STATES OF JERSEY

STATES OF JERSEY PROPERTY HOLDINGS AND THE STATES OF JERSEY DEVELOPMENT COMPANY LIMITED: STRUCTURES, OPERATIONS, PROTOCOLS AND CONTROLS

Lodged au Greffe on 27th July 2011
by Senator S.C. Ferguson

STATES GREFFE

PROPOSITION

THE STATES are asked to decide whether they are of opinion −

to request the Minister for Treasury and Resources to –

(a) make no changes to the approved areas of responsibility, internal structures and reporting lines of Jersey Property Holdings (as laid down in the Report and Proposition P.93/2005) or the States of Jersey Development Company Ltd. (as laid down in the Report and Proposition P.73/2010) without referring any proposed changes to the States for prior approval; and

(b) to ensure that the protocols and controls covering the transfer of property from Jersey Property Holdings to the States of Jersey Development Company Limited as set out in the proposition “Property and Infrastructure Regeneration: the States of Jersey Development Company Limited” (P.73/2010) adopted by the States on 13th October 2010 (an extract of which is reproduced at Appendix 1 of the attached report) will be implemented consistently with that proposition.

SENATOR S.C. FERGUSON

REPORT

In an e-mail of 8th July 2011, the Minister for Treasury and Resources stated that a review of Jersey Property Holdings (JPH) was required –

> *"to ensure that JPH is able to deliver the significant changes required to the property function in the future".*

He went on to say that –

> *"the management review process being carried out is to ensure that it [JPH] is able to establish the correct working arrangement with the new States of Jersey Development Company in line with the recently agreed proposition [P.73/2010] which established the States of Jersey Development Company."*

JPH was established in 2005 by a States proposition, P.93/2005. This was achieved following extensive consultation with external property specialists, including KPMG. The agreed organisational structure reflected industry best practice for the appropriate management of property assets. JPH is designed to act as the Landlord function for all States property assets. As such, it represents this Assembly; which on behalf of the Public is the ultimate custodian of all States assets.

Over the last 4 years, most of the objectives set out in P.93/2005 have been achieved by JPH, despite significant issues that JPH inherited in the properties transferred to it from other departments. A comprehensive property database and management system has been put in place. The estate has been properly valued, and strategic reviews completed of the office estate and the ESC portfolio.

This has been achieved despite the totally inappropriate funding allocated by Treasury for such an important function. JPH has been grossly under-resourced and structurally under-funded from its inception. Members will be aware of the £120 million backlog maintenance in the estate – this did not appear overnight. It is the legacy of years of neglect. Whilst the Council of Ministers have allocated funds to address some of the more urgent issues, the States portfolio is accruing more deferred maintenance than is being fixed

JPH is obliged to do things in the best interests of the Public. Sometimes these actions are not popular, but it is not JPH's role to be popular.

The States of Jersey Development Company Ltd. (SoJDC) was established as a limited liability company to deliver development projects – primarily complex projects in regeneration zones. Like other commercial developers, it is a risk vehicle. It is set up to do things which JPH (as the Landlord, and as a States Department) cannot. The prime role of SoJDC is to develop surplus States assets. As such, it is entirely complementary to JPH, as JPH would engage commercial developers if SoJDC did not exist. These principles are clearly set out in P.73/2010.

The Minister for Treasury and Resources has indicated that it is his intention to review the structure and functions of JPH and its interface with SoJDC.

As these are matters which have received significant input from professional property consultants, have been subject to a number of reviews by Scrutiny, debated in the States Assembly and approved by States Members, it is essential that any proposed changes to those arrangements be brought back to this Assembly for careful consideration.

The whole thrust of the proposition is therefore to request formal confirmation from the Minister that, should the review currently in progress result in changes to the structure of JPH which vary from that set out in P.93/2005, then these will be brought to the States.

Furthermore, assurance is requested that the protocols covering the transfer of property from JPH to SoJDC, as defined in P.73/2010, will be maintained and, in addition, that the controls regarding the transfer of States property to the States of Jersey set out in P.73/2010 will be fully and correctly implemented.

P.73/2010 is quite specific about the valuations of land to be transferred from JPH to SoJDC, and the protocol is designed to ensure that the Public achieves market values for its land and building assets before these are placed in a risk vehicle.

This proposition is intended to ensure that any proposed changes to these principles are properly debated and approved by the States before implementation.

Financial and manpower implications

There are no financial or manpower implications for the States arising from this proposition.

