

Item No. 14.	Classification: Open	Date: 14 December 2010	Meeting Name: Cabinet
Report title:		Corporate Asset Management Strategy 2010 – Planning for a Smaller Sustainable Operational Estate	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Richard Livingstone, Finance and Resources	

FOREWORD - COUNCILLOR RICHARD LIVINGSTONE, FINANCE AND RESOURCES

1. At the cabinet meeting held on 23 November, we took decisions to stop using the three old town halls as office accommodation and to seek new premises in the centre of the borough. As a result, we need to update the council's asset management plan, last agreed in 2008 in conjunction with the decision to lease 160 Tooley Street.
2. Southwark Council owns £3 billion in capital assets, most of which are comprised of dwellings, schools and infrastructure. The budgetary challenges that we face mean that we need to look towards losing 30% of our operational assets, excluding dwellings, schools and infrastructure. The revised plan, set out in the appendix, explains these pressures in more detail. Much of this reduction is achieved through the decisions taken by cabinet in November.
3. I am therefore recommending that cabinet, after due consideration, agrees to the recommendations set out below.

RECOMMENDATIONS

That Cabinet

4. Approves the refreshed Asset Management Plan (“AMP 2010”) contained in Appendix 1 of this report as a key strategic document alongside the council's other resource policies, and the central strategy for the management of the council's property holdings;
5. Approves the objective of reducing the estate by approximately 30% of its present size (excluding dwellings and schools), and notes the means of achieving this.

BACKGROUND INFORMATION

6. In 2008 the council adopted a new Asset Management Plan (“AMP 2008”) and policy framework for the efficient stewardship of the authority's property assets. AMP 2008 emphasised the strategic significance of a multi-billion pound property portfolio deployed in the fulfillment of the council's corporate priorities.

7. The strategy drew together core activities underlying Southwark Council's approach to property management:
 - The role of the Asset Management Plan as a corporate planning document central to the management of the council's operational and investment properties;
 - Implementation of comprehensive Facilities Management arrangements;
 - Asset-supported organisational change programmes, including Modernise
 - An extensive disposal programme;
 - Management arrangements for investment and Voluntary and Community Sector assets.

8. Although the general principles of the 2008 Asset Management Plan continue to hold good, much has changed in the intervening period in relation to the way assets are used now, the resource position, and the choices that need to be made about how assets will support service delivery in the future. Moving forward the new AMP 2010 proposes a 30% rationalisation across the operational property portfolio (excluding dwellings and schools) to ensure that what is retained is affordable. AMP 2010 sets the strategic framework for delivering the changes required.

KEY ISSUES FOR CONSIDERATION

The Corporate Property Portfolio

9. Southwark Council is a major inner-city property owner. Through this ownership it has a significant impact on domestic and working life across the borough. As the landlord of approximately 40,000 dwellings, 15,000 residential leaseholds and more than 5,000 other interests including commercial, industrial, and operational property the council owns in the region of 40% of all the freehold land situated within its boundaries.

10. The aggregate value of these interests is estimated to be approximately £3 Billion. Approximately 96% of this value is concentrated in operational assets (primarily our housing stock) used by the council to deliver services in direct support of our Community Priorities. The remainder is invested in shops, business premises and other non-operational properties held for income generation (c.£12+ million per annum). Properties that no longer fulfill operational or investment needs are released into a disposal programme, which this year will generate estimated receipts of £35 million to fund the council's priorities.

AMP 2010 – the Resource Gap

11. A recent detailed survey of the condition of the corporate estate and examination of other occupation costs has identified a substantial resource gap compared with available accommodation budgets. The financial position is explained further in the AMP. Reducing the size of the operational portfolio by approximately 30% by floor area (excluding schools and dwellings) will contribute towards bridging this gap.

12. The benefits of this intervention may be summarized as follows:
 - An appropriate and affordable portfolio of property assets to support front line service delivery;

- Facilitating modernization, adoption of new working practices, cross-service working, co-location;
 - Reducing the level of required maintenance across the portfolio;
 - Maximising value for money;
 - Generation of capital receipts; (achieving 'Best Consideration')
 - Increasing effective space utilisation;
 - Achieving statutory compliance requirements e.g. FRA, DDA;
 - Enhancing the sustainability of property holdings
13. Alternatively the council could decide to take no immediate action, but lead-in times for reconfiguring corporate property portfolios are lengthy and "wait and see" tactics inconsistent with a planned response. In the area of statutory compliance in particular there would be exposure to unmanageable risk and a sustainable estate that is affordable would not be achieved. Acting now will provide better options and allow more coherent planning to take place.

