

## Public Document Pack

# Public Accounts Select Committee Supplementary Agenda

Wednesday, 10 December 2014

**7.00 pm**, Committee Room 2

Civic Suite

Lewisham Town Hall

London SE6 4RU

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This meeting is an open meeting and all items on the agenda may be audio recorded and/or filmed.

### Part 1

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Public Accounts Committee			
<b>Report Title</b>	Strategic Asset Management Plan 2015-2020		
<b>Key Decision</b>	No	Item No.	5
<b>Ward</b>	All		
<b>Contributors</b>	Head of Corporate Asset Services; Sustainable Resources Group Manager		
		Date:	10 December 2014

## Reason for lateness

This report was not available for the original dispatch because it was necessary to provide further information that required analysis before being able to be published. The report is urgent and cannot wait until the next meeting of the Public Accounts Select Committee as the Committee has identified this issue as a high priority as part of their work programme.

### 1. Purpose

- 1.1 This report seeks the views of Public Accounts Committee on the approach proposed to Lewisham's Strategic Asset Management Plan 2015-2020.

### 2. Recommendations

- 2.1 Public Accounts Committee is invited to comment on the draft Strategic Asset Management Plan and in particular:
- The approach proposed to management of corporate assets (section 3.2)
  - The accommodation strategy (section 3.3)
  - The approach to statutory compliance and risk (section 3.4)
  - The proposals for optimising the commercial estate (section 3.5)
  - The delivery plan (section 4)

### 3. Policy context

- 3.1 Lewisham's Sustainable Community Strategy 'Shaping our future' 2008-2020 sets out 6 priority outcomes. Each of these outcomes are relevant, since Council assets provide the foundation for delivery across the range of services, though the Strategic Asset Management Plan has particular resonance with the priorities for 'Dynamic and prosperous' communities 'where people are part of vibrant localities and town centres well connected to London and beyond'.
- 3.2 Lewisham's Corporate Strategy sets out 10 corporate priorities. For the reasons above the Council's asset base is integral to each of these

priorities, but has particular links to 'Clean, green and liveable', 'Strengthening the local economy', 'Decent Homes for all', and 'Inspiring efficiency, effectiveness and equity'.

- 3.3 Lewisham's Regeneration Strategy 2008-2020 set out priorities for investment in infrastructure for Lewisham and the Council's role in reshaping the borough to meet the needs of communities now and into the future. A proposed 'refresh' of the Regeneration Strategy for 2015 will update the current document to reflect the different national and local economic circumstances since 2008 and respond to demographic changes forecast in the 2011 census. It will also be an opportunity to reframe the focus across the borough based on the evolving picture on housing, regeneration and development.
- 3.5 Lewisham's Housing Strategy 2009-14 responds to the commitments within the Sustainable Community Strategy, and to the level of housing need evidenced in the borough and the future aspirations of residents. The Housing Strategy includes five areas where Lewisham needs to make an impact, and in particular:
- Increasing housing supply;
  - Widening housing choice and managing demand.
- 3.6 Lewisham's *Children & Young People's Plan* sets out the Council's vision for improving outcomes for all children and young people, and reducing the achievement gap between our most disadvantaged pupils and their peers. It also aims to improve outcomes for children with identified SEN and disabilities. The local authority has a duty to ensure the provision of sufficient places for pupils of statutory age and, within financial constraints, accommodation that is both suitable and in good condition.

#### **4. Background**

- 4.1 The proposed approach to the Strategic Asset Management Plan was discussed at a meeting of Public Accounts Committee on the 25 March 2014.
- 4.2 The current draft of the Strategic Asset Management Plan 2015-2020 is intended to respond to the Public Accounts Committee request for more detailed information on the management of the corporate estate. The level of detail presented in the draft is intended to help generate discussion to help shape the final Strategic Asset Management Plan. The final document is scheduled to go to Mayor and Cabinet in March 2015
- 4.3 The SAMP describes the Council's approach to management of its assets and provides links to the operational and technical detail that underpins the overall strategy. The SAMP is intended to provide the framework for decision-making across the estate and for individual buildings, and shape delivery of a resource at the heart of the Council's current and future offer to residents.

- 4.3 The draft SAMP sets four interlinked objectives driving the range of activities to be delivered over the coming years. These are:
- Compliance with regulation and responsiveness to risk
  - Improving the quality of services delivered by the corporate asset function
  - Reducing expenditure associated with the Council's assets
  - Increasing the level of income generated by the Council's assets
- 4.5 A summary of the Council's asset register is set out in section 2 of the SAMP.
- 4.6 A core priority for the Council has been to significantly strengthen the management of corporate assets as the basis for ensuring their safe use and to improve the quality and value for money of the service they can deliver. Section 3 of the SAMP describes the foundations of this change include more robust data and processes, increased capacity and stronger governance and decision-making.
- 4.7 Section 3 of the SAMP sets out the Council's Accommodation Strategy that seeks to optimise the use of assets to maintain the quality of service provision while further driving reductions in expenditure and exposure to costs. The overall level of savings required of the Council increasingly requires a transformational approach, but with rising values for property and land there are opportunities to use the Council's portfolio to open up potentially significant income sources.
- 4.8 Understanding risk and ensuring compliance with statutory requirements is an absolutely fundamental priority. Section 3 of the SAMP sets out the different strands of this activity including fire safety, asbestos management, water hygiene, DDA compliance, Energy Performance Certificates, staff safety and third party management of assets.
- 4.9 Effective management of the commercial estate is an essential part of getting value for money from the corporate estate and responding to the Council's wider financial pressures. Section 3 of the SAMP includes the approach proposed to the commercial estate in terms of fully utilising assets, increasing income by achieving market rates and the proactive collection of income.
- 4.10 The final section of the SAMP sets out the approach proposed to delivery by setting out an overview of the outcomes and projects included within the body of the document, setting out the key indicators and targets that will be used to monitor performance, identifying the risks associated with management of corporate assets and the overall timetable for delivery.

## **5. Financial implications**

- 5.1 The Council's total assets, including housing, have a value of £1.7bn. The total net controllable budget for Corporate Asset Services in 2014/15 is £7.7m. The Strategic Asset Management Plan would be expected to drive improvements in the value of assets, increasing revenues and decreasing exposure to costs. There are however no direct financial implications for the Council specifically as a result of this report.

## **6. Legal implications**

- 6.1 There is no statutory requirement on local authorities to have an asset management plan in place, although it is considered a matter of good practice. The asset management plan does not require approval by Full Council and is a decision for Mayor and Cabinet.

## **7. Environmental implications**

- 7.1 The Council's assets, and the operation of the corporate estate has implications for carbon emissions, local air quality, use of resources and a range of other environmental factors. Improving the efficiency of the estate would be expected to have a positive environmental impact.

## **8. Equalities implications**

- 8.1 The equalities implications of decisions in relation to the corporate estate will be considered in detail as part of the Accommodation Strategy and in relation to decisions on individual buildings will be subject to the Council's decision-making processes.

## **9. Crime and disorder implications**

- 9.1 There are no crime and disorder implications arising out of this report.

# Lewisham Council

## Strategic Asset Management Plan

### 2015-2020

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DRAFT

**DRAFT: Thursday, 04 December 2014**

Timetable

- March 2014 PAC report direction of travel
- June 2014 publication of asset register
- 24 October discussion at Regeneration Board
- 10 December 2014 draft of SAMP for discussion at PAC
- 4 March 2015 draft for agreement by M&C

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## FOREWORD

[To add to final document]

*Signature*

**ClIr Alan Smith, Deputy Mayor and Cabinet Member for Growth and Regeneration  
December 2014**

photo

## EXECUTIVE SUMMARY

This document sets out Lewisham Council's Strategic Asset Management Plan 2015-2020. The Asset Management Plan describes the Council's approach to management of its assets and provides links to the operational and technical details that underpins the overall strategy. This Asset Management Plan is intended to provide the framework for decision-making across the estate and for individual buildings, and shape delivery of a resource at the heart of the Council's current and future offer to residents.

The Council's assets are the frame within which service delivery takes place. They have a significant, and growing, value and represent a means to drive investment and resources despite the significant pressures on public finances. The Strategic Asset Management Plan is therefore at the heart of delivering the corporate vision and plan and the Council's policies and programmes going forward.

The Strategic Asset Management Plan 2015-2020 sets four interlinked objectives driving the range of activities and work strands in progress and to be delivered over the coming years. These are:

- Compliance with regulation and responsiveness to risk
- Improving the quality of services delivered by the corporate asset function
- Reducing expenditure associated with the Council's assets
- Increasing the level of income generated by the Council's assets

A summary of the Council's asset register is set out in section 2 of this document.

A core priority for the Council has been to significantly strengthen the management of corporate assets and use this to ensure they are safe and improve the quality and value for money of the service they can deliver. Section 3 of this document describes the foundations of this change include more robust data and process, increased capacity and stronger governance and decision-making.

Over the period of the last Asset Management Plan (2010-2014) the Council made savings of over £100m with significant savings achieved through better use of assets. The Council now faces further budget pressures with an £85m budget gap over the three years to 2017/18. Section 3 of this document sets out the Council's Accommodation Strategy that will seek to optimise the use of assets to maintain the quality of service provision while further driving reductions in expenditure and exposure to costs. The overall level of savings needed increasingly requires a transformational approach, but with rising values for property and land there are opportunities to use the Council's portfolio to open up potentially significant income sources.

