

Report to: Audit Committee

Date of meeting: 22 November 2024

By: Chief Operating Officer

Title: Annual update on the Council's Property assets

Purpose: To provide Audit Committee with an update on the Asset Management Plan 2020-2025

RECOMMENDATIONS:

Audit Committee is recommended to consider and comment on the contents of the report including information contained in an exempt report later in the agenda.

1 Background

1.1 The Audit Committee has received annual reports focusing on different areas relating to the Council's assets over the last 5 years. The Council Plan 2024/25 has four priorities and one of them is 'making the best use of resources now and for the future'. The Council's property assets are key resources and the Council's Strategic Asset Management Plan 2020-2025 has a key objective 'To manage and maintain property effectively, efficiently and sustainably, optimising financial return and commercial opportunities from the rationalisation and disposal of land and buildings.' [Strategic Asset Plan 2020 - 2025 | East Sussex County Council](#). The previous annual reports to the Audit Committee have provided information and updates to enable the Committee to obtain assurance over the effective use and management of the Council's property assets.

2 Supporting information

The Council's property portfolio

2.1 The Council has a relatively small asset estate compared to similar size county councils in England. The Council's asset database holds records of its asset portfolio. The Council's assets fall into three main groupings, and this is shown in the table below.

Table 1

Asset Type	Total Number	Percentage of whole portfolio (rounded)
Operational assets	410	81%
Non-operational assets	74	14%
Surplus assets	27	5%

2.2 The Council's operational assets relate to where there is core service delivery from freehold or leasehold assets. The range of properties is broad, including schools, children's centres, children's homes, respite centres through to day centres, libraries, an archive centre, parks, highway depots, offices, waste and recycling centres and coroner's accommodation. These include the Council's largest operational asset, County Hall. The potential development value of the County Hall Campus (including Westfield House and the former St Anne's school site) is less than £10m though if the site was sold, this figure would be more than offset by the capital cost of building a new County Hall (c. £12-15m).

- 2.3 The Council's non-operational list includes former operational assets which are no longer providing a direct core service offer. The list includes a diverse range of assets from former educational premises let out to day nurseries or community groups located on school sites, through to former landfill sites and former school playing fields. It also includes assets that have been part of service transformations that have been let to community or private organisations including community run libraries. There are also assets let out to the NHS and other public agencies, providing rental income. The Council is undertaking a formal review of these assets which is outlined later in the report. Given that significant work has already been undertaken on generating capital receipts or rental income from assets, the financial benefit accruing from those remaining is not anticipated to be material.
- 2.4 The Council's surplus asset list is a list where these assets are not required for any core service delivery or any commissioned out service. There are nine freehold assets which are live disposals and up to seven potential freehold assets which are in the pipeline for disposal or assets which hold potential long term capital receipt. There are five assets which are let for income and other assets are let to community groups. There are a handful of assets where ESCC hold long leases that are committed to but where the organisation is seeking to fully mitigate their associated costs. The Council also has a disposal programme to secure capital receipts. There is not a large pool of surplus assets in the estate that could be sold promptly to provide additional capital receipts to supplement the Council's re-profiled capital programme. However, in the Council Plan 2024/2025, potential capital receipts of £17.2 million have been identified between 2024/2025 to 2026/27. The details of current key disposals are set out in a later report in the exempt part of the agenda.

Asset Management strategy

- 2.5 The Council is committed to manage and maintain property effectively, efficiently and sustainably, together with optimising financial return and commercial opportunities from the rationalisation and disposal of land and buildings.
- 2.6 The Strategy summary outlines some key drivers:
- **Closing the buildings we don't need** – operating efficiently within the office buildings that we need and disposing of the buildings we don't require based on business and service-led strategic changes. The Council has reduced its corporate office footprint in Eastbourne and Hastings by 52% since 2020. In addition, service needs in directorates have resulted in adjustments in accommodation needs so over twelve operational assets have been closed since 2020.
 - **Addressing the essential maintenance needs of our remaining buildings** – repairing mechanical and electrical (M&E) systems and prolonging their operational lifespan; addressing critical structural issues. The Council's non-school assets require capital investment, utilising condition survey information and working with directorates, an annual programme is collated which invests in assets, only where needed. The budget for the 2024/2025 programme is fully committed and preparation has commenced for the 2025/2026 programme.
 - **Complying with statutory regulations** – ensuring that actions are taken to ensure that buildings are compliant with statutory obligations for fire, legionella and asbestos. The Property team commission contractors to undertake core property statutory checks under the Health & Safety Act 1974 (and other legislation) for all its non-school assets and this includes undertaking fire risk assessments. From 1 April 2025 the Property team will increase the support to directorates for their respective controller of premises for each operational asset.
 - **Optimising income** – protecting existing income streams from assets and investing in buildings where additional income can be generated. Previous Audit Committee reports discounted the proposal for the Council to acquire investment properties to

produce income. However, the Council has increased its rental income from its non-operational assets since 2020 by 28%. The Council seeks to increase income by 10% in 2025/26.