Policy implications

14. The AMP is a key strategic document for the council, sitting alongside the council's Medium Term Resources Strategy. Defined decision making processes and structures for asset management planning are in place across all parts of the asset base under the lead of the council's Head of Property.
15. The strategic vision for assets is shaped by good estate management practice, escalating property holding costs and mounting financial pressures on public sector resources. Further explanation is provided in the "Resource Implications" section below.
16. The main channels of change will focus on the office estate:
- Concluding the final phase of sales under the Modernise 1 Office Accommodation Project and intensification of use of the Tooley Street administration building;
 - Modernise 2 Programme which will transform how the council's more specialised activities (those that did not readily fit the Tooley Street model) operate and where they are located.
17. In addition detailed work with services on specialist assets will be undertaken to develop service based asset strategies identifying further efficiencies and supporting innovative ways of delivering services and value.

Resource implications

18. AMP 2010 identifies a number of specific projects within the programmes identified above, together with the active management, acquisition and disposal processes that will bring them forward. Over the next 10 years an estimated £377 million is programmed to be generated from the sale of surplus properties and those which no longer fulfill the council's requirements.
19. More immediate savings on running and maintenance costs will be achieved through the release of up to 65,000 m2 of operational floor space as a result of the Modernise programmes alone. To reduce overall property holdings, deal with some locational mismatch, and maintain facilities in key locations the office estate will need to be reconfigured through the addition of approximately 4,000 – 5,000

m2 of new accommodation situated mainly in the centre of the borough. The detailed financial case, including funding requirements, is dealt with in the Office Accommodation Strategy.

Community impact statement

20. AMP 2010 sets the strategic framework within which future decisions about assets will be made, enabling officers to organise property assets to support the delivery of the council's corporate vision and values.

Consultation

21. The asset management has been consulted on internally, including Capital Working Group which includes departmental representation. A specific recommendation of AMP 2010 is that detailed work on asset strategy will be brought forward with individual departments, and this process will incorporate wider consultation.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Communities, Law & Governance

22. Cabinet is advised that the refreshed AMP 2010 will assist the council in the delivery of its best value duties, which is a major part of the government's modernisation agenda.
23. Cabinet will note the proposals set out in the AMP 2010 to sell some of the council's property assets and acquire third party property interests. Cabinet is advised that there are a number of statutory powers available to the council to do this. These transactions will be dealt with separately at the relevant time and in accordance with the appropriate statutory powers and Southwark's Constitution.

Finance Director

24. The refreshed Asset Management Plan is a key strategic document which sits within the council's Medium Term Resources Strategy to provide the framework to bring together the council's resources in the most efficient and cost effective manner in order to deliver the council's policy objectives. The update of the Medium Term Resources Strategy is tabled on the same agenda.
25. The AMP 2010 recommends a reduction of the council's operational estate, excluding schools, dwellings and infrastructure, of 30%. The benefits of rationalising the estate in this way are set out in paragraph 12 of the report and the means to achieve this are outlined in the main body of the report. The recent Comprehensive Spending Review has announced cuts to central government funding to local government for both revenue and capital resources. Rationalisation of the operational estate contributes to reducing the pressures on limited resources by both reducing the occupation costs of buildings and generating new capital receipts.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Corporate Property Management Arrangements – Integration & Implementation (May 2008)	Property / Regeneration Department, Tooley Street, SE1	Peter Barter Tel: 020 7525 5327
Asset Management Plan 2008	Property / Regeneration Department, Tooley Street, SE1	Matthew Jackson Tel: 020 7525 5327
Voluntary & Community Sector Asset Management Strategy (May 2009)	Property / Regeneration Department, Tooley Street, SE1	Pascale Rosenbloom Tel: 020 7525 1130

APPENDICES

No.	Title
Appendix 1	Asset Management Plan 2010 – Planning for a Smaller, Sustainable Corporate Estate

AUDIT TRAIL

Cabinet Member	Councillor Richard Livingstone, Finance and Resources	
Lead Officer	Eleanor Kelly, Deputy Chief Executive	
Report Author	Matthew Jackson, Corporate Asset Manager	
Version	Final	
Dated	2 December 2010	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Communities, Law & Governance	Yes	Yes
Finance Director	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional/Community Council/Scrutiny Team		2 December 2010