Understanding risk and ensuring compliance with statutory requirements is an absolutely fundamental priority. Section 3 of this document identifies the different strands of this activity including fire safety, asbestos management, water hygiene, DDA compliance, Energy Performance Certificates, staff safety and third party management of assets.

Effective management of the commercial estate is an essential part of getting value for money from the corporate estate and responding to the Council's wider financial pressures. Section 3 of this document includes the approach proposed to the commercial estate in terms of fully utilising assets, increasing income by achieving market rates and the proactive collection of income.

The final section of the Strategic Asset Management Plan sets out the approach proposed to delivery by setting out an overview of the outcomes and projects included within the body of the document, setting out the key indicators and targets that will be used to monitor performance, identifying the risks associated with management of corporate assets and the overall timetable for delivery.

There are a number of core work strands planned and underway aimed at delivering on these objectives. These work strands have been described throughout the body of this Strategic Asset Management Plan. These projects are summarised in the table below.

Programmes	Work strands	Projects
Compliance and risk	Statutory compliance	<ul style="list-style-type: none"> <li>• Fire safety</li> <li>• Asbestos policy and management plan</li> <li>• Water hygiene plan</li> <li>• DDA</li> <li>• Energy Performance Certificates</li> <li>• Staff safety</li> <li>• Third party management of assets</li> </ul>
Strategic approach to assets	Data capture, storage and analysis	<ul style="list-style-type: none"> <li>• AMS</li> <li>• Systems</li> </ul>
	Capacity and functions	<ul style="list-style-type: none"> <li>• R&amp;AM reorganisation</li> <li>• Clear backlogs</li> </ul>
	Estate management	<ul style="list-style-type: none"> <li>• Classification of assets</li> <li>• Third sector and community assets</li> <li>• Urban Files</li> <li>•</li> </ul>
	Governance and partnerships	<ul style="list-style-type: none"> <li>• New Asset Management Board</li> <li>• Partner engagement</li> <li>• Schools estate</li> </ul>
Accommodation strategy for the operational estate	Asset optimisation	<ul style="list-style-type: none"> <li>• Refocusing the operational estate</li> <li>• Investment and quality of the operational estate</li> <li>• New income</li> </ul>
	FM	<ul style="list-style-type: none"> <li>• 2016 realignment of contracts</li> <li>• Integration of functions</li> </ul>
	Sustainable and efficient estate	<ul style="list-style-type: none"> <li>• Carbon/energy targets</li> <li>• Corporate sustainability</li> </ul>
Commercial estate	A better balanced portfolio	<ul style="list-style-type: none"> <li>• Development of underutilised commercial and housing assets</li> </ul>
	Increased income	<ul style="list-style-type: none"> <li>• Rent review of all assets and programme of lease renewals and re-gears</li> <li>• Proactive income collection, void minimisation and debt recovery</li> </ul>

The final part of the Plan, section 4, identifies the delivery arrangements including the milestones, targets and how delivered will be monitored and the approach to managing risk.

# 1) INTRODUCTION

## 1.1 Scope

This document sets out Lewisham Council's Strategic Asset Management Plan 2015-2020. The Asset Management Plan describes the Council's approach to management of its assets and provides links to the operational and technical details that underpins the overall strategy. This Asset Management Plan is intended to provide the framework for decision-making across the estate and for individual buildings, and shape delivery of a resource at the heart of the Council's current and future offer to residents.

The central focus of this Strategic Asset Management Plan is the Council's operational and commercial buildings, covering a wide range of corporate, cultural and community facilities, education, public health and a range of other associated non-domestic buildings properties owned by the Council.

An important driver throughout this Strategy is the need to connect the approach to these operational and commercial sites with other assets in and around the borough, particularly highways, public realm, open spaces as well as property and assets owned by relevant partners from across the public sector and beyond.

Taken together these assets are powerful levers for change. The Council's non-housing portfolio has a significant, and growing, value of £1.7 billion and there is potential to increase levels of income generated. The total estate is a resource that can drive regeneration and economic growth, deliver the infrastructure to meet Lewisham's needs now and into the future and deliver services improving residents' quality of life.

Lewisham's Strategic Asset Management Plan will be revised every three years. The Council will also undertake to publish an Annual Business Report for corporate assets setting out progress against the aims and targets within the Strategic Asset Management Plan, highlighting key achievements and confirming the priorities for the following year.

## 1.2 Context

One of the central strands of work in the Council's previous Asset Management Plan was delivering an asset rationalisation programme. The programme aimed at reducing the overall running cost of the operational estate by £1m over 2 years, outperformed the target by approximately 20%.

The programme focus was on 8 broad "service areas" : Libraries; Adult Education; Depots; Adult Day Care; Youth Service; Early Years and Children Centres; Community Premises; and Catford Civic Complex. For each service area the service delivery strategy was evaluated and its implications for property considered, resulting in the closure of number of buildings across the service areas including the Town Hall building and a number of other buildings. In addition, a number of library sites were switched from the operational estate to the commercial estate but with a requirement that library provision and services continued to be offered through the site, maintaining the community use of the building while generating an income. The total savings generated by the asset rationalisation programme are in excess of £1.2m a year. A second phase of the programme is currently being delivered with total expected savings of circa £800k by March 2015.

The Council's previous Asset Management Plan was published in 2011, when the extent of pressures on public finances in terms of scale or duration was not apparent. The efficient use of resources will continue to be a central theme but the Council will not achieve the level of savings required through reductions in service levels and the closure and disposal of buildings alone.

Alongside financial pressures, the population of the borough is expected to grow significantly. The 2011 census describes a young, ethnically diverse and growing population, expected to increase by over 20% in 30 years to 340,000. Meeting the needs of Lewisham residents now and going forwards in the context of the Council's financial pressures is the fundamental challenge across housing, education, healthcare as well as in relation to the borough's wider infrastructure including transport links, utilities, broadband and resilience to flood risk and climate change.

These are pressing and challenging issues. In response an unprecedented reshaping of the corporate approach to asset management is needed.

This needs to be based on a step-change in the Council's approach to determining the use of buildings, taking as its starting point an assessment of service needs and the offer to residents rather than the existing asset base. This assessment of service needs should include an evaluation of the physical space needed to deliver, an understanding of geographical constraints and the needs of clients using the service. The outcome of this assessment will then be matched against available resources which can include Council owned assets, opportunities for shared space elsewhere in the public sector as well as assets in the community and commercial sectors. This process should be focussed so that the outcome is a remaining operational estate that is financial viable, fit-for-purpose and able to deliver the Council's service offer to residents.

### 1.3 Links to other corporate strategies

The Council's vision is to work together to 'make Lewisham the best place in London to live, work and learn'. This vision is set out in *Shaping our future*, Lewisham's Sustainable Community Strategy 2008-20. Lewisham's core values are to:

- Put service to the public first
- Respect all people and all communities
- Invest in employees
- Be open, honest and fair in all we do.

The Council's assets are the frame within which service delivery takes place. They have a significant, and growing, value and represent a means to drive investment and resources despite the significant pressures on public finances. The Strategic Asset Management Plan is at the heart of delivering the corporate vision and plan and the Council's policies and programmes going forward.

The Council is now in the fourth year of an eight year long period of resource reduction. Over the period 2010 to 2014 the Council made savings of over £100m. The Council developed principles by which savings were made during the period 2010 to 2014 and these same principles for savings apply for those being brought forward in respect of the period 2015 to 2018. This level of continual reduction means that proposals need to be increasingly transformational and are becoming increasingly difficult to identify and implement.

This transformatory programme is spearheaded by *Lewisham Future Programme* a corporate initiative to enable the Council to seize the opportunities of growth in London and reposition itself strongly for the future, while at the same time living within the financial resources at its disposal.

The Council faces an £85m budget gap over the three years to 2017/18 with an estimated £39m gap for 2015/16. The process of proposing savings for scrutiny and decision is already underway and the agreement of the 2015/16 budget at Council in February 2015 will be a key milestone in this process.

The Strategic Asset Management Plan is in particular an opportunity to drive delivery of Lewisham's approach to regeneration as established through a planned 'refresh' of the Regeneration Strategy 2008-2020. The proposed 'refresh' of the *Regeneration Strategy* will update the current document to reflect the different national and local economic circumstances since 2008 and respond to demographic changes forecast in the 2011 census. It will also be an opportunity to reframe the focus across the borough based on the evolving picture on housing, regeneration and development.

Over the past 15 years, high levels of demand and constraints on land availability have driven above-average growth in house prices in Lewisham and in London as a whole. The opportunity to buy a property is increasingly out of reach of many and the private rented sector has grown with high competition for properties. With population figures forecast to continue to rise access to genuinely affordable and high quality housing is one of the most significant issues facing the borough.

The Council is currently developing a new *Housing Strategy for 2015-2020* that identifies four priorities: helping residents at times of housing need; security and quality for private renters; improving our residents' homes; building the homes our residents need. The Council's assets can play a role in this, creating opportunities to develop new housing supply of all tenures, making land available for the construction of new homes and by using an understanding of the borough to improve the way service delivery connects with communities at a local level.

Lewisham's *Children & Young People's Plan* sets out the Council's vision for improving outcomes for all children and young people, and reducing the achievement gap between our most disadvantaged pupils and their peers. The local authority has a duty to ensure the provision of sufficient places for pupils of statutory age and, within financial constraints, accommodation that is both suitable and in good condition.