APPENDIX 1

EXTRACT FROM
"PROPERTY AND INFRASTRUCTURE REGENERATION: THE STATES OF JERSEY DEVELOPMENT COMPANY LIMITED" (P.73/2010)

"**9. Jersey Property Holdings**

Jersey Property Holdings ("JPH") acts on behalf of the Minister for Treasury and Resources as the holding body and corporate estates management function in respect of all Public property. In that context JPH is actively engaged in developing strategic plans for the more effective utilisation of public property assets to support the delivery of improved public services in financially sustainable accommodation.

It is essential that these activities are fully integrated with the proposed Island-wide regeneration, planning and development.

JPH will seek to co-ordinate its inward investment in public assets used by States of Jersey departments with that of The States of Jersey Development Company Limited by releasing assets where the property or the value of the asset is surplus to States of Jersey requirements and which fall within designated Regeneration Zones to The States of Jersey Development Company Limited to enable regeneration projects and, where appropriate, acquiring private property assets needed for regeneration schemes.

Assets will be transferred at open market value subject to recognising the cost of providing significant upfront infrastructure costs and public realm. In this case the Minister for Treasury and Resources may agree to the transfer of assets from JPH to The States of Jersey Development Company at less than open market value or on a deferred payment basis.

Once a Regeneration Zone has been approved by the States Assembly via the Island Plan process and the Masterplan for such Regeneration Zone has been approved by the Minister for Planning and Environment, any States' properties within that particular Regeneration Zone, where the property, or the value thereof, is not required by the States, or the property is needed to be developed to deliver the socio-economic needs of the Island, will be transferred by JPH to The States of Jersey Development Company Limited.

A protocol has been developed which will be used to guide the transfer of property and this can be found at **Appendix 7** of this Report.

Protocols for the Transfer of assets to and from the States of Jersey Development Company ("SoJDC")

1. Principles

1.1 The States of Jersey ("SoJ") is establishing SoJDC as a development company. The prime purpose of SoJDC is to deliver regeneration projects to provide the best socio-economic benefit to SoJ. This will be in the form of enhancing the value of existing properties through refurbishment, the development of new properties, infrastructure and public realm. Regeneration assets may be retained by the Public (SoJ) or disposed of to realise capital proceeds. Property held by either Jersey Property Holdings ("JPH") or SoJDC will be consolidated within the SoJ accounts.

<u>Transfers to SoJDC</u>

1.2 JPH carries assets on its balance sheet valued on their existing use basis.

1.3 For assets within a regeneration zone that could be transferred to SoJDC, JPH will commission an independent land residual valuation of those assets that are capable of being developed independent of an adopted masterplan.

1.4 Where land and property is transferred from JPH to SOJDC, the transfer value will be the market value of the property in its existing condition, with its existing development permissions.

1.5 However, where any land and property is within a Regeneration Zone and where the Regeneration Steering Group has identified a requirement for public realm and infrastructure, an independent assessment of value and costs will be commissioned by the Regeneration Steering Group ("RSG") with inputs agreed by JPH and SoJDC. This independent assessment will determine the land residual value of the sites within a particular regeneration zone under the adopted masterplan. This independently determined land residual value will be the transfer value of land from JPH to SoJDC.

1.6 There will need to be a political decision to progress with the regeneration scheme instead of disposing of certain land.

1.7 Any land to be transferred from JPH to SoJDC which is outside of a regeneration zone will be the subject of an independent valuation to determine market value commissioned by JPH. Such valuation will form the basis of the transfer value from JPH to SoJDC.

1.8 The land which forms the basis for a Regeneration Zone will generally comprise a combination of property currently in Public ownership and privately owned property which will be acquired by mutual agreement or by Compulsory Purchase at Market Value prior to development.

1.9 Where property is acquired by JPH of behalf of the Public under Compulsory Purchase powers for transfer to SoJDC, SoJDC will meet the acquisition costs inclusive of all fees and disbursements at the time of transfer.

The Transfer of assets from SoJDC

1.10 In recognition of the potential additional new income from parish rates generated from any completed new developments in a regeneration zone, the respective Parish should be approached to take ownership of any new areas of public infrastructure and public realm which cannot reasonably be sold as part of a commercial development. In which case the liability for any ongoing maintenance would pass to the Parish.

1.11 In the event that a binding agreement cannot be reached with the respective Parish for the transfer of ownership of public realm and where the transfer value of assets by JPH to SoJDC has recognised and taken account of the costs of providing any exceptional items of public infrastructure and public realm (over and above that which might be already taken into account by the external valuer in assessing Market Value), the transfer back of completed public infrastructure and public realm by SoJDC to JPH shall be at a nominal sum.

