

8. PROPERTY PLAN 2010

8.1 Executive Summary

8.1.1 Resources Department

In June 2009 the Human Resources Department, Information Systems, Procurement, and Property Holdings were amalgamated to form a new central Resource Department under the direction of the Deputy Chief Executive, thereby providing the vehicle to drive significant cross-cutting efficiencies through close collaborative working of the key providers of resources to all departments.

8.1.2 Prime Purpose

In 2010, Jersey Property Holdings (JPH) will continue to pursue initiatives that contribute to its prime objectives, which are:

- To provide fit for purpose and affordable accommodation for all States Departments;
- Property which is safe, legally compliant and both functionally and environmentally supportive of each Department it houses, thereby indirectly supporting the delivery of improved services to the Public;
- To ensure that in all its transactions it seeks to maintain, and where possible enhance the value of the Public assets it manages; to minimise property operating costs; and to deliver a commercial return on all property disposals.

8.1.3 Key Initiatives

The key initiatives contained within this plan are:

- A rationalisation of the States Office Accommodation to deliver reduced property costs, release sites for residential development and act as an enabler for major organisational transformation;
- The establishment of the principles and strategic direction for the future acquisition, tenure, management, development and disposal of all States property assets in the form of an overarching Property policy document;
- The development of a rolling five year Portfolio Plan to identify on a property by property basis the future occupation, investment and disposal plans for all States premises;
- In accordance with the States Commitment to resource accounting, JPH will develop a charging mechanism for all States premises based on the principle of "user pays" to ensure that all departments are accountable for the true cost of the property they occupy.
- To agree with departments the provision of adequate budgets to ensure all States property is maintained to appropriate standards.

8.1.4 Funding for Change initiatives

JPH is faced with serious under-funding and a lack of management resource which will severely affect its ability to progress a number of the key initiatives with the speed at which they should be delivered to support the States Strategic Plan. JPH will consider options and present proposals to the Minister for Treasury and Resources as to how these budget issues may be addressed.

8.1.5 Linkage to the States' Strategic Plan Priorities

JPH has a significant role to deliver priorities within the Strategic Plan. The principal linkage is to Priority 10 - 'Maintain and develop the Island's infrastructure', which acknowledges the under investment in States' property over a number of years that has resulted in a backlog of deferred maintenance works. Strategies to address this priority issue are detailed within the Property Plan.

In addition, JPH is a key contributor to a number of other priorities:

- Priority 3 - Reform the public service to improve efficiency and Priority 4 - Ensure sustainable public finances.

Successful delivery of the Property Portfolio Plan and realisation of the Office Accommodation Plan will achieve substantial financial and other efficiency savings to contribute to the reduction of operating costs across all States' departments.

- Priority 13 - Protect and enhance our natural and built environment

As the delivery agent for the majority of States operational property works, JPH will endeavour to ensure that design and finish are commensurate with the standard expected of public buildings within Jersey. The department will take the lead to ensure that appropriate energy efficiency measures are applied to the property stock, where this creates both financial and environmental benefits.

- Priority 14 - Adequately house the population

The Property Portfolio Plan will deliver opportunities to dispose of surplus land and buildings for residential development to increase the supply of affordable and open market housing.

JPH will also progress long-term resource initiatives to address the lack of investment in property assets identified within the Strategic Plan. These are discussed in more detail in Section 6.6.

8.2 Key initiatives

8.2.1 Office Accommodation Rationalisation

A review of all States Offices has identified that current levels of space utilisation are significantly below recognised benchmark standards, and clearly established a compelling need for change in order to create a more sustainable and efficient office estate.

States departments currently occupy 543,000 sq ft. of office space of which 206,000 sq ft is directly associated with an operational location leaving 337,000 sq ft could be consolidated. By increasing workplace density and introducing new ways of working it has been estimated that this could be reduced to 154,000 sq ft thereby saving the occupancy costs of 183,000 sq ft of office space. As 97% of the office estate is held on a freehold basis, the value of properties vacated can be released through disposal, primarily for alternative use.

Departments will be charged rent for the space they occupy and as part of any office space rationalisation thereafter, a mechanism will be in place to either increase or decrease their rent. A similar charging mechanism will also be in place for the non-office element of the estate departments occupy

Innovative workplace solutions have the potential to:

- Break down departmental barriers and facilitate greater team working;
- Streamline work processes and improve communications;
- Improve work-life balance;
- Improve asset utilisation;
- Reduce operating cost;
- Ensure that future organisational changes can be introduced with greater ease and lower costs.

A number of office properties have been identified as possible disposal opportunities and these have been included in the disposal plan. It should be noted that this is a preliminary list which may change depending on the results of further feasibility analysis.

8.2.2 Property Policy Document

JPH will present the first Property Policy document for States property assets. This will provide an overarching strategic direction for the acquisition, holding, development and management of all States premises. Reflecting a corporate approach to property asset management, the Property Strategy will consider the needs for service delivery across all States departments, ensuring that the approach to property will provide fit for purpose and efficient accommodation. It will also form the link to cross cutting issues and indicate property solutions where appropriate.