Demand for Primary places in recent years has exceeded Lewisham's supply of permanent places and Lewisham needs the equivalent of four additional primary schools to meet demand for permanent places resulting from the borough's continuing growth. The Council is developing proposals that look at expanding existing sites, and potentially new sites, to identify value for money options which meet the criteria of providing high quality places in areas of greatest need. The Council's portfolio of assets may offer opportunities for creative ways of responding to this challenge. Similarly the schools estate represents a large and geographically varied opportunity to meet demand for premises during non-school hours.

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## 2) REGISTER OF PROPERTY ASSETS

### 2.1 Summary

Lewisham Council is a large land and asset owner with a core housing stock of approximately 20,800 and a non-housing stock of 767 assets. The housing stock is properties used, solely, for residential purposes which are either tenanted or leasehold. The housing stock excludes hostels. The non-housing stock includes all other property assets of a non-residential type with the exception of hostels.

The total value of the Council's assets is estimated at £1.7billion. The current actual market value is however thought to be higher and London-wide market trends suggest significant scope to further increase the value of the asset portfolio.

In 2014 Corporate Asset Services concluded work consolidating and cleansing data held corporately on assets, and reported this to Mayor and Cabinet in July 2014. Until this point the Council had maintained a number of parallel systems holding information on the non-housing portfolio based on the way assets were used. The lack of a single comprehensive system led to a fragmented approach to managing asset information and created problems for consistency and accuracy.

A single corporate asset register with robust systems for maintaining the integrity and currency of data is fundamental to the management of assets and the Council's ability to take a strategic approach to planning and use. This needs to be central to Council service planning and to achieving compliance with statutory obligations, management of risk, and delivery of value for money and quality.

'Assets' in the context of the Strategic Asset Management Plan is considered to include buildings and physical infrastructure. This clarification is to avoid confusion in relation to assets within buildings, such as equipment the management of which is prescribed within the Council's facilities management contract for repairs and maintenance.

### 2.2 Housing

As at November 2013, the Council had a housing stock of 20,835 made up of approximately 14,772 tenanted properties and 6,063 leasehold properties. A breakdown of the stock is provided below:

Table 1: LBL Core Housing Portfolio – November 2013

Provider	Tenanted Properties	Leasehold properties
Lewisham Homes	13,079	5,376
Brockley PFI	1,328	540
Ewart Road TMO	136	114
Fiveways	114	33
Excalibur	115	0
<b>Sub-Total</b>	<b>14,772</b>	<b>6,063</b>
<b>Total</b>	<b>20,835</b>	

LBL Housing Portfolio - Nov 2013

The management organisations listed in table 1 above each maintain a register of the Council's assets they manage and the data held is routinely updated and monitored through the relevant management and service level agreement. These assets are accounted for through the Housing Revenue Accounts (HRA).

## 2.3 Non-housing property

The Council currently has a non-housing asset portfolio base of **767**. These can be grouped into four tenure types:

- Freehold Assets - assets wholly owned by the Council, that is, where the Council is the landlord. These number **720** and represent **94%** of the non-housing stock.
- Leasehold Assets – assets not owned by the Council, that is, where the Council is the tenant. These number **14** and represent **2%** of the non-housing stock.
- Agency or Management Responsibility – assets where the Council is neither the freeholder or lease holder but has management responsibility through for example an act of parliament or agreement. These number **8** and represent **1%** of the non-housing stock.
- Voluntary Aided (VA) Schools – These are state-funded schools in which a foundation or trust (usually a religious organisation), contributes to building costs and has a substantial influence in the running of the school. In most cases the foundation or trust owns the buildings. These number **25** and represent **3%** of the non-housing stock.

The portfolio is currently grouped into 4 broad categories: operational (office and civic buildings, depots, community centres, adult day centres, youth centre, children centres, libraries); schools (LA schools, Voluntary aided schools, others); commercial (retail units, light industrial units); and non-classified (leisure facilities, parks, car parks, public monuments, land).

The non-housing assets portfolio has been categorised in this way mainly to reflect their functional use and the way they are currently maintained and or accounted for. For example the operational estate is accounted for through the current Facilities Management contract; the commercial estate is categorised as such because of its income generation role.

A breakdown of the assets by category is provided below together with a brief description of each asset category.

Table 2: Lewisham asset classifications –November 2014

Asset Category	No of Assets
Operational Assets	106
Schools	88
Commercial	178
Other*	426
<b>Total</b>	<b>766</b>

\*Other includes assets within the Catford Regeneration Partnership Limited

*Operational Assets* – These are property assets included in the current Facilities Management contract. It includes Town Hall, Laurence House, Eros House Mercia Grove, community facilities and youth centres but excludes for example buildings in parks which are subject to the Parks management contract and leisure facilities which are managed separately by third parties. There are **106** assets in the operational estate.

*Schools* – These are school and school assets over which the Council hold the freehold. The school estate across both the primary and secondary number **88**.

*Commercial Portfolio* – These are property assets from which the Council derives revenue income in the form of rent. The Council’s commercial portfolio of property assets number **178** which represents approximately **23%** of the portfolio.

*Other* – This category of assets are assets which does not fall into any of the above categories or assets which are subject to further work in order to place them under one of the above categories. They number **426**.

Section 3.2.3 on estate management sets out the approach proposed to classification and its role in managing the assets.

## **2.4 Source data for the asset register**

The Asset Register covers a large number of varied properties generating a complex data set that changes over time.

The information used to compile the register is derived from the Council's Property Terrier, which holds the complete ownership record of all property owned or used by the Council, past and present and dates back to the Victorian period. Data from the Terrier is held on the Council's corporate property database LandMaster AdVantage. The LandMaster database holds acquisition, usage, tenancy, head-lease and disposal details for all non-rental residential property. This is updated when completion memoranda are issued by Legal Services for individual acquisitions and disposals and when property managers notify of new leases, rent reviews and lease terminations.

The consolidation of a revised data set by Corporate Asset Services in 2014 marks a significant improvement in the quality of data available for non-housing property assets. The published register will be updated on a quarterly basis to reflect where the Council has acquired or disposed of assets. It will also indicate where assets have changed category, for example, moving surplus assets from the operational portfolio to the commercial portfolio to generate revenue income.

The Asset Register is a fundamental building block in the delivery of the new corporate asset management system (AMS). The new corporate AMS will hold detailed information on assets including information on ownership, maintenance cost, value, income, condition, use, health and safety and statutory compliance and will integrate work streams and provide a resource for real time information for staff working in Corporate Asset Services and beyond.

Section 3.2.1 on data capture, storage and analysis sets out more details on the AMS and the associated Data Management Handbook that determines the required business processes for managing flows of data and will ensure greater accountability for data and transparency about information.

## 3) ASSET MANAGEMENT AND ACCOMMODATION STRATEGY

### 3.1 Overview

The Council's assets are the frame within which service delivery takes place. They have a significant, and growing, value and represent a means to drive investment and resources despite the significant pressures on public finances. The Strategic Asset Management Plan is therefore at the heart of delivering the corporate vision and plan and the Council's policies and programmes going forward.

Strengthening the management of corporate assets has been an important priority for the Council, providing greater assurance that they are safe and comply with statutory requirements as well as creating opportunities to improve the quality and value for money of the service they can deliver. The foundations of this change include more robust data and process, increased capacity and stronger governance and decision-making.

The Council is facing unprecedented change to meet the short and medium term pressures on public finances. In July 2014 a report on the Council's Corporate Medium Term Financial Strategy stated that: *"more challenging times lie ahead and it is inevitable that austerity becomes the new norm. Local authorities have largely acknowledged that deep changes are required if they are to continue to deliver positive outcomes for their citizens."*

The Council's assets have a fundamental role to play in achieving this. This will require a new, more focussed and strategic approach across the Council's portfolio of assets, with a commercial outlook based on more robust evidence and better and more transparent decision-making.

A strategic approach to the corporate estate needs to be built on sound foundations. Central to this is the need to ensure a robust evidenced-based and co-ordinated approach to assets that is delivered in a way that responds to and compliments our IT strategy and workforce requirements. Major projects across Asset Management, HR and IT are currently reported into the Transformation Board this allows for strategic oversight of the key projects within those services.

This section of the Strategic Asset Management Plan sets out the priorities for delivering on this agenda, which cover a wide range of activities and work strands, some in progress and others to be delivered over the coming years. Although this works represents a complex set of inter-related projects and involves a range of individuals, teams and partners the objectives driving deliver can be stated simply as:

- Compliance with regulation and responsiveness to risk
- Improving the quality of services delivered by the corporate asset function
- Reducing expenditure associated with the Council's assets
- Increasing the level of income generated by the Council's assets

Section 4 of this document takes the specific work strands and projects from the narrative below and set out the programme for delivery.

### 3.2 Effective management of assets

A fundamental priority for the Council has been to significantly strengthen the management of corporate assets. The foundations of this change include improving the robustness of data and processes, increasing capacity and putting in place stronger governance and decision-making. This section describes the transformation in overall approach to assets that covers:

- Data capture, storage and analysis
- Capacity and functions
- Estate management

Officers will report annually against delivery of the Strategic Asset Management Plan as part of an Annual Business Report covering delivery across the Regeneration and Asset Management Directorate. An initial version of this Business Report was produced by Corporate Asset Services in June 2014 and the report covering 2014/15 is expected to be published in Quarter 2 of 2015/16.

