

## 9 PROPERTY PLAN 2011

### 9.1 Disposal Programme and Improved Asset Utilization

**Objective 1:** A disposal programme which reduces the States' Property Portfolio to a size which is affordable and efficient, and releases capital proceeds for investment in addition to sites suitable for Housing development.

Success criteria:

- (i) Improved asset utilization and reduced property operating costs;
- (ii) The concentration of States' administration into fewer geographic locations and the development of new working environments which support more collaborative and efficient ways of working;
- (iii) The release of surplus or high alternative use value properties to provide funds to support capital investment, with a strong focus on progressing sites which may be developed for social rented or private sector housing.

**Strategic plan priority:** 3, 4 and 14.

Jersey Property Holdings has generated disposal receipts against the targets set in successive Business Plans as set out in Figure 9.1 below. Details of properties approved for disposal are contained in the Annex:

**Figure 9.1: Disposal Receipts and Targets 2007 - 2013**

Year	Receipts		Target	
	Annual £	Cumulative £	Annual £	Cumulative £
2007 (actual)	1,495,511	1,495,511	1,700,000	1,700,000
2008 (actual)	1,755,080	3,250,591	2,300,000	4,000,000
2009 (actual)	5,024,503	8,275,094	4,000,000	8,000,000
2010 (forecast)	5,283,195	13,558,289	4,000,000	12,000,000
2011 (target)	-	-	9,000,000	21,000,000
2012 (target)	-	-	4,000,000	25,000,000
2013 (target)	-	-	4,000,000	29,000,000

**The Council of Ministers is not proposing specific property disposals in this Business Plan.**

JPH is now focusing on the delivery of a number of key strategic developments that will provide primarily new or regenerated assets. This will result in a reduction in the flow of disposals receipts but an improvement in the States building stock without drawing funds from the Consolidated Fund. The replacement stock will be designed to provide improved service delivery in a more efficient manner, resulting in increased productivity and lower operating costs.

#### Office Strategy

The overriding objective flowing from the first stage review that JPH has completed is that the States Office portfolio should be reduced in size and consolidated into significantly fewer locations.

Consolidation of the office estate would result in four tangible benefits, these being:

- Enabling new ways of working and cultural change to take place by providing an appropriate modern working environment.
- Encouraging greater collaborative working and the elimination of duplicate administrative resources by the co-location of currently disparate departments.
- Reducing overall property maintenance, facilities management and utilities costs.
- Releasing assets for disposal and thereby generating capital receipts for reinvestment and/or to provide sites for housing development.

The Office Estate comprises 70 office locations totaling 692,579 square feet with a carrying value of some £100 million. JPH will be bringing forward proposals later in 2010 to consolidate office based activity into a significantly reduced number of existing core premises and new purpose built office accommodation to generate a space saving in excess of 200,000 square feet.

To maximise the benefits of transforming the office estate, departments will need to adopt modern working practices within a fit for purpose working environment. The characteristic of such an environment include:

- occupational standards in respect of open plan, with flexible space, such as break out areas, touchdown space and shared facilities;
- workplace densities increased from 182 sq ft to 110 sq ft per workstation;
- a reduction from the current ratio of greater than one work station to each worker to a minimum of 1:1;
- the adoption of consistent space policies and standards across the estate; and
- the development of new ways of working, in conjunction with Human Resources and each department, involving mobile working, workstation sharing and hot-desk approaches.

This approach will:

- transform the current ageing and inefficient office stock to a modern efficient and sustainable mix of properties;
- facilitate the necessary changes envisaged in the Five Year Vision of the Public Sector, by providing a working environment which supports organisational change and enables more efficient working practices;
- contribute to the Comprehensive Spending Review by reducing the cost of occupying property and improving operational efficiency, as well as allowing the release of existing office premises for alternative uses and redevelopment, in particular the delivery of sites for much needed housing development; and
- improve customer access and deliver the opportunity to retain a small core of strategically important sites.

#### Timeline and Funding

Full implementation of a solution will take approximately four years to deliver:

- one year departmental survey of requirements, setting space and other policy standards, developing layout plans and design specification works;
- six months to procure construction of new facilities;
- two years to construct new facilities. During this period the organisation will need to move towards new ways of working through a structured change management process;
- six months to fit out new facilities and migrate staff.

JPH estimates the costs associated with feasibility and planning to be in the order of £500,000 to £600,000, with new development being funded from receipts obtainable from the disposal of vacated sites.

## Departmental Portfolio Plans

JPH commenced a series of work streams with significant property occupying departments (Health & Social Services, Harbours and Education, Sport & Culture) to examine the composition of the property portfolio and propose ways to rationalise usage, with the objective of reducing costs and increasing income or identifying potential disposals.