8.2.3 Portfolio Plan

Within the framework of the Property Strategy, JPH will develop a five year Portfolio Plan which will identify the specific changes in use, investment plans and tenure for each property on a rolling basis. A review of all properties in the portfolio has commenced concentrating on the following:

- Property Ownership – This is essential for the accurate determination of the optimum future use of property.
- Property Review – This process will consider whether the supply of property matches the needs of the service user.
- Property Management – The Portfolio Plan will provide an ongoing process of review and identify opportunities where property solutions can compliment service delivery.
- Property Running Costs – By recognising that property, whether occupied or vacant, has a cost, an essential part of the review process will be to recognise the real cost to the States of holding individual properties and determining the opportunity cost of retaining parts of the portfolio.
- Non-operational Property – a number of States non-operational properties (i.e. those not delivering public services) were acquired many years ago and many are now not used for the purpose originally intended. The property review will take a fresh look at the Portfolio and identify ways to remove any anomalies that may exist.
- Vacant Property – The property review will identify properties that are no longer fulfilling the function for which they were originally required and JPH will recommend them for disposal unless they are required by another States Department or should be retained for strategic purposes.

8.2.4 Charging Mechanism

JPH will develop a charging mechanism for all States property that clearly identifies to each department the true cost of the property they occupy.

This initiative will ensure that all departments bear the full rental cost for their estates and are therefore incentivised to maximise their occupancy levels and return surplus property and estate to JPH for disposal or re-development.

JPH will advise the larger estates on how best to determine their overall accommodation requirements and how it might be better utilised to deliver greater public service benefits;

The majority of occupiers consider property as a “free good” providing an imputed subsidy. This has led to a situation whereby:

- there is very little incentive for Departments to use property efficiently.
- profligate use of property has resulted in space utilisation which is significantly worse than industry standards in many areas.
- the estate has grown without recognition of the whole life cost of property ownership.
- the hidden subsidy of “free property” distorts cost comparison benchmarking of services with other providers (public and private sector) and historical data is skewed.
- the lack of a rental stream that reflects the value of the properties occupied, results in an insufficient budget provision to adequately maintain those properties and no provision to meet the future replacement cost of the asset.

8.2.5 Property Disposals

JPH is charged with identifying surplus property assets that may be disposed of to realise funds that will be reinvested in the States capital programme. JPH is on target to achieve property disposals receipts of £7 million for the years 2007 - 2009 inclusive. JPH is progressing the disposal of properties that were approved for disposal in prior years Property Plans and this work will roll forward into 2010 and future years.

JPH does not follow a policy of “land banking”. Where properties are surplus to current requirements and have no perceived strategic value they will be brought forward for disposal in order to utilise capital proceeds more productively.

The following properties have been identified as having the potential for disposal in the period of the 2010 Business Plan. Consideration as to the timing and value of each disposal will be assessed on an individual basis, taking into account the market conditions that prevail at the time. Properties will not normally be disposed of at less than market value unless there is a policy decision or specific political direction so to do. The Minister for Treasury and Resources will approve all disposals prior to sale in accordance with States’ Standing Order 168.

The States are asked to approve the disposal of the land and properties listed in Figure 8.1. Details of the properties are included in Summary Table J and the accompanying Annex

Figure 8.1 - Proposed Disposals for 2010 and beyond

The proposed office disposals may change depending on the results of further feasibility analysis undertaken as part of the Office Accommodation Plan. Full consultation will take place with occupiers before any proposals are recommended to the Minister for consideration.

Property Type	Description
Residential	Old Harbour Master’s House, Gorey Pier
	Le Coin flats site, Charles Street
	Pine Ridge site, Bellozanne
	Sunshine Hotel site, Havre des Pas
	Old Blacksmith’s Store, Corbière
Offices	46 Rouge Bouillon Offices and Stores
	D’Hautree Offices, Highlands Campus
	South Hill Office site
	Library Chambers

Land	Field 107, Maufant (0079)
	Land adjoining 162 Clos des Sables
	Land adjoining 108/109 Clos des Sables

In addition, JPH will be actively pursuing the disposal or development of a number of States' properties which, for reasons of commercial sensitivity, are not included in this Plan. However, all States' Departments that have, or may wish to have, an interest in such sites will be fully consulted before these are brought to the States' Assembly by the Minister for Treasury and Resources for approval on an individual basis in accordance with SO 168.

Where the States are landlord to a commercial interest, JPH will examine the benefits of continuing that relationship and, in consultation with the tenant, will consider the disposal of the relevant freehold interest where appropriate.

8.2.6 Land and Property Acquisitions

JPH is currently not recommending the acquisition of any specific land or property in this plan. However, should the opportunity for property acquisitions required for operational or strategic purposes arise, these will be considered and where appropriate progressed subject to the necessary approvals and an identified and approved funding source.

8.2.7 Former Jersey College for Girls Site

The former Jersey College for Girls was considered as a possible option for new States Offices. However, on balance it was felt that this property had greater potential for residential use.