1.12 Public realm and infrastructure transferred back to JPH must be accompanied by an appropriate revenue stream (e.g. alfresco income, car parking revenue and/or rental income) which provides sufficient income to meet the future property operating costs

2. Accounting and Budgeting

2.1 JPH and SoJDC are both within the States of Jersey group accounting boundary and are required to prepare accounts in accordance with UK GAAP, as interpreted by the Jersey Financial Reporting Manual (JFReM) and associated Financial Directions and procedures.

2.2 All assets belonging to JPH and SoJDC will be recorded in accordance with UK GAAP, interpreted by the JFReM and associated Financial Directions and procedures.

2.3 Accounting for the transfer of assets between the JPH and SoJDC will be undertaken within the group boundary in accordance with the JFReM and associated Financial Directions and procedures. The Treasurer will provide direction on the specific accounting entries for each transfer.

2.4 Where an asset is transferred from JPH for the purpose of development and/or regeneration under paragraph 1.5, above, this is not intended to result in a loss of income or charge against the JPH budget unless budget has been provided for this purpose.

2.5 Where an asset is transferred from a States trading operation for the purpose of development and/or regeneration under paragraph 1.5, above, it is not intended to financially disadvantage that operation.

3. Detailed Protocols

3.1 Detailed protocols will be prepared for the transfer of assets relating to individual schemes and all schemes will be subject to development agreements in accordance with all the principles set out above.

3.2 The Minister for Treasury and Resources will consider all of the principles set out above including detailed protocols and development agreements and the financial obligations thereto before any scheme is approved.”

STATES OF JERSEY

STATES OF JERSEY PROPERTY HOLDINGS: ESTABLISHMENT

Lodged au Greffe on 3rd May 2005
by the Policy and Resources Committee

STATES GREFFE

2005 Price code: C P.93

PROPOSITION

THE STATES are asked to decide whether they are of opinion −

to refer to their Act dated 24th July 2002 regarding the Machinery of Government proposed departmental structure and transitional arrangements and –

(a) to approve the following principles for the future management and administration of States Property –

(i) the creation of a new department to be known as 'States of Jersey Property Holdings' under the Finance and Economics Committee and its successor Ministry, in order to develop a modern, innovative approach to the management of property and deliver the aims as set out in section 3 of the report;

(ii) the transfer of administration of all States property assets, with the exception of those assets under the administration of Trading Committees and Social Housing currently administered by the Housing Committee, to States of Jersey Property Holdings;

(iii) the transfer of existing staff with property responsibility to States of Jersey Property Holdings;

(iv) the development of a States Property Plan, which will include all States Property, to be agreed by the States as part of the States Strategic Plan;

(v) the development of a States of Jersey Property Holdings Business Plan in accordance with the agreed States Property Plan and approved by the States as part of the Annual States Business Plan, which will authorise the department to develop, sell, buy, re-allocate or otherwise manage the property or interests in property as identified within the plan;

(vi) the development of a fully integrated landlord and tenant system of property provision and maintenance between States of Jersey Property Holdings and States Departments, regulated through Service Level Agreements;

(vii) the introduction of a charging mechanism for all property assets to reflect the true cost of occupation;

(b) to charge the Policy and Resources Committee, in conjunction with the Finance and Economics and Environment and Public Services Committees, to facilitate the organisational changes necessary to implement the proposals for the future administration and management of States Property;

(c) to charge the Finance and Economics Committee to restructure relevant budget allocations and develop the necessary financial asset management arrangements to achieve (a)(i) to (vii) above;

(d) to charge all Committees of the States to co-operate with the Policy and Resources, Finance and Economics and Environment and Public Services Committees in the development of the proposals.

POLICY AND RESOURCES COMMITTEE

REPORT

1. Introduction

States property assets have been conservatively valued at £1.6 billion. This represents an investment of some £18,000 for every person on the Island.

All organisations, both commercial and 'not for profit', must make best use of their property to realise both a financial return and to ensure that services are delivered efficiently and effectively. The States of Jersey is no exception, but it also has a wider responsibility to ensure that assets are employed to the benefit of the Island.

The States has agreed a Strategic Plan which sets out the continuing development of our economy, thereby providing employment, and financial security for Island residents as well as generating the funds to support a comprehensive range of public services and a world class infrastructure. The States property is a valuable commodity which should be used to support and underpin the States Strategy. The current administrative approach must be changed into a more entrepreneurial and innovative approach which ensures that the best use is made of all property either for services, as a source of investment, or to underpin the wider economy and the Island's future.