### 3.2.1 DATA CAPTURE, STORAGE AND ANALYSIS

*Embedding a corporate approach to asset-related data that is accurate, consistent and efficient*

#### (i) Implementation of a new Asset Management System

Robust data management is at the heart of effective decision-making on assets. The Council is implementing a new Asset Management System (AMS) to hold data underpinned by consistent processes for collecting, reporting and responding to data management. The AMS is a single repository for all property data, including plans, surveys, title deeds, mapping information, includes basic property information, maintenance and other works, financial information, utilities, environmental performance and change over time. The AMS is also a platform to connect agreed work programmes for individuals and teams with agreed performance indicators.

The intention is that the AMS will incorporate all data held by the Council on assets, and as such it will be a corporate resource to be used to promote accountability and transparency.

The AMS will:

- Maintain a complete and accurate property asset register
- Support the continuous management and maintenance of the property asset base
- Enable the Council to satisfy statutory and other reporting and compliance requirements
- Enable the implementation of performance across the asset portfolio
- Enable accuracy and timeliness in property assets reviews, appraisal, decision-making and planning
- Provide a single corporate resource for managing assets

The AMS will also include in-built processes that will enable a proactive rather than reactive approach to asset management. For example early notification from the system direct to the appropriate postholders that a lease will be coming to an end, allowing early negotiation and where relevant marketing to reduce void periods and maximise income.

The database has been designed and built by Lewisham Council, saving approximately £0.5m on the cost of procuring it from an external organisation. This has allowed a bespoke product to be designed based on industry good practice but also responding to our own requirements. The database went live in 2014, and includes all planned preventative maintenance and reactive maintenance. It will take 18 months to 2 years to fully upload all the data that it is envisaged it can usefully use but the system can be developed in stages. Wider data is now being migrated onto the system and staff are being trained on its use. In 2015 the system will be extended to cover schools and it is planned that staff from other directorates, including in particular schools estates and legal will be using the system.

#### (ii) Data Management Systems

Any information system is only as good as the data that goes into it. A new Data Management Handbook is being implemented to support the AMS and ensure that, corporately, information is being captured, stored and monitored on a systematic and efficient basis. This work is essential part of effective decision-making and the overall management of the estate.

The Handbook sets out the required business processes for managing flows of data and will ensure greater accountability for data and transparency about information.

The Handbook includes:

- AMS data fields and data collection
- Roles and responsibilities for data collection
- Integration of data systems
- Processes for payments and budget management
- Staffing processes such as annual leave arrangements
- Travel / Oyster Cards - including credit card reconciliation and journey history checks
- Recording of loaned equipment - cameras, laser measures
- Rent Deposits
- Legal Instructions
- Complaints - designated officers and recording of complaints
- Expenditure related procedures including DEP & RAP
- Travellers (cross council policy)

The Data Management Handbook will set out a formal structure for data to ensure that data is properly managed and effective systems are in place to confirm compliance and standards.

The quality of data held on corporate assets has been significantly improved, demonstrated by the agreement of a new asset register and ongoing reviews across the commercial portfolio. Ensuring we hold and maintain accurate information at the appropriate level of detail is central to ensuring compliance with statutory requirements and effective management of risk as well as enabling assets to be part of a high quality service offer and taking opportunities for cost reduction and increased income where they arise.

### 3.2.2 CAPACITY AND FUNCTIONS

*Creating the right alignment of resource within the Council to manage assets effectively and efficiency*

#### (i) Reorganisation of the Council's Corporate Asset Services within Regeneration and Asset Management

Corporate Asset Services is being reconfigured as part of a wider reorganisation of Regeneration and Asset Management division. A key focus of this reorganisation is to ensure a more commercial and outcome focused approach through the use of an intelligent client model, commissioning, monitoring and managing delivery rather than self-delivery.

The reorganisation will contribute to the wider reduction in costs needed by the Council but is also an opportunity to establish better structures and embed the skills needed to manage the Council's assets delivering the agenda set out in this Strategic Asset Management Plan. The reorganisation will redraw the lines between in-house capacity and functions outsourced for delivery. The intention is to create a smaller, more flexible 'intelligent client' model able to provide a more resilient structure, better able to respond to changing demands and more focused in a way that will support cross-disciplinary teams, proper programme and project management and effective corporate systems.

Changes on this scale represent a risk to the overall programme, and it is fundamental to achieving the objectives of this Strategic Asset Management Plan that there should be sufficient capacity and expertise to maintain delivery and that information and decision making are properly aligned with the rest of the Council. Section 3.2.1 on data capture, storage and analysis is an essential part of this, as are the governance arrangements described in section 3.2.4. The potential impact of the reorganisation is also identified in 4.3 the risk section of the chapter on delivery.

#### (ii) Backlog clearance

In recent years systems and capacity within the Council's corporate asset function have not met demands on the service and this resulted in a backlog of case work and administrative functions that built up over some time. This backlog of work existed in a number of areas including:

- Complaints and correspondence

- Income collection
- Rent reviews
- Valuations
- New leases and licences
- Disposals

Addressing this backlog has been a priority in 2014 with additional capacity in the short-term in a number of areas to reduce the build-up of case work. However, in some cases, making progress in one area can create pressure elsewhere: for example completing rent reviews, particularly if these increase the income the Council expects, can give rise to additional correspondence and complaints. The critical issue going forward will be to ensure sufficient capacity is maintained but also that the Council has the correct systems in place to receive, assess and respond to casework in the most efficient way. This will be a key issue for the reorganisation, section 3.2.2 (i) and data management systems, section 3.2.1 (ii).

**3.2.3 ESTATE MANAGEMENT**

*Using the Council’s assets strategically to create value and managing the estate in a transparent and consistent way*

(i) Classification of assets

The development of the current Asset Register in 2014 highlighted the need for a more rigorous approach to the classification of assets and for this to be aligned with a more transparent, consistent and focussed determination of use across operational and commercial assets

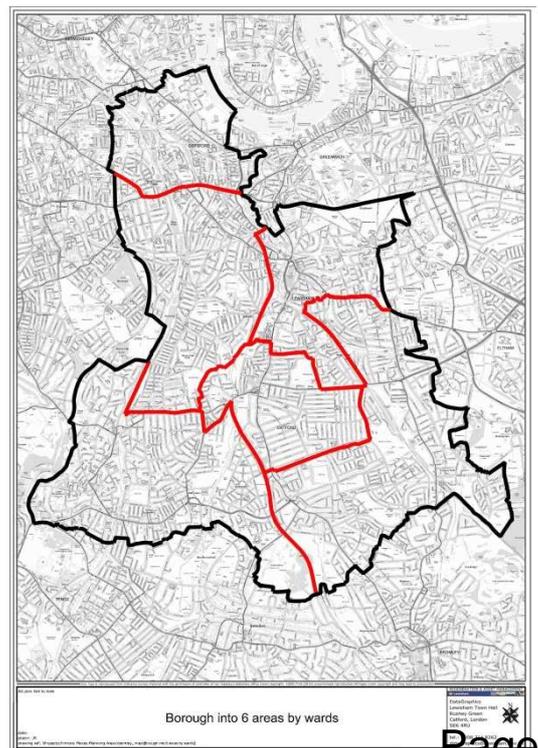
The outcome of this work is intended to remove the unclassified category and for all assets to be managed as either operational or commercial. This work is expected to eliminate uncertainty about use, ensure adequate compliance with statutory obligations and allocate resource according to the value of its use. The current use of many of these buildings is however long-established, often with organisations providing valued services strongly connected to the area and with limited resources to afford commercial rents.

The transition of the current ad hoc arrangements that have developed over a long period to a transparent allocation of resource based on operational and commercial principles will be difficult and is expected to take up to five years to complete. The section below on ‘Third sector and community assets’ summarises an agreed protocol on third sector organisations and community assets designed to provide the basis for achieving this transition in a consistent and fair way that takes proper account of the value of the services being delivered.

Ensuring value for money in the management of assets is a fundamental part of the approach. Establishing clarity through removing unclassified assets, putting in place the AMS and the implementation of Urban Files will allow the Council to set up assets so that they can clearly show income and expenditure at the level of individual sites, geographical areas, types of properties and the overall corporate estate as a whole. This will be a powerful tool for managing across the estate at a macro and micro level.

(ii) Urban Files

As a result of the revised Asset Register and improvements to systems for collecting and storing data across the property function the Council has a significantly broader range of information about properties. One of the ways this information will be utilised will be in the creation of Urban Files, allowing complex and detailed information to be stored and accessed at a spatial level.



The borough has been split into six sub areas with 'soft' boundaries to ensure that local characteristics can be taken into consideration. These areas are based on existing strategic planning areas, including those for primary school places.

An Urban File will be created for each of the 6 sub areas providing an overview of current and future relationships between Council properties and other developments and prominent properties in the area, and will include mapping and data from a range of formats from internal and external sources. The Urban Files will be used to review use of properties and the potential inter-relationships between different sites. The creation of Urban Files is expected to provide a benchmark for the Council to look forward from a base point and develop 5-10 year plans.

The Urban Files will form part of the AMS system and can be used to generate an area-based assessment of profit and loss, creating a balance sheet that can be used to assess and enhance the corporate portfolio.