JPH will progress the phased development of the former Jersey College for Girls for private residential purposes, which will result in the largest single residential / mixed use development in St Helier, and will act as a strong catalyst to accelerate local urban regeneration.

JPH is currently assessing the most appropriate method of procurement in the current economic climate. This could include disposal of the site in whole or in part to a single developer; to a combination of public private partnerships or development by the States based on pre-sale agreements. It is planned that the development will be in distinct phases:

- Phase 1

Construction of nine Town Houses to the east of the site adjoining Drury Lane for which planning permission has been obtained. This will commence in the second half of 2009 with completion in 2010.

- Phase 2

Relocation of Centre Point to the former La Pouquelaye School site. This provides an enhanced residential opportunity on the site of the former school and existing rear range of currently occupied buildings. In 2009, JPH will amend the existing development plans for the rear range of the main building to incorporate this additional area.

- Phase 3

Conversion of the main building into residential units and development of the rear range of apartments behind the main building. Revised plans will be submitted to the Planning Department in 2009 for approval, with an anticipation of works commencing in early 2010 with completion in 2011.

- Phase 4

Demolition of the vacated buildings at the rear and construction of the rear range. Subject to planning approval, it is expected that works will commence in late 2010 with completion in 2012.

8.3 Financial Position - Structural Under-funding

JPH reported in last year's Property Plan that capital and revenue allocations for investment in its property portfolio were significantly less than that required to maintain the condition of buildings fabric, plant and equipment at an acceptable (median) level.

To support the shortfall in funding for ongoing maintenance, a base budget increase of £750,000 for 2010, increasing to £2 million in 2011 and to £3 million in 2012 is proposed in Figure 4.4

JPH will prioritise funding across the estate strictly in accordance with the following criteria:

- Compliance with Statutory Requirements

The highest priority will be given to maintenance required to comply with Health and Safety and other legislation or recommended codes of practice.

- Contractual Obligations

Works that are required as part of an obligation within third party leases only

- Operational Continuity of the Building

Works that impact on operational continuity where no action would result in the closure of a building or severe limitations being placed on the effectiveness of service delivery. Funds held for reactive repairs cover both unplanned works arising from the mandatory annual inspections and all other reactive repairs.

- Preservation of Property Assets

Other asset preservation works will be prioritised below compliance and operational continuity and will only be undertaken where not to do so would lead to a future breach of compliance or significant impairment. Under a GAAP accounting system, failure to maintain assets may result in an increased revenue charge in the form of accelerated depreciation or an impairment charge to the department's revenue account.

8.3.1 Mitigating Activities

Reducing the size of the estate will help to alleviate this problem, but the entire shortfall cannot be met through this means alone. JPH will progress the following actions to ensure best value is obtained from its available budget:

- Work with the States Strategic Procurement team to ensure that value is maximised through the procurement of services, with the States' purchasing power utilised to achieve economies of scale where appropriate including the exploitation of cross departmental opportunities;
- Seek to outsource transactional activities where the cost is less than retaining the service in house. This will enable staff to focus on strategic initiatives that deliver corporate and departmental property savings;
- Introduce spatial standards alongside a charging mechanism. This will identify clearly the cost of occupying space within the budgets of occupying departments and lead to the inclusion of full property costs within business cases.

8.4 Backlog Maintenance

JPH has analysed the results of the Condition Survey undertaken by UK specialist surveyors Drake & Kannemeyer (D&K) to produce a list of works that need to be undertaken within a ten year period, with priority given to works required to address health and safety and other statutory issue.

A sum of £3.3 million has been approved from the Fiscal Stimulus package to commence priority works in 2009 and a further £20 million is proposed in the capital programme 2010 -2014 to continue to tackle the

highest priority backlog maintenance items. Whilst this sum is not sufficient to address all issues raised, JPH will ensure that funds allocated are appropriately prioritised.

8.5 Capital Works

In the period 2010 - 2014, JPH will be managing the implementation of £36 million of capital projects; these are described in detail in Section 7.

8.6 Valuation of the Estate

JPH managed the valuation of the States' land and buildings to provide a value for inclusion in the States' balance sheet in accordance with GAAP account requirements. The valuation of the property assets valued as at 31 March 2007 are listed in Figure 8.2.

Figure 8.2 Property Asset Valuations as at 31 March 2007

Element	Value £m
General Purpose Portfolio	742.8
Harbours and Marine Structures	102.0
Airport and associated assets	97.9
Social Housing stock	506.1
Total	1,448.8

It should be noted that this value will fluctuate due to factors such as acquisitions, disposals, impairments and depreciation charges.

8.7 Conclusion

2010 and 2011 will be key years in achieving significant change in the management of the States property estate.

JPH will continue to progress the initiatives commenced in 2008 to maintain a strong focus on its prime purpose of supporting all States departments in the delivery of improved public services through the provision and maintenance and estates management of fit for purpose affordable accommodation. We will pursue a number of change initiatives designed to maximise workplace effectiveness, reduce property operating costs, unlock asset value and release sites for residential development. However, the speed at which these change projects can be delivered will be dictated by how rapidly the structural under-funding of the Department is resolved.