Successive reviews by Environment Resources Management in 1999[1], the States Audit Commission in 2000[2] and a report on the Future of Property Services in 2001[3] have highlighted shortcomings in the way that the States of Jersey manage their property assets. Key findings from these reports are –

- dispersed and inconsistent ownership and control of States' property;
- absence of a clear, single point of accountability for property;
- no system for accounting for the value, true cost of property assets and services – a valuable and scarce resource;
- slow decision-making and approval process through Committee structure;
- shortage of people with relevant property skills;
- inadequate separation between the strategic "client" (policy-making) function and the executive "provider" function;
- lack of authority and control to ensure that policies are carried out;
- property seen by users as a "free good", with no incentive to use efficiently or maintain properly, and;
- maintenance budgets used for other purposes.

[1] *Environment Resources Management (ERM): Strategic Review of Property Services, October 1999.*
[2] *States Audit Commission Report No. 12, 15th June 2000.*
[3] *Service Review undertaken by Drivers Jonas Limited, August 2001.*

Recognising these issues, the Policy and Resources Committee proposed, in P.70/2002, that, 'the Treasury and Resources Department will have responsibility for… corporate property (the 'client' role), including policy responsibility for property procurement, design and maintenance[4]'.

The rationale for an integrated approach to property management was confirmed in the Five-Year Vision for the Public Sector[5] and extended in the States Strategic Plan as a specific deliverable under Strategic Aim Nine: To Balance the States Income and Expenditure and Improve the Delivery of Public Services[6].

Most of the property occupied by States departments and other public administrations is owned by *'le Public'* which is the legal entity. In turn, the States of Jersey acts as a delegate of the Public and is entrusted with the stewardship of this public property [hereinafter referred to as 'States property'].

2. Corporate Management Board Review of Property

Charged with progressing these proposals, the Corporate Management Board asked the Managing Director of WEB to lead a review of property administration and management structure options.

The key findings from stakeholder interviews were as follows –

- There is no overall accountability for the performance of property within the States;
- the property skills of the Department of Property Services and WEB are used on an 'available to departments' basis rather than taking responsibility for the portfolio;
- there is no alignment between 'ownership' of property and authority to manage it;
- there is no central, co-ordinated strategy for States property;
- property is viewed as a 'free resource' without incentives or penalty to encourage more efficient use;
- incomplete data collection and management systems are hindering efficient delivery of property services and making value analysis of property performance extremely difficult to achieve;
- there is a growing maintenance backlog problem partly resulting from inadequate investment and partly from departments re-allocating property budgets to core operations at the expense of essential repairs; and

[4] *P.70/2002 – paragraph 1.11.1.*
[5] *P.58/2005 – paragraph 7.9.*
[6] *P.81/2004 – paragraph 9.1.*

- no central procurement function or effective supply chain management provisions exist.

The collective effect of these issues has been to create a lack of confidence within departments that the States can, or will, efficiently provide for their future property needs in a comprehensive and coordinated manner. At a practical level, this has led to –

- high levels of time spent on delayed or aborted property initiatives;
- inadequate property maintenance planning and spending;
- a growing pool of unproductive and inefficient assets;
- sub-optimal use of land and buildings characterised by a ‘lowest cost, easiest fit’, short term approach to estate management;
- frustration within departments and between departments;
- slow and cumbersome decision-making on property disposal/development initiatives;
- excessive States involvement in property decision-making; and
- significant duplication of property management resources performing similar functions across numerous departments.

In summary, there is a very strong consensus amongst Chief Officers and stakeholders that the existing arrangements are ineffective and inefficient and that substantial benefits can be gained from centralising the management and administration of the States property portfolio.

