, 10:42, Barnardos, 4Children and Action for Children) They each have a 3 year contract with an option to extend to 5 years to deliver the service with a lease for using the buildings. The commissioning was carried out by area, the first being Wyre Forest which is up for renewal August 2016, Redditch October 2016, Worcester City December 2016, Wychavon March 2017, Malvern June 2017 and Bromsgrove August 2017.

Work is being undertaken to identify accurate building related costs and all income currently generated by the centre. It is known that on average 50% of the use of centres is Health service delivery (ante natal, speech and language). No charges are made for their occupation or the admin support given for arranging appointments, booking rooms etc.

An Early Help Needs Assessment has been completed to underpin future commissioning of prevention and early help services for children, young people and families, and as a first stage in the commissioning cycle. This Needs Assessment makes a number of recommendations to improve key outcomes relating to improving the health and well-being of children and young people including:

- Redesign the approach to 0-19 prevention and early help to improve the lives of all but with greater resources targeted at those at risk or where problems have emerged (often referred to as a progressive universal approach);
- Focus Children's Centres on disadvantaged areas, making use of a "virtual" service in more advantaged areas;

Implementing these recommendations will include re-commissioning a number of Council-funded (through the Public Health Ring Fenced Grant) prevention and early help services into a new 0-19 integrated prevention service. This service will be commissioned alongside other related services such as schools funded Early Intervention Services, Positive Activities, Child and Adolescent Mental Health Services and support for struggling families who need support from a range of different services (Connecting Families). There also needs to be alignment with other services such as maternity services which are commissioned by partner organisations.

Public consultation, in line with our statutory duties within Section 5D of the Childcare Act 2006, will focus on proposed changes to those services in scope of this new integrated approach including the future use of current 'early help' building. This builds on a previous decision made by Cabinet in September 2012 to maximise the use of these buildings for wider Council services e.g. Social Care, Behaviour Support, School Basic Needs. The intention is to establish which of the current buildings will be required to provide the new service, and what other potential uses there might be for buildings. Alternative options include: use by schools, use by communities, and use by other services or potentially closure where no alternative use can be identified. Consultees will include Children Centre Advisory Boards, Providers, Service Users, Local Members and a wide range of partner agencies. This initial consultation runs from 26th November 2015 until the end of January 2016. This may be followed by further consultation depending on the range and scale of proposed changes.

Appendix 2 - Alternative Development / Disposal Strategies for Redundant Assets

In 2016 Place Partnership Limited (PPL) will work with the Council to explore alternative disposal strategies, to not only maximise capital returns but also create a property portfolio to generate rental income for the County Council. This can be achieved through a number of ways including:

Dividing large disposal sites into individual building plots for sale

- This would require PPL to obtain planning consent with at least an access and highway layout and basic service infrastructure. A simple development brief would then apply to the site at large.
- The key **advantage** is the potential for premium plots. Single building plots are rarely sold and demand can result in a price enhancement.
- It also reduces the purchasers' Stamp Duty Land Tax burden

Disadvantages of a plot-by-plot approach:

- Cost and risk associated with obtaining planning permission.
- Contingent liability for provision of services, highways, etc. Timing of road adoption could mean part of receipts having to be retained to cover costs.
- Provision of planning obligations may be difficult to accommodate i.e. affordable housing, public open space, s106 contributions, CIL etc. - this model would be more suited to sites which are below the threshold for any of these items.
- In certain instances a Housing Co-operative may be a suitable partner on a plot-by-plot basis, whereby there is an overarching body dealing with the development management etc.
- The model would be more relevant to smaller sites in higher value areas where the demand will be higher and the prospect of single plots scarcer. In this instance, recent planning changes for schemes of ten or less with a build area of 100m², having no affordable housing requirement.

Development of surplus sites for Private Rented Sector (PRS) housing

Background

- Government policies and funding such as "Build to Rent" are encouraging the expansion of the PRS. The government has also set up a Housing Finance Institute in a bid to address the skills and knowledge gap in delivering local authority housing. This body will aim to help councils set up joint ventures or investment vehicles.
- This has encouraged new entrants into the market. Formerly PRS was the domain of short-term traders attracted by high returns c.10% + from assets which the market perceived as riskier or unfundable via conventional means i.e. mainstream bank funding.
- Many operators outsource the day-to-day management to specialist companies or Housing Associations

Methodology

A part sale of a surplus site to generate capital to allow development of the remainder for PRS

- A partial sale attracts a capital receipt which can be re-invested in the site to produce PRS stock

- The project could be de-risked by WCC seeking a proposal from a housing provider to take the stock on completion. In certain Worcestershire towns, including Bromsgrove, local Housing Associations/Trusts are prepared to take stock on a fixed term of say five years. This would create an attractive investment that could either be retained or sold on.
- This approach could also mean the purchaser being obliged to service WCC land within a prescribed time, giving the Council flexibility to build out themselves/Plot sell or a hybrid of the two.

WCC develop property and create own PRS portfolio independently

- Potentially greatest risk but greatest reward.
- To de-risk, detailed market research should be undertaken into the PRS in the location to advise on the type of product and likely return.
- Agreeing a pre-let to a Housing Association can again significantly reduce risk by identifying both and end-user/s who will be responsible for subsequent repair and quantify the likely net return.

WCC develops property and create a PRS portfolio with the involvement of a third party

Considerations:

- Displacement of the carrying costs of the land can prove vital, even in a time of low interest rates
- Awareness of risk and apportionment is key. Each party will take different views and careful attention will be needed concerning any limitations of liability which from WCC view should be ring fenced.
- Clear roles & decision-making mechanism in JV to be defined
- A JV allows the landowner to define the level of risk they are prepared to bear.
- To enable a project to move to the continuation phase, certain conditions need to be met i.e. acceptable planning consent, costs assessments re abnormals. Therefore a lock-out/exclusivity agreement between the parties may assist the parties in establishing the project viability prior to committing to a full joint venture
- Ideally JV options should be limited and a standard model produced to obviate the need to re-invent specific documentation every time.
- The covenant strength of the partner will be key and JV's will be more suited to certain sites than others.
- Potentially the merger of good quality assets with development expertise will enable receipts to be maximised using this approach.
- Legal ownership is key with reference to security, ability to fund and capital taxation.
- Development often occurs over a series of years and it is vital that there is the ability to review, terminate, phase and ultimately close the scheme.

centre regeneration scheme involving the soon-to-be decommissioned library, Health centres and potentially other private sector sites.

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