### (iii) Third sector and community assets

The voluntary and community sector (VCS) play an important role in Lewisham, delivering services, advice and guidance to our residents. The council is firmly committed to supporting the VCS in the borough and believes that it should use its asset base in an appropriate way to achieve this. The Council provides support for the Voluntary and Community Sector through access to council owned assets. In order to release substantial revenue savings and therefore safeguard frontline service delivery, the council is in the process of rationalising its public buildings. This work has already commenced with the consolidation of staff working in the Catford complex into Laurence House and the closure of the Town Hall. The council recognises being able to access property at affordable rates is very important to the continued success of VCS organisations. This needs to be balanced with the need to fully optimise assets and ensure an open and transparent allocation of resources.

There are currently 41 council assets within the community premises portfolio including 23 community centres, 3 sports grounds and 15 buildings housing VCS organisations. In addition there are other properties that are used as community libraries and early years provision as well as a range of other services commissioned from VCS organisations that are not part of the community premises portfolio but are .

The Council has historically varied arrangements in place for letting council owned assets to VCS organisations; particularly in relation to lease terms, building repair responsibilities and grant funding. This historical approach may not reflect current council objectives or take into account changes within the local community. It has also resulted in a piecemeal approach which is neither transparent nor fair. This is set against a backdrop of significant financial challenge faced by the council; which requires the council to use its resources, including its assets, in a smarter way.

The council must exercise effective stewardship as landlord and demonstrate objectivity and transparency in making decisions about use and management of its assets. A set of four categories has been agreed that will inform the allocation of space within a reduced number of council assets to VCS organisations in the future. The assessment and allocation of space will take place as part of the Council's Asset Optimisation work.

- 1) Sole occupancy of a building (not at full market rate) – in order for an organisation to have sole occupancy of a building it would need to demonstrate a need for specialist facilities as well as delivering services that meet our priorities.
- 2) VCS hub – shared building with all inclusive affordable rents. This will be the preferred category for organisations that are providing services that meet our priorities. The hubs will mainly provide office and meeting space rather than activity space which would need to be hired elsewhere.
- 3) Community Centre – neighbourhood based facility with activity space that is predominantly geared to providing services at a neighbourhood level. Community Centres currently have a range of different terms and conditions, some are on full repairing leases, some directly provided and others managed by PMOs but with R&M provided by the council. As the number of centres is rationalised we will be

working to reduce the overall financial burden to the council and put in place equitable arrangements across the portfolio.

- 4) Sole occupancy of a building at full market rate – larger VCS organisations that can afford to pay full market rates or who are not delivering services that meet our priorities would still be able to access buildings on the council’s standard terms and conditions.

### 3.2.4 GOVERNANCE AND PARTNERSHIPS

*A corporate approach to assets that promotes delivery through planning, partnership and collaboration*

The Chief Executive has overall responsibility for all property asset management matters in the Council. The Executive Director for Resources & Regeneration has delegated responsibility to the Director of Regeneration & Asset Management.

The Chief Executive and EMT have nominated the Corporate Asset Services Manager as the “responsible person” for the Council’s property assets in respect of their technical maintenance, management and compliance with legislation. The Corporate Asset Services Manager is the senior manager for property asset management within the organisation.

The Chief Executive and EMT have nominated Heads of Service to discharge their responsibilities as “responsible person” in relation to the occupancy and use of the buildings occupied by their staff and to liaise with Corporate Asset Services Manager to ensure compliance.

The Corporate Asset Services Manager post is subject to the wider reorganisation of Regeneration and Asset Management. The functions that will be maintained through this process and will continue to be the responsibility of the senior manager for property asset management include:

- Driving a corporate approach to property asset management
- Leading property asset management processes and programmes
- Leading on the property asset planning and property asset management plan
- Engaging with all relevant stakeholders
- Leading on performance management for property assets
- Managing strategic property data and information
- Driving delivery of the Accommodation Strategy and decision-making on the corporate estate to deliver a new fit for purpose estate

The Deputy Mayor and Cabinet Member for Growth and Regeneration is the member-level champion for property assets and lead member for the Strategic Asset Management Plan.

As outlined above in 3.2.2 the current Corporate Asset Services team is being reorganised as part of the wider reorganisation of Regeneration and Asset Management. The service will continue to have operational responsibility for management of the corporate estate across operational and commercial assets including in relation to:

- Data collection, reporting and analysis (as prescribed through the Data Management Handbook (3.2.1)
- Risk management, statutory compliance and health and safety (3.4)
- Development and implementation of the Accommodation Strategy and asset optimisation (3.3.1)
- Communication on property asset management across the Council
- Operational management of facilities management and delivery of procurement strategy for the FM function
- Operate and maintain assets including maintenance, mechanical and electrical engineering, plans and record keeping, security
- Energy procurement and management
- Project management delivery of asset works

### (i) New corporate governance arrangements

Corporate Asset Services have responsibility for holding the Council's Property Asset Register and managing and maintaining the Council's core operational estate of 106 properties. In the remainder of estate each building has a designated "Premises Officer" who is responsible for H&S, based as follows:

- Children & Young People Directorate, working with Governing Bodies is responsible for all aspects of the school estate.
- Customer Services Directorate, working with Lewisham Homes, is responsible for all aspects of the housing estate and hostels.
- Community Services directorate is responsible for all aspects of an agreed number of community buildings.
- Corporate Asset Services are responsible for the management of the Commercial Estate. Where buildings are leased, in general terms responsibility for the building will pass to the lessee.

The following corporate structures will drive decision-making and corporate policy for asset management:

#### *Regeneration Board*

A corporate Regeneration Board, chaired by the Executive Director for Resources and Regeneration has been established to ensure that a consistent and corporate approach is taken to the development of a new Regeneration Strategy and the delivery of its key outcomes for Lewisham. The development of that Strategy and its associated delivery program needs to consider our current environment and the Vision for the future environment. The Regeneration Board is the focus for developing the Council's strategic approach to demands on our infrastructure and facilities and how they are going to change over time. The Regeneration Board includes high level officer representation from Community Services, Children and Young People, Housing, Planning, Corporate Assets, Programme Management and brings in other officers as required.

#### *Asset Management Board*

The Regeneration Board has agreed in principle the setting up of a new refocused Asset Management Board tasked with driving progress of the delivery of the Strategic Asset Management Plan and in particular:

- Provide the focus for decision making on asset optimisation and a reshaped operational estate
- Delivery of the Accommodation Strategy
- Deliver on the outcome of the third sector and community assets work
- Develop and implement use of extended schools
- Implement integration of FM functions
- Provide a quality assurance role for operational management of the corporate estate
- Provide the focus for partner engagement
- Be the focus for reporting against and reviewing the Asset Management Plan

This Asset Management Board replaces the existing Asset Optimisation Working Group, but is expected to establish project and topic specific themed working groups to drive development and delivery.

### (ii) Partnerships

Public finances will continue to be squeezed in the coming years. This means the public sector will have to be more creative, more willing to be flexible in how it operates creating more impetus than ever before for shared access to public facilities and to break down the organisational and geographical barriers that represent in-built inefficiencies in systems.

Key partners include

- service providers in the borough, particularly those within significant assets such as leisure facilities
- local public sector bodies including the emergency services, NHS and other health bodies
- schools and education facilities
- voluntary and community sector
- neighbouring boroughs and other local authorities in London and elsewhere

- organisations and teams working on infrastructure across highways, public realm, transport, housing and others

The Council's Asset Management Board will have an important role to play in facilitating the development of partnerships for mutual advantage including in relation to:

- Sharing of good practice, data on assets and plans for assets in and around the borough
- Development of new models of working including co-location of facilities

An early action for the Asset Management Board will be to run a partnership workshop in 2015 with a range of external organisations to identify a joint-programme of action.

### (iii) Schools estate

Over the past decade, in excess of £300m – a combination of central government and council money – has been spent on rebuilding or refurbishing over 20 of the borough's schools. Additionally, two brand-new schools have been built, not to mention the primary schools which have expanded to provide much-needed extra places.

The majority of these projects were funded through the Building Schools for the Future programme, an initiative by the previous government to replace, rebuild or renovate every secondary school in England over a 15-20 year period. Although the new government decided in 2010 to cancel the programme, all Lewisham's BSF projects had achieved financial close and so have been able to proceed.

Lewisham is continuing to deliver one of the most ambitious programmes in the country, with construction now underway on the final two schools in the programme - Brent Knoll (due for completion 2015) and Sydenham School (2016).

Schools built, rebuilt or otherwise improved during recent years include Trinity (2011), Beecroft Garden Primary School (2012), Tidemill Academy (2012), Addey & Stanhope School (2012), Deptford Green School (2012), Prendergast Vale College (2012), Abbey Manor College (2012), Gordonbrock Primary School (2012), Kender Primary School (2012), Kelvin Grove Primary School (2012), Christ the King College: Aquinas (2013), Drumbeat (2013), Bonus Pastor Catholic College (2013) and Prendergast Hilly Fields College (2013).

### *Future needs*

Population growth in the borough has driven a continuing rise in the number of children under five and led to an unprecedented demand for primary places in Lewisham's schools. Current forecasts are that the borough needs to increase places by 20% to ensure every child gets a place.

Over the past three years 12 new forms of entry have been added to existing schools, resulting in an additional 360 places. An additional programme of temporary enlargements ("bulge classes") has ensured that the Council has been able to maintain an offer of a place for all families requiring one.