3. Proposed structure

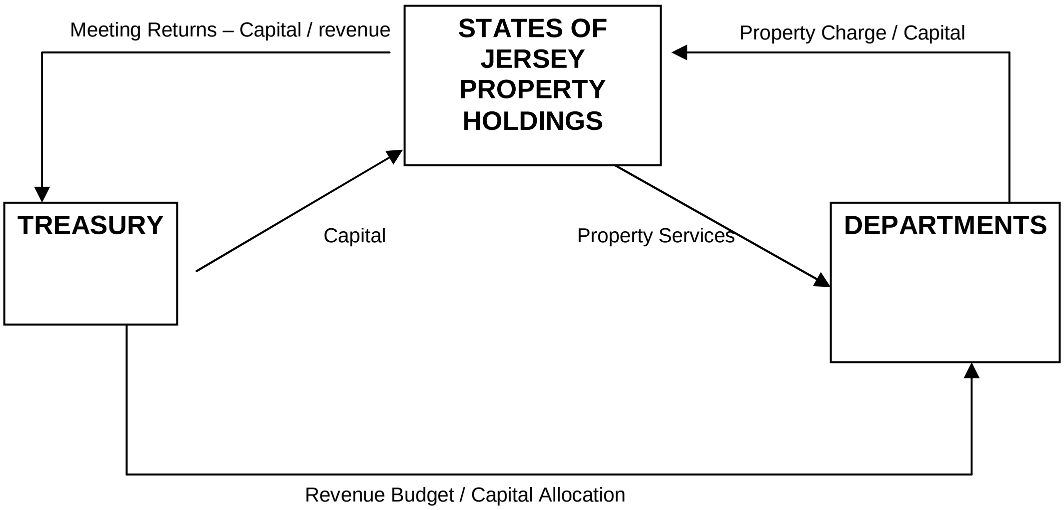
The proposed organisational structure is shown graphically below and in more detail at Appendix 1. It is a much simpler approach to property management than the existing fragmented systems and processes.

In summary it is proposed that all property (with the exception of trading committees and Social Housing) will be transferred into a single department together with the existing staff and budgets to manage it. The States will set the longer term Property Strategy as part of the Strategic Plan and annually the Property Business Plan will be brought to the States for decision as part of the overall States Business Plan.

The Department will be charged with delivering property for services according to the agreed and funded service requirements. It will be accountable via Service Level Agreements. The department will also be accountable for achieving asset management targets in terms of cost, delivery of savings, returns for reinvestment and project targets and timetables. It will answer to the Treasury and Resources Minister for asset performance and to the Council of Ministers for property standards meeting service needs.

Performance will be measured against public and private sector benchmarks and may be subject to review by the Public Accounts Committee.

Figure 1 – Proposed structure



Responsibility for the administration and management of all States property assets and associated services will be transferred into a single department to be known as 'States of Jersey Property Holdings'. The exceptions are –

- Property Administered by States Trading Committees.

  The incorporation of Jersey Post is well advanced and relevant property assets will be transferred to the new company when established.

  Both Jersey Airport and the Harbours Department are currently considering the best vehicles for delivery of services in these specialist areas. Until a decision has been reached with regard to the future status of these bodies, it is not appropriate to centralise property administration.

- States Social Housing Estate

  The States, in June 2004, agreed an amendment of the Housing Committee to the Strategic Plan, which recognised the need for a continued direct link between rentals paid and property management within States housing.

  The Housing Committee is considering alternative proposals for the future management of the States' social housing estate, which will be submitted for consideration in due course.

States of Jersey Property Holdings will be a department of the States, reporting to the Finance and Resource Minister under the new Ministerial structure. The Chief Officer of States of Jersey Property Holdings will be accountable to the Chief Executive of the States and to the Treasury and Resources Minister for the management of assets including the delivery of any agreed financial return to the States. It will develop a modern, innovative approach to the management of property in order to have the following aims –

Aims

- Optimise operational efficiency;
- use the estate to improve the delivery of public services;
- minimise under-performing/unproductive property assets;
- optimise the efficiency of building maintenance;
- minimise management costs; and
- maximise and implement opportunities for cost reduction and for extracting capital from the portfolio.

States of Jersey Property Holdings will be accountable to departments for the delivery of modern effective property which meets their needs. It would be a requirement that maintenance standards would be maintained. It will operate contractual relationships with all its tenants. The quality and frequency of services provided to States Departments will be regulated through Service Level Agreements (SLAs), which will be reviewed on an annual basis. Responsibility for existing property agreements with third parties will be transferred to States of Jersey Property Holdings.

Staff whose principal responsibilities relate to property matters will be transferred to States of Jersey Property Holdings. The Policy and Resources Committee is mindful that organisational restructuring on this scale will require the co-operation of individuals, their departments and Committees. The key principle is to remove many of the day- to- day property decisions from individual departments, allowing them to focus on core service delivery and place property decisions in the hands of professionally qualified staff who are accountable to the CMB and Council of Ministers.

4. Property strategy

The review identified the lack of formal plans identifying the need for property and services across the organisation in the medium term as a serious weakness.

States of Jersey Property Holdings will co-ordinate, with States departments through the CMB, the development of a States Property Plan that defines departmental property requirements for a 5-year period. The States Property Plan will become an integral part of the States Strategic Plan.