The status of the reviews is set out in Figure 9.2 below:

**Figure 9.2: Status of Strategic Property Reviews**

<b>Review</b>	<b>Status</b>
Health and Social Services residential portfolio	Significant savings have been identified by restructuring the residential portfolio and outsourcing its management.
Health and Social Services children's services portfolio	Proposals being developed to rationalise the children's home portfolio to meet the requirements of the Williamson report.
St Saviour Hospital / Overdale	Initial feasibility completed demonstrating viability of consolidating care homes and other St Saviours based health operations on the Overdale site thus allowing residential development for the whole of St Saviours and the Clinique Pinel and Rosewood House sites.
Police Head Quarters	Following several value engineering workshops realistic space standards have been agreed which allow a viable scheme to construct a smaller Police operational building on the Summerland site and relocating office functions.
Education Sport and Culture (ESC)	JPH is working in partnership with the ESC department to review the current portfolio to ensure that the use and opportunities are maximised not only as a cost saving exercise but to ensure the buildings and facilities are fit for purpose for the delivery of the services they provide.
Jersey Harbours	JPH carried out a number of development appraisals of the Jersey Harbour proposals for the development of the Old Harbour Marina.

## **9.2 Addressing Estate Condition Issues**

**Objective 2:** *Addressing under funding of maintenance and capital works*

1. *Success criteria:*

- (i) *A significant reduction in "backlog" maintenance which has resulted from structural under-funding of property maintenance over a number of years, through the introduction of remedial works in a phased and prioritised programme plan;*

- (ii) *The instigation of a series of capital projects to replace assets which have deteriorated beyond reasonable repair, funded from proceeds generated by the disposal of property over and above that required to meet agreed capital proceeds targets;*
- (iii) *Capital projects commenced and completed on time and within budget.*

### **Strategic plan Priority 10 and 13**

#### Backlog Maintenance Works

JPH has commenced a programme of works to address the most urgent items of backlog maintenance.

An allocation of £3.3 million from the Fiscal Stimulus programme enabled an early commencement of works in the fourth quarter of 2009 which will continue throughout 2010. A further tranche of funding of £4 million for 2010, as approved in last year's Business Plan, has extended the programme of works to address a range of items including rock face repairs, educational buildings, disabled facilities and urgent works to the General and Acute Hospital. This Business Plan proposes the allocation of a further £3 million to continue these essential works.

#### Maintenance Structural Underfunding

It was recognised in the 2010 Business Plan that the funding available to maintain States buildings is insufficient to provide for a comprehensive maintenance programme. JPH prioritises funding across the estate strictly in accordance with the following criteria:

1. Compliance with Statutory Requirements;
2. Contractual Obligations;
3. Operational Continuity;
4. Preservation of Property Assets.

The Assembly approved an increase in JPH's base budget revenue funding of £750,000 for 2010. This Business Plan recommends a further increase of £1.25 million in 2011 as part of the commitments from the 2010 Business Plan.

Reducing the size of the estate will help to alleviate this problem, but the entire shortfall cannot be met through this means alone. In addition to a managed reduction in property holding, JPH is working with the States Strategic Procurement team to ensure that value is maximised through the procurement of services.

#### Rationalisation of Stock

Reducing the size of the estate will help to alleviate this problem, but the entire shortfall cannot be met through this means alone. JPH is working with occupying departments to develop a Portfolio Plan to achieve best usage for all States' property assets.

Two initial workstreams are:

1. development of office rationalisation proposals commenced in 2009 to consolidate the States' office estate into a reduced number of 'fit for purpose' buildings on a small footprint;
2. a thorough review of the Health and Education estates, which form two thirds of the States' overall property portfolio.

In addition, JPH will progress the following actions to ensure best value is obtained from its available budget:

3. 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;
4. 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;
5. 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.

The indicative delivery programme for addressing the structural under-funding position is as follows:

<b>Deliverables</b>	<b>Timescale</b>
1. Action high priority backlog maintenance works funded from Fiscal Stimulus and Capital Programme	July 2009 to 2014
2. Prioritise maintenance works in accordance with stated criteria	Ongoing
3. Develop Office Rationalisation programme	Current - 2014
4. Review Health and Education Estates	2010
5. Improve procurement processes and practices	Ongoing
6. Introduce space standards and a charging mechanism	2010

#### Capital Works

JPH is responsible for delivering capital improvement and replacement works for property assets which have deteriorated beyond reasonable repair. The following property projects are proposed for funding in 2010 and 2011:

<b><u>Scheme</u></b>	<b><u>Year of Commencement</u></b>	<b><u>Value £000's</u></b>
Howard Davis Farm Building and Animal Incinerator Works	2010	924
Grainville School Ph4(a)	2010	4,728
Oncology Extension and Refurbishment	2011	2,664
Prison Improvement Works - Phase 4	2010	9,249
	<b>Total Value</b>	<b>17,565</b>

The following projects were approved 'in principle' in the 2011 - 2014 Capital Programme contained in the 2010 Business Plan. They will be reconsidered as part of the CSR Stage 2 process.

<b><u>Scheme</u></b>	<b><u>Year of Commencement</u></b>	<b><u>Value £000's</u></b>
Police Relocation – Sinking Fund	2012	2,000
St Martin's School Redevelopment	2012	7,732
FB Fields Running Track Replacement	2013	535
Les Quennevais Artificial Pitch Replacement	2013	613
Les Quennevais Refurbishment	2014	7,627
	<b>Total Value</b>	<b>18,507</b>