The Council is currently developing a long-term strategy for additional places to meet the projected demand up to 2030. A feasibility study is looking at the capacity for permanent school expansion / redevelopment across 90 sites including primary, secondary, sixth form and special educational needs provision. The results of the study will be used to develop a delivery programme for school expansions and the associated funding requirements. Implementation of the expansion programme will be dependent on the availability of resources including from central Government, but also potentially in relation to future developments in the borough.

### *Extended use of schools*

There is recognition that the majority of schools in the borough have facilities that could be better utilised by the wider community. In particular, the secondary estate has had considerable investment over recent years delivering a range of high quality facilities that have often been purposefully designed to enable community use. However uptake of use is limited and is often based on individual relationships, while hire-rates are not clear or consistent

from school to school. The Council has previously attempted to address this situation but for a number of reasons has not succeeded to date.

The range of Council owned and run facilities has reduced significantly in recent years and will continue to decline as a result of financial pressures. This is affecting community groups offering highly valued support services, and school facilities may offer an alternative way to continue to offer these services. One of the barriers to this is a basic understanding of what facilities exist, how to access them and what the costs are. A project team has been established to review lessons learnt from previous attempts to improve usage of the schools estate and build a new project that has the capacity to support the use of schools by the community, outside of school hours. This project involves engagement of offers from Community Services and Youth Services, both services have the opportunity to benefit from having access to schools to both accommodate community groups who promote their agendas or to directly deliver services from. The use of school facilities will allow these services to better rationalise the assets that they own which can improve the efficiency of their services and save the Council money overall.

### 3.3 Accommodation strategy for the operational estate

This section describes the approach proposed to reshaping the corporate portfolio including:

- Asset Optimisation
- Facilities Management (FM) contracts
- A sustainable and efficient estate

This is intended to provide the strategic and long-term objectives and operational planning to ensure that the Council's corporate assets provide high quality and fit for purpose facilities that respond to the need to operate within significantly reduced resources.

The Asset Register identifies 106 operational assets in the Council's corporate portfolio. These include corporate office accommodation, civic buildings and service delivery buildings such as depots, community centres, day centres, youth centres, children centres and libraries. Operational sites are all included within the corporate facilities management contract and corporate energy and water contracts. The 106 operational properties break down as follows:

Service	Directorate	No. of assets	GIA (m <sup>3</sup> )
Early years / Children Centres	Children and young people	8	2,934
Youth service	Children and young people	10	4,629
CYP other	Children and young people	7	1,865
Community facilities	Community services	41	19,825
Adult day service	Community services	5	5,537
Adult education	Community services	3	7,378
Libraries	Community services	5	5,107
Community services other	Community services	6	5,577
Parks	Customer services	1	396
Cemeteries and crematorium	Customer services	7	3,207
Customer services other	Customer services	4	619
Office accommodation	Resources and regeneration	7	2,424
Resources and regeneration other	Resources and regeneration	2	39,929
<b>TOTAL</b>		<b>106</b>	<b>99,427</b>

The total revenue running costs for the operational estate in 2013/14 was:

Expenditure type	2013 / 2014
Repairs and maintenance general	681,000
Repairs and maintenance major works	1,126,000
Security	606,000
Utilities	1,393,000
Rents	496,000

Service charges	185,000
Rates	1,329,000
Premises insurance	20,000
Refuse disposal	121,000
Building cleaning / pest control	1,311,000
<b>TOTAL</b>	<b>7,267,000</b>

### 3.3.1 ASSET OPTIMISATION

*Reshaping the corporate portfolio based on delivering the new net financial position and achieving service outcomes*

'Asset optimisation' will be a separately identified work strand of the Asset Management Board with a cross Council working group established to undertake analysis and develop proposals. The objectives of the asset optimisation are

- To improve quality of the operational estate
- To deliver a reduction in costs through a smaller operational estate
- To identify the best use of assets moving out of the operational estate including disposal but also conversion into commercial assets and opportunities to align and develop investment and regeneration opportunities
- To identify and develop proposals to co-locate services including increased use of the schools estate
- To inform proposals for investment in the asset portfolio and particularly the operational estate
- To develop a communications strategy to ensure stakeholders are kept informed about the review of assets and proactively engage with other corporate programmes and projects to ensure consistency in decision-making in relation to assets, particularly where these may not be part of the operational estate going forward

A provisional timetable for asset optimisation is as follows:

2015/16 Q2	Agree and publish scope, criteria and present an initial overview of the expected outcomes
2015/16 Q4	Phase I proposals completed
2016/17 Q2	Phase I implementation
2016/17 Q2	Investment plan agreed for operational sites
2016/17 Q4	Phase II proposals completed
2017/18 Q2	Phase II proposals implementation

#### (i) Refocus of the operational estate

Recent condition surveys suggest many of the 106 operational buildings are in poor condition, with some non- DDA compliant, and likely to be a significant burden on planned preventative maintenance and responsive repairs. There is a need for the Council to take a critical look at its assets and the alignment between property and service strategies and to determine objectives for each property having considered all relevant options.

The review will need to assess each operational asset individually and collectively, particularly in relation to the geographical area it is located in. The review will challenge whether the existing use should continue and what the options may be for alternative provision, including: alternative locations; reconfigured use of the space; co-location of services; and where services could operate on a web-based or non-physical basis. The Urban File approach will be used to take an area-based approach to assessing assets individually and collectively, with the result for each asset being an agreed approach to the use of space and the links to other buildings in the area and opportunities for flexible working and co-location with partners and stakeholders.

The result of this review would be expected to consolidate of services into fewer buildings and will enable the Council to provide for lower cost fit for purpose buildings that better respond to the needs of local communities.

Sites identified in the review as surplus will be assessed for the potential for other uses, subject to planning and other considerations. Other uses can include reclassification within the commercial portfolio, deployment as part of

wider housing and regeneration schemes with the potential to help create new income streams or disposal. The new Asset Management Board will drive the development of this strategic approach to individual assets.

The optimisation programme will be divided into two main phases. Phase I is intended to cover the bulk of the 106 operational sites. By the end of quarter 2 in 2015/16 the Asset Management Board will agree the scope of the optimisation and an initial overview of the expected outcomes. This will then lead to proposals for the 106 sites by the end of 2015/16 for decision by Mayor and Cabinet.

#### (ii) Investment and improving quality of the operational estate

The Council has continued to invest in ensuring physical standard of operational buildings is maintained. In 2014/15 £2.5m capital works have been completed or are planned in year. This includes major works to the roof of Laurence House to prevent rain/ flood damage and improve thermal efficiency of building. The Wearside Service Centre has also had substantial resurfacing works, reducing risks and improving the use of the site. Other works include replacements to M&E equipment improving energy efficiency and reducing costs.

Reducing the size of the operational estate will reduce exposure to running costs. It will also create the opportunity to get better use from capital investment by focussing resources on a long-term and smaller portfolio of assets, where resources can be invested to help drive down running costs further.

#### (iii) New income opportunities

Delivery of the Council's asset rationalisation programme was based primarily on disposing of assets generating a one off capital receipt and reducing expected ongoing running costs for these sites. Going forward the Council needs to be able to take a longer-term view of the value of sites in determining their future role. Included within the potential options is investigating ways that assets can be used to generate a sustainable long term revenue income.

Some of the main opportunities are in relation to supporting wider developments for example in relation to private rental properties with the Council retaining some or all ownership and therefore the opportunity to generate income. The private rental sector has grown exponentially across London as property prices rise and with social housing highly limited and under significant pressure this tenure is often the only available housing and many landlords have taken advantage charging high rents for poor quality accommodation.

A property investment and development strand within the Council's asset portfolio has the potential to achieve economic benefits but also social benefits allowing the Council to raise standards and quality in the private rental sector. This could also be an opportunity to develop hotel provision, student accommodation and additional housing and school places.

Work is ongoing to identify suitable sites for this and to research delivery vehicles for these programmes together with some soft market testing amongst potential delivery partners.

This new investment has the potential to deliver significantly to the Council's new net revenue position, as well as contributing to delivery of the Regeneration Strategy's aspirations for regeneration and growth and the Housing Strategy's ambitions for affordable and high quality housing. The delivery of a positive net new financial position for the Council driven by our asset portfolio means that acquisitions have a role to play alongside disposals and that adding value to asset base can be one of the means to reducing the overall financial cost of assets.

This new income project is designed to achieve savings required by the Council through the Lewisham Future Programme and is seeking to deliver increased income of £200k by 2017/18. This milestone reflects the lengthy lead in time for construction projects of this nature. Given continued growth predictions for London beyond this it is estimated that this could be a significant source of income beyond 2017/18, with potentially £5m+ a year income potential through new income by 2021 through development aligned to the borough's regeneration.

### 3.3.2 FACILITY MANAGEMENT

#### *Effective and efficient management of the corporate estate*

Excellent Facility Management (FM) has a key role to play in delivering the Council's high quality public services. In 2009 / 2010 the Council surveyed the condition of the 140 core operational premises, which indicated that the estate had been generally maintained to a basic standard, resulting in a maintenance backlog of £10.5m leaving an unavoidable requirement to increase expenditure which substantially exceeds current levels of expenditure and available budgets.

To ensure that asset values are not impaired through poor repair and most pressing, that the premises are safe and compliant with legislation, a new way of working is required that puts the assets at the centre of the business, which includes a fully costed, prioritised, modest, yet affordable investment programme.