- **Using less energy** – improving energy efficiency in our offices and other buildings and reducing running costs. Last year’s Audit Committee report outlined the Council’s commitment on energy efficiency projects. In 2023/2024, there was a Council target for 23 energy efficiency projects to be completed. 24 were actually achieved in 2023/2024. The Council has used the Salix invest to save fund of £1.025 million plus maintenance budgets to deliver over five years, 313 energy efficiency projects for schools and non-schools estate, mainly LED projects. The Council has ensured 1,077 solar panels were fitted on its estate in 2021/2022 and 18 additional assets had solar panels fitted in 2022/2023 and 2023/2024.
- **Enabling more efficient team-working** – working more flexibly within our buildings, through promotion of agile working, and providing modern fit-for-purpose workplaces. The Council’s services have worked with Property, IT&D and HR teams resulting in revised working styles. Space requirements have been adjusted through the Workstyles programme for corporate offices. Service departments have also revised their service needs which has modified their accommodation needs too.
- **One Public Estate** – enabling public sector providers to collaborate on strategic planning and management of their land and buildings as a collective resource. The Council is part of Strategic Property Asset Collaboration in East Sussex (SPACES), and an update report is routinely brought to Place Scrutiny Committee on SPACES work, including funding secured via One Public Estate and work with districts and boroughs. The latest report from March 2024 also includes detail on the SPACES strategy and case studies: [Update on the SPACES Programme, Appendix 1 - An introduction to SPACES \(2023\)](#) and [SPACES Appendix 2 - SPACES Programme update slides](#). Appendix 1, (Draft Audit Committee Exempt report) shows information on funding that has supported a significant number of new homes and use of SPACES partners’ land to support growth in East Sussex.
- **Serving our customers more efficiently** – focusing on what our customers want and need, using more accessible and inclusive facilities to serve them. The Council has increased the level of co-design and earlier engagement of all stakeholders in respect of its capital projects and key maintenance projects. This includes in the use of the external funding secured for two new Youth Hubs in Heathfield and The Joff, Peacehaven. This new approach has also been adopted for early work on the proposed new Grove Park School following this co-design route.

County Council asset management approach

- 2.7 Some County Councils operate a centralised corporate centre model, and this includes all property decisions, budgets and day to day management being undertaken at the corporate centre. From a property asset management point of view, this is known as the “corporate landlord” model. The County Council does not operate a corporate landlord model, but it does manage the corporate office assets in this manner. For other property assets the Property team provides advice and options to support service decisions on their operational delivery and accommodation needs. The property budgets for (non-office) operational assets and non-operational assets are therefore held within the relevant service areas.
- 2.8 As such, the decisions around operational property assets (premises which are in service use) are managed by individual client services who make decisions around the suitability of the premises held within the portfolios. When services begin to re-evaluate the premises requirements and ultimate service provision, the Property team become strongly involved with supporting key decision making. This is done in numerous ways by offering detailed

information about individual assets in terms of condition, space, costs, environmental performance etc. Property is also able to offer a holistic view not only of the Council's portfolio but more widely through partnership networks. This provides a detailed understanding of the opportunities and requirements of partner authorities such as the NHS, district and borough councils and blue light organisations. These discussions are facilitated by the Strategic Property Asset Collaboration in East Sussex (SPACES programme). The partnership includes the County, District and Borough Councils, NHS Trusts, Emergency Services, NHS Sussex, Further Education, the VCSE sector and other Government Departmental bodies, all within East Sussex.

Supporting growth in the County

- 2.9 There are a number of different ways the Council supports growth and the local economy from its assets. The Council's assets that are sold for a capital receipt are primarily for residential development. This provides employment opportunity for local companies as part of the supply chain for housing construction and also ensures new homes for local people who are primarily going to work in the county.
- 2.10 A number of the Council's assets are let for income generation to private sector companies and this allows local businesses to prosper and to be based in the county.
- 2.11 The Council fully supports the Voluntary and Community sector and the wide range of benefits the organisations bring to local people. There are a number of assets that are let out to community and voluntary groups therefore supporting businesses and charities too.

Operational assets review process

- 2.12 The Council adopts the following gateway process considered by the cross-council Asset Management Board to look at operational assets which may become surplus following service transformation changes. Services and the Property team have regular discussions to provide an early understanding about potential changes in services that may impact on assets. At the Asset Management Board, the following are considered:
 - a. All directorates are notified of pending operational assets that may become surplus, so an assessment and business case can be considered for them to be re-purposed for another operational use.
 - b. If there is no operational need for the asset, then an assessment is undertaken to see if it could provide rental income to the Council, or a disposal of the asset that could secure a capital receipt, or a possible community asset transfer. The Council has recently exchanged contracts for a large surplus site in Polegate (as outlined in Appendix 1 as part of an exempt report later in the agenda). Part of the site is to be sold separately to Polegate Town Council for community use by local people.
 - c. Consideration for use by other public agencies for their operational use through SPACES. This could involve selling the asset, achieving best value or letting the asset for operational use at commercial rent. An example is an asset in Seaford which was sold to Lewes District Council for their housing need in October 2024.
 - d. Consider land with limited development value being used for alternative use such as wider community use, biodiversity use etc. The Council is proposing a new Grove Park School and bio-diversity considerations are needed as part of the planning permission. They can't be provided on site so a site with low commercial value has been identified in the Council's ownership which can fulfil the biodiversity requirements. In addition, the Council has also recently agreed a community use in respect of a playing field let to a local rugby club.
- 2.13 If an operational asset is no longer to be used for service delivery, then once the Asset Management Board have considered the a-d options above, a Lead Member report would be prepared if the asset is to be disposed of.

- 2.14 A thorough fresh review is being undertaken of all non-operational assets, working with directorates to understand each asset to see if there is scope for future disposal to secure a capital receipt, increased income generation, or reduced property costs. The review will be completed in December 2024. A couple of assets have been identified as future disposals and there are other opportunities to increase income and reduce costs.

3 Conclusion and reasons for recommendations

- 3.1 Audit Committee is recommended to consider and comment on the contents of the report including information contained in an exempt report later in the agenda.

ROS PARKER
Chief Operating Officer

Contact Officer: Nigel Brown, Assistant Director of Property
Email: Nigel.brown@eastsussex.gov.uk