The States Property Plan will identify and quantify potential surplus accommodation and determine proposals for the rationalisation of States property holding. For example the review looked at 16 primary States office buildings and concluded that occupied space per workstation was some 26% higher than the U.K. Government Office Standard and as much as 73% higher than modern office space efficiency standards. It concluded that this could translate into a realistic space reduction potential of 54,000 square feet which could result in a sustainable cost saving in excess of £1 million per annum.

The States Property Plan will also examine the potential to extract value from the States property assets, by obtaining a return on 'freed-up' office space and through the redevelopment of under-utilised properties. There is significant development potential within States property assets that could be unlocked to provide either a new income stream or capital receipt and further benefits to the Island.

The Vision for change approved by the States last year identified the potential to achieve significant savings by bringing under-utilised properties into productive use. The review has confirmed this initial view and a conservative estimate shows that there is potential to release in the region of £20 – £25 million from the States Assets. This could be by disposal or leasing to third parties. Such releases would result from improving the use of existing assets and reducing under-utilisation. The estimates assume that there would need to be initial investment in sites and premises in order to rationalise property and concentrate uses. It would also be necessary to retain sufficient land and property to meet future needs, and that is allowed for. This would have the added benefit of providing premises and space to support economic development and thereby minimise further encroachment outside existing developments.

States of Jersey Property Holdings will become the body charged with the procurement of new property assets. The States Property Plan will identify departments' requirements and produce a prioritised development schedule in accordance with the availability of funding agreed in the States Business Plan.

This overall strategy will be translated into an achievable and affordable States of Jersey Property Holdings Business Plan, to be submitted annually for approval by the States as part of the States Business Plan. This business plan will be put forward by the Council of Ministers after review by the CMB, and the Treasury and Resources Minister. It will include the property requirements within the approved States Property Plan. The approval of the States of Jersey Property Holdings Business Plan will authorise States of Jersey Property Holdings to develop, sell, buy or otherwise manage the property or interests in the property as identified within its business plan.

5. Charging and funding arrangements

A fundamental weakness of the current property arrangements is the inconsistent way in which occupiers of property are charged, or not, as the case may be. At present occupying departments may pay a rental that reflects market rent, or is lower than market rent (and may be nil). The rental charged is a matter of historic circumstance and this disparity causes a number of problems –

- there is no incentive for departments to achieve best value in occupation and use of property, particularly generic office accommodation;

- cost comparisons with other services providers (public and private sector) and historical data may be skewed; and

- the lack of a rental stream which 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.

To counter these shortcomings, a charging mechanism will be introduced that provides a charge in the form of an ‘asset rental’, which reflects either the market value of the asset or the cost of its replacement amortised over its useful life.

The charge will form part of a department’s revenue budget and will be subject to the normal budget review process. Additional resources for new charges, to meet the annualised costs of additional capital, will be allocated only in accordance with the agreed States Property Plan. Budgets for capital charges will be adjusted following the rationalisation or disposal of property. Initially, there will be no impact on the States ‘bottom-line’ as the additional departmental budget allocations will be offset by a ‘credit’ budget in States of Jersey Property Holdings.

In this way, asset rich departments will have the incentive to manage their property assets more efficiently and effectively, as the charge will form a significant proportion of the controllable base budget. It will promote the review of the use of assets as departments attempt to reduce costs to meet efficiency savings targets or employ financial resources to higher priorities. The review process will identify expensive sites and equipment, by providing a more realistic figure for the cost of holding and maintaining property.

In addition to receiving an ‘income’ from States departments, States of Jersey Property Holdings will receive funding from three other principal sources –

- the revenue budgets associated with property management and maintenance, currently held within departments, will be transferred to States of Jersey Property Holdings;

- capital budgets for the procurement of new property assets will be allocated to States of Jersey Property Holdings, in line with the agreed States Business Plan proposals;

- income from rents received from third parties.

Where the States Property Plan identifies assets capable of disposal, the Treasury and Resources Minister may agree that the capital receipt can be applied to generate additional revenue or be ring-fenced for redevelopment, potentially reducing the call on the States Capital Budget allocation.

The Treasury and Resources Minister will take into account expected capital receipts when proposing overall expenditure targets in the annual States Business Plan to ensure that States spending is not increased in an uncontrolled fashion.

6. Benefits of reorganisation

An integrated property administration and management department will be able to –

- realise economies of scale and lower operating costs;
- standardise systems, processes and documentation to provide consistently reliable and timely management information;
- demonstrate transparency and accountability in property matters;
- operate in a business-like manner, providing a quality service regulated by SLAs; and
- provide a centre of excellence, capable of delivering best practice and creating a career structure for property professionals within the States whilst freeing-up service delivery resources.