The challenge for FM Services therefore is to supply a fit for purpose delivery vehicle that plays its full role in delivering accessible and sustainable buildings that represent good value for money. To achieve these aims there is a need to

- Rationalise the number of buildings in use
- Ensure FM services are only provided to operational sites
- Use investment to reduce running costs
- Drive efficiencies through the procurement, delivery, clienting and management of FM works and services.

#### (i) Re-alignment of 'hard' and 'soft' services from 2016

All FM services are scheduled to be market tested by 2106. This will provide a platform by 2018 to integrate all FM functions (beyond CAS) into single client team, delivering economies of scale through the procurement of more/all Directorates FM services via a single provider. The outcome of this programme will be to service a significantly smaller estate supporting the Council's needs, a reduction in the running costs of the core estate and a modest affordable investment programme.

#### (ii) Integration of functions

The re-alignment of FM contracts is also an opportunity to integrate similar outsourced client and contractor works across Council directorates and implement a single client team for operational, leisure and schools contractor works. The intelligent client model adopted in the reorganisation of Regeneration and Asset Management (3.2.1) will be an opportunity to avoid duplication in the roles, responsibilities and resources for all outsourced works and services across the Council to create a centralised specialised clienting function using integrated processes, technologies and resources at a reduced cost.

It is expected that £400K+ savings can be delivered by 2017/18 through a re-procured and re-focused FM service include:

- a reduction in FM contracts for hard and soft services
- economies of scale through procurement via a single provider
- integration of FM functions into a single client team

### 3.3.3 A SUSTAINABLE AND EFFICIENT ESTATE

#### *Management of assets based on an understanding of opportunity costs and long-term potential alongside the costs and benefits in the here and now*

Sustainability will need to be a fundamental part of the Council's approach to resolving the challenge of delivering high quality services with very limited resources. This is not a luxury: it is first and foremost focusing relentlessly on avoiding waste in the way our buildings and staff use resources. The way the Council maintains and uses its assets are among the most important ways in which it can cut waste and achieve a more sustainable use of resources.

Lewisham Council's [Commitment to the Environment](#) sets out how the Council looks to minimise the environmental impact of all our operations through, policies, services and the Council's use of resources. The Council publishes information on its [use of resources](#) on an annual basis.

#### (i) Carbon/energy targets

A new Council [Energy Policy](#) was agreed by Mayor and Cabinet in July 2014. The Policy commits to delivering a 20% reduction in annual carbon emissions from energy use in buildings across the Council's operational estate by March 2018 from a baseline of 2012/13 and identifies how the Council's management of energy will contribute to the council's corporate priorities through:

- Reducing exposure to rising energy costs and achieving value for money energy contracts
- Cutting waste and driving efficiency across operational buildings
- Enabling schools to meet increased pupil numbers while controlling energy costs
- Reducing the Council's carbon footprint and contributing to wider environmental objectives
- Minimising the risk of energy supply disruption and maintaining acceptable temperatures in buildings delivering services to service users and staff
- Ensuring the Council complies with legislation and statutory functions relating to energy supply and use in corporate buildings

The Council will seek to take a strategic approach in the use of its assets across the borough, being ambitious in using our estate as a tool to unlock new opportunities for the generation and supply of energy. This includes work in partnership with others to promote district heating; the use of photovoltaics and other renewables to cut carbon emissions as well as create opportunities for further investment; and exploring the scope for energy supply as a means to deliver against wider social and environmental objectives and generate economic benefits.

We will achieve our commitments through improvements in

#### 1) Monitoring and targeting

- Establishing an evidenced based approach to improving energy efficiency
- Benchmarking against best practice
- Identifying and responding to high consuming buildings

#### 2) Staff engagement and better use of buildings and equipment

- Roles and responsibilities
- Updated protocols for heating standards

#### 3) Investment in more energy efficient buildings

- Design for new build
- Standardised specifications for equipment across buildings
- Targeted maintenance programmes ensuring equipment runs efficiently
- Upgrading heating systems and plant where there is an economically viable case to do so

#### 4) Delivery of a fit for purpose operational estate

- Taking a strategic approach to operational sites; getting more out of the buildings we use
- Enabling schools to meet the demands of today and the future while managing energy consumption

## (ii) Corporate sustainability

Effective use of resources is at the heart of corporate sustainability. In achieving a clear focus on corporate sustainability and making the link to costs it is important that there is clear responsibility for corporate sustainability at a senior and operational level in relation to the management of the corporate estate. This will be something that the reorganisation of Regeneration and Asset Management will establish, giving specific responsibility for delivering this through the operational estate in particular in relation to energy, waste and recycling and procurement.

The Council generates about 16,000 kg of waste every year. This is a poor use of resources and costs the organisation money. It also has an environmental impact, although the impact is mitigated to an extent by sending waste to a local energy from waste plant instead of landfill.

The Council's approach to waste management is informed by the 'waste hierarchy': 5 steps for dealing with waste, ranked according to their environmental impact (EU Waste Framework Directive 2008/98/EC). Waste prevention, which is the best option for the environment, is the highest priority, followed by re-use, recycling, other recovery and disposal.

To help the Council make the most of opportunities to save money by reducing waste, we follow a general waste prevention protocol which seeks to:

- contribute to a more sustainable economy by building waste reduction into design of buildings and services
- encourage a culture of valuing resources by making it easier for staff and residents to find out how to reduce waste, to use resources for longer, repair broken items, and enable reuse of items by others
- recognise and act upon potential savings through better resource efficiency and preventing waste, to realise opportunities for sustainable growth

Waste management practices must be consistent across all our operational buildings and should include the following elements:

- clearly labelled, accessible recycling points with a minimum of one recycling for every waste bin
- staff communications to minimise contamination of recycling material
- confidential waste arrangements in place, with recycling provision included
- emptying of bins on a daily basis, ensuring the waste is placed in the correct external container
- provision of both recycling and non-recycling waste containers in secure external cages, with appropriate collection arrangements in place

Recycling rates will be monitored as part of the waste and recycling contract, and reported in the Annual Business Report for corporate assets.

As a local authority, we are in a strong position to influence the market. We are working towards using our buying power to opt for goods and services that respect the environment, and take into account the social and economic impacts of our buying power. The Council's [Sustainable Procurement Strategy](#) includes a set of commitments that respond to this:

- [Code of Practice for Contractors](#)
- [Social Value Policy](#)
- [Sustainable Timber Policy](#)
- [Sustainable Seafood Commitment](#)

In order to enforce these policies and commitments, as staff sustainable procurement toolkit has been developed:

- [Sustainable Procurement Toolkit](#)

The toolkit contains guidance on the various environmental, social and economic considerations that may be relevant to the procurement and contains links to government buying standards and model tender questions to mitigate any sustainability risks identified. The tool should be completed for any procurement with a value of

£50,000 or more, and must be submitted to the Commissioning and Procurement Board as part of the standard gateway process. It should also be attached to the PID if one is required.

The corporate estate needs to be sustainable in order to assess and respond to the risks associated with a changing climate. The Intergovernmental Panel on Climate Change warns that climate change is unequivocal and climate models predict that London and the South East are likely to experience:

- average temperature increases of up to 3°C (hotter summers, milder winters)
- average rainfall decreases of up to 5% (higher likelihood of droughts)
- more extreme weather events (higher likelihood of intense rainfall causing flooding)

The Council needs to use these climate projections to ensure that the corporate portfolio remains fit for purpose now and in the coming decades. This type of future-proofing is crucial both for the design and construction of new buildings, but also if we intend to retain buildings in the medium to long term, we need to ensure that they are optimised for the future UK climate. Lewisham has modelled flooding risk for operational buildings and this data is being used as part of the review of properties informing future retention and investment decisions.

### **3.4 Compliance and risk**

Ensuring the health and safety of residents, staff and others using the Council's buildings is the top priority for the effective management of the corporate estate.

It is also important that management of the asset portfolio ensures compliance with legal agreements, minimises the Council's exposure to risk as a result of environmental, social and economic change and understands and addresses the Council's exposure to risk of all kinds including financial, legal and reputational.

The activity in this Strategy to reinforce accurate information, classify assets according to their use and ensure appropriate leases are in place will all contribute to reducing this exposure to risk. The following section describes in more detail the strands of activity relevant to regulatory compliance, contracts and legal agreement, understanding other risks and quality assurance of the Council's systems that will provide a robust and effective management of risk.

The basis of British health and safety law is the Health and Safety at Work Act 1974 (HSWA) and associated supplementary Regulations and Codes of Practice. Section 3 of the Act imposes a clear duty on local authorities to conduct their undertakings in such a way as to ensure, so far as is reasonably practicable the safety of the public using premises.

The primary statutory instruments driving statutory compliance for property assets are:

- The Health & Safety at Work etc. Act 1974
- Managing Health & Safety at Work Regulation 1999
- The Regulatory Reform (Fire Safety) Order 2005
- The Building Regulations 2000 (as amended)
- The Control of Substances Hazardous to Health COSHH Regulations 2002 & Amendment 2003
- The Control of Asbestos Regulation 2012
- The Health and Safety Executive Approved Code of Practice (ACoP) Guidance on Legionnaires Disease, the Control of Bacteria in Water Systems L8.