The development of a strategic States Property Plan will enable –

- accommodation requirements across the States to be established, identifying opportunities for use or disposal of surplus assets;
- the development of a State-wide approach to the allocation of appropriate and prioritised revenue and capital budgets for property; and
- the creation of accommodation standards and corresponding performance criteria;
- future long-term maintenance and replacement of property to be properly managed.

The creation of a charging mechanism supported by robust data will –

- identify the true cost of occupation of property, enabling performance to be more accurately benchmarked;
- encourage the efficient use of property and, where appropriate, allow unused and underutilised space to be released;
- provide the basis for realistic property management and maintenance budgets; and
- facilitate the move toward resource accounting within the States of Jersey.

7. Implementation steps

Information requirements

The transition from the existing structure to that proposed presents a number of challenges, the first of which is the need for sound, comprehensive data on which to base decisions. All pertinent asset and property services data must be collated into a single central property management system. Where base data is not available it will need to be acquired.

It will be necessary to collate and review all legal documentation relating to property holdings to ensure that it fits within the proposed model.

Creation of a Property Board

The Property Board, reporting to the Corporate Management Board, will initially be responsible for ensuring all necessary structures are in place to promote good corporate governance through transparency of action and clear lines of accountability.

The Property Board will work with States of Jersey Property Holdings to produce the initial States Property Plan and thereafter provide an interface between departments and States of Jersey Property Holdings to review States property policy and its implementation through States of Jersey Property Holdings.

Creation of States of Jersey Property Holdings

By approving part (a) of the proposition 'States of Jersey Property Holdings' will be created.

To achieve the benefits outline above, States of Jersey Property Holdings will require personnel with the necessary skills and experience to lead the transformation and modernisation of the States property function. Recruitment to the post of Chief Officer is an essential early step to ensure that the organisational structure being developed will deliver.

Further key staff will need to be identified to manage the new structure. This will be a matter for the Finance and Economics Committee or Minister to determine, but any initial salary costs should be met from organisational efficiencies generated by the new structure over a 2 – 3 year period and thereafter further savings should be achieved.

States of Jersey Property Holdings will work closely with the CMB to prepare the States Property Plan. The Plan will include provision for the delegation of authority to States of Jersey Property Holdings for property activities undertaken within the remit of the approved States Property Plan.

A major early task will be the establishment of standard format Service Level Agreements between States of Jersey Property Holdings and property occupying departments, including the development of a property charging mechanism.

States of Jersey Property Holdings will then be able to produce a Business Plan. The States of Jersey Property Holdings Business Plan will be reviewed by the CMB and approved by the Treasury and Resources Minister. It will include agreed performance standards, with appropriate measurement and management processes.

Relevant revenue and capital budgets will be identified and transferred to States of Jersey Property Holdings. States of Jersey Property Holdings will then be in a position to take responsibility for States property assets.

The transfer of administration of States owned assets, as described in part (a) of the proposition, together with the transfer of identified property staff, will enable the creation of States of Jersey Property Holdings.

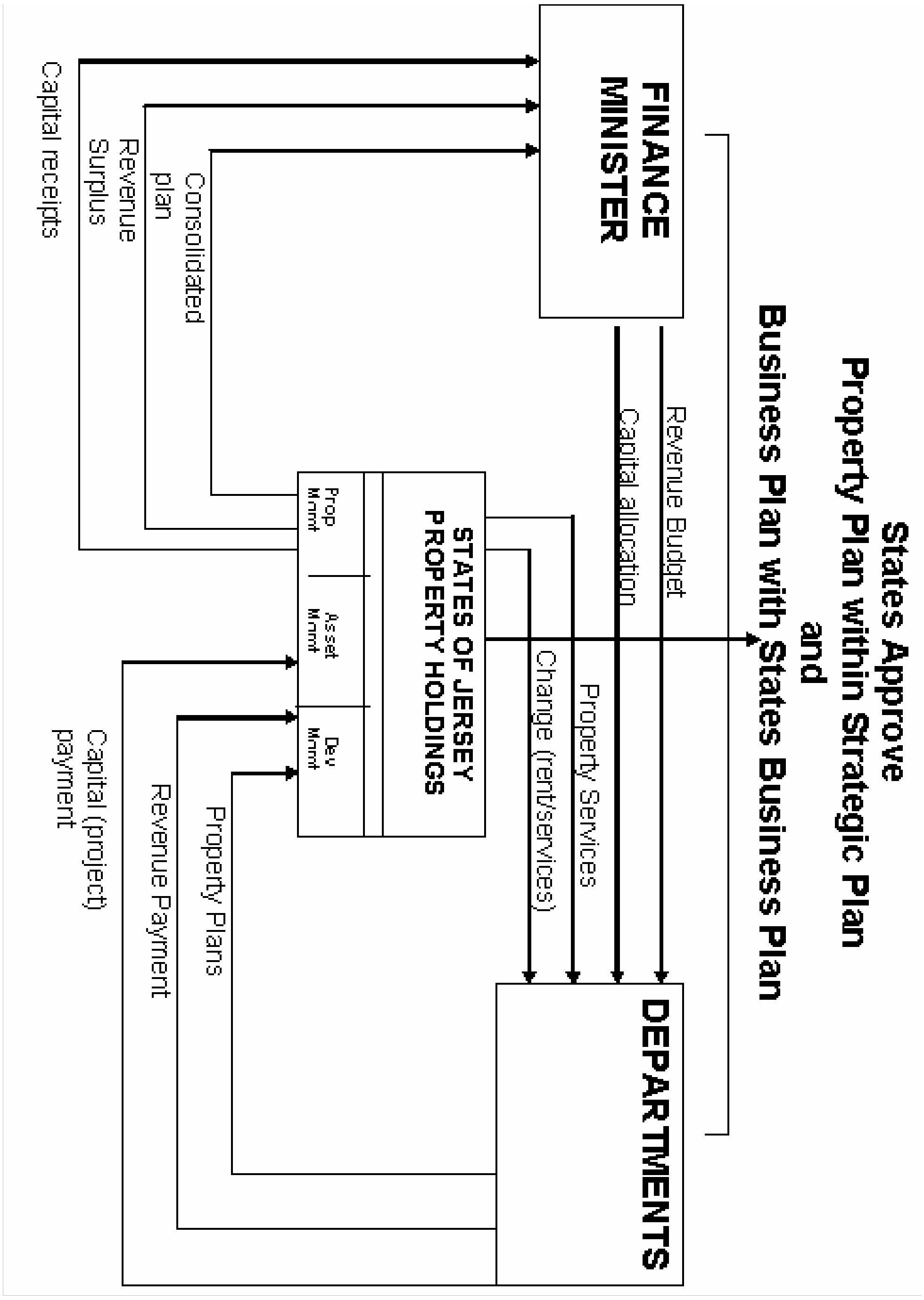
8. Financial and manpower implications

The transfer of existing capital and revenue budgets allocations for property related matters to States of Jersey Property Holdings, together with the introduction of a charge for property occupation, will be initially budget neutral. In the longer term, the successful implementation of an effective property strategy and management process has the potential to deliver significant efficiency savings across all States departments.

There are significant costs associated with the implementation of the proposed plan which may be up to £1.5 million, although such costs will be kept to a minimum. As much use as possible will be made of existing in-house resources to minimise the cost. This initial investment will be recovered from efficiency savings generated after the first 2 – 3 years of operation. The initial costs have been budgeted within the sum of £9.4 million which was identified as being required to deliver the change programme and subsequent efficiency savings of £20 million in 5 years’ time.

A reorganisation on this scale will have far-reaching manpower implications. When States of Jersey Property Holdings is fully established, the overall level of staff resources is likely to be less than that currently employed across States departments.

As reported earlier the review has identified that with effective management it will be possible to achieve significant savings in the cost of running property and increasing income by leasing or selling surplus property. The change programme has included £5.5 million per annum savings by 2009 resulting from this property re-organisation. It is a significant element of the £20 million per annum savings by 2009. The underlying requirement is that current maintenance standards will be retained, delivered more efficiently and at less cost. Once all of the property responsibilities have been brought together it will be necessary to carry out a thorough review of the condition and maintenance requirements. This will allow the States to ensure that the proper level of maintenance is delivered to ensure that the Island’s public assets are properly safeguarded for future generations.


States Approve
Property Plan within Strategic Plan
and
Business Plan with States Business Plan
FINANCE MINISTER
STATES OF JERSEY PROPERTY HOLDINGS
Prop Mnmt
Asset Mnmt
Dev Mnmt
DEPARTMENTS
Revenue Budget
Capital allocation
Property Services
Change (rent/services)
Consolidated plan
Revenue Surplus
Capital receipts
Property Plans
Revenue Payment
Capital (project) payment