This task has become increasingly complex in recent years as a result of:

- An increasing burden of legislative and regulatory duties falling on building occupiers
- Delegation of relevant budgets and responsibilities to individual divisions or establishments, but with ultimate accountability still seen as resting with the corporate body of the Council
- The consequences of delegation which has brought about a significant reduction in resources retained centrally to develop and monitor compliance with relevant standards

- Loss of critical mass and control in delivery of property related services through outsourcing, budget reductions and fragmentation of resources
- Complex governance arrangements as a result of shared services and partnering arrangements that do not fit easily with traditional landlord and tenant definitions

There has in addition been an unknown level of risk associated with some sites within the commercial and 'unclassified' estates due to a lack of clarity about the terms of occupation and lack of robust data.

To meet this challenge the aim is to ensure that all Council-owned properties have risk assessments for statutory compliance, and where relevant an identified program of recommended remedial works is agreed and resourced.

The technical information obtained from this exercise will enable better asset investment decision-making going forward and assist with ensuring that the council's asset base is statutorily compliant. To monitor the performance on statutory compliance, the Council has identified a key performance indicator for the service is to achieve 100% compliance of statutory, planned preventative maintenance activities carried out within 72 hours of scheduled / agreed date.

### **3.4.1 Fire Safety Policy and Management Plan**

- The fire safety policy and management plan was placed on the Council's intranet site in July 2008 and is available to all Lewisham staff
- Information on how to access the fire safety risk assessments and register was made available to all Heads of Service at a training session in July 2008
- Information on how to access the fire safety policy and management plan and the fire safety risk assessments and register is included in all Directorate's Occupational Health and Safety Manuals
- A copy of the fire safety policy and management plan is provided to all consultants and contractors commissioned by Corporate Asset Services prior to commencement of any works / contracts on the corporate estate
- Access to the fire safety risk assessments and register is provided to all contractors prior to carrying any works / contracts out on the corporate estate
- The adequacy of the Policy and Management Plan is currently satisfactory and will be reviewed regularly by both Graham Environmental Services and representatives of Lewisham Council

All Catford Complex Buildings (1a Eros Hse, Civic Suite, Laurence Hse and Town Hall Chambers), have weekly fire alarm testing, which are logged into Fire Log Book. A minimum of two full building evacuations are carried out each year which are logged in Fire Log Book.

For the Corporate Estate Buildings these are monitored via the Fire Risk Assessments and Fire Management that CAS have in place.

A published Fire Policy and Management Plan is available on the Council's intranet site. In 2014 the Council commissioned an external company Graham Environmental Services to carry out Fire Risk Assessments for the Corporate Estate. The Fire Risk Assessments are available to all staff via the Council's intranet site.

### **3.4.2 Asbestos Policy and Management Plan**

- A published Asbestos Policy and Management Plan is available on the Council's intranet site
- The Council has commissioned an external review of this Plan.
- The ALS asbestos risk register is available to all contractors prior the commencement to works to the corporate estate.
- Control of Asbestos Regulations 2012

### **3.4.3 Water Hygiene Risk Assessment**

In accordance with the requirements of The Health and Safety Executive Approved Code of Practice (ACoP) Guidance on Legionnaires Disease assessments have been undertaken to include:

- Potential for water droplet formation
- Potential for Legionella bacteria proliferation
- A detailed plan of water systems
- Details of how the water systems operate
- The nature and the degree of risk posed by the buildings water system(s)
- Details of the remedial actions required to minimise the risk

ACoP requires that there should be a written scheme for the controlling the risk from exposure that should be implemented and properly managed. The scheme should specify measures to be taken to ensure that it remains effective. The scheme should include:

- An up to date plan showing layout of the plant or system, including parts temporarily out of use
- A description of the correct and safe operation of the system
- The precautions to be taken
- Checks to be carried out to ensure efficacy of scheme and the frequency of such checks
- Remedial action to be taken in the event that the scheme is shown not to be effective

### **3.4.4 Disability Discrimination Act (1995)**

The Council has a programme in place to carry out audits on corporate operational buildings to identify and address the requirements of the Equality Act 2010 Disability Discrimination Act (DDA) 1995 and 2005.

The audits include recommendations for required remedial actions and ongoing monitoring and control measures. Guidance is also referred to such as BS8300: 2009 - Design of Buildings and Their Approach to Meet the Needs of Disabled People - Code of Practice; along with other sources where applicable.

Audits have been prioritised based on sites with significant public use (libraries) and where known issues exist (Civic Suite). In 2014 8 audits were completed. The audit reports identify actions broken down into three categories Priority A, B & C. Completing priority A actions means the site is compliant with DDA requirements. All priority A actions from the audits held in 2014 have been completed. Further audits will be delivered as part of the asset optimisation process.

### **3.4.5 Energy Performance Certificates**

From April 2018, proposed legislative changes would make it unlawful to let residential or commercial properties with an Energy Performance Certificate (EPC) Rating of F or G (i.e. the lowest 2 grades of energy efficiency). Assets that fail this standard need to be identified now and this information fed into investment decision-making.

### **3.4.6 Staff**

CAS have in place the following health and safety procedures for staff:

- Overall Policy Document
- H & S Aims and Objectives
- Accident/Incident guidelines
- Accident/Incident investigation guidelines
- Alcohol & Drugs Policy
- Asbestos including incident investigates management plan and implementing guidelines
- Confined Spaces procedures and risk assessments
- COSHH guidelines
- Compliance checklist

- Display Screen Equipment risk assessment
- Driving Policy
- Employee code of conduct
- Fire including evacuations and incident investigation procedures incl mobility impaired procedures
- First aid risk assessments and provisions guidelines
- Home working risk assessments
- Infectious Diseases risk assessment
- Lone Working Policy, procedures and risk assessments
- Manual Handling guidelines
- Personal Protective Equipment risk assessment and guidelines
- Personal Safety policy and procedures
- Pregnant Workers/nursing mothers risk assessments
- Risk Management guidance
- Staff Induction procedures
- Stress Management risk assessments
- Training guidelines
- Violence and Aggression procedures and guidelines
- Working from Height guidelines
- Work place risk assessment

These have all been circulated and developed with staff and are available through the internal staff sharepoint site.

### **3.4.7 Third party management of assets**

Management of assets in respect of risk can be complicated by non-standard governance arrangements, and there is a specific need to ensure that where external organisations have taken control for premises that the Council understands and addresses the residual financial, legal and reputational risks that remain.

#### *Leisure facilities*

Investment in the borough's leisure facilities includes Glass Mill the new £20m flagship leisure centre in Lewisham Town Centre that opened in June 2013, Forest Hill Pools, which opened in 2012 and the Wavelengths leisure centre in Deptford that opened in 2008. In 2011 a 15 year contract was agreed with Fusion Lifestyle to manage, maintain and repair the buildings on full repairing lease basis.

The two main areas of risk for the Council are:

- Reputational – although the contract transfers responsibility for statutory compliance to the contractor any major breach would still have a serious reputational risk for the Council
- Financial – under the contract the Council retained some risk in relation to utilities and maintenance costs and therefore needs to monitor performance on maintenance and utility costs to understand and react to potential future liabilities

The Council has committed to a level of additional technical monitoring to assess and reduce potential reputational and financial risks under the contractual arrangement. These checks will be carried out through a recognised third party provider with action plans agreed with Fusion where performance failures are identified. This monitoring includes

- Asbestos register
- Legionella monitoring and control
- Electrical testing certificates
- Water quality and water hygiene records
- Health and safety record keeping
- Fire risk assessments
- Permit to work system in place
- 6 monthly safety drills in relation to fire and evacuation procedures

- Bacteriological testing of the hot and cold water systems
- Major incident logs
- Servicing and maintenance records
- Emergency lighting system tests

### 3.5 Commercial estate

The commercial estate comprises 178 properties, comprising 104 retail, 2 industrial, 4 offices, 3 residential and 65 'other', which comprises a wide range of asset classes to include medical, community, library, storage and nursery facilities, and landholdings. Annual rental income from the commercial estate is approx. £1.8m.

Historically the Council's grading of surveyor posts was below the professional standard of private sector practices and from this a sustained lack of capacity in the management of the Council's commercial estate resulted in:

- A backlog of rent collection valued of approx. £2.7m.
- A backlog of outstanding rent reviews and lease/licence expiries, representing an undervaluation of the annual rent roll of potentially £2m+.
- A void ratio of 8.6%, substantially above the estimate market norm of 5%.
- Incomplete data relating to assets and leases.

Optimisation of the Commercial portfolio is expected to generate at least £900K a year income by the end of 2017/18 through:

- Correct categorisation of properties and optimisation of assets
- Setting appropriate market rates for leases
- Better turnaround times for vacant properties
- Improved income collection and debt recovery

The Council's Corporate Asset Services function has already moved to tackle these problems and ensure sufficient capacity with the right knowledge and skill sets are used to clear the backlog of cases, establish clear management information and decision-making processes and ensure appropriate agreements are in place for all commercial properties. This section describes the outcome of this work and ambitions going forward to establish:

- A better balanced portfolio, more aligned to corporate service delivery priorities and a wider growth agenda for property in the borough
- Increased income, based on up to date market rates, better use of properties and effective income collection and debt recovery

#### 3.5.1 A BETTER BALANCED PORTFOLIO

*Proactive use of the Council's assets to drive regeneration and create value and opportunity*

##### (i) Development of underutilised commercial and housing assets

The Council's AMS and new data systems, see section 3.2.1, will deliver an ongoing accurate and comprehensive register of commercial assets. This provides the foundation for understanding and using the commercial portfolio to its maximum potential.

The Council's approach to commercial assets needs to diversify in order to meet changing occupational requirements within the market. The strategy therefore has to be to make assets more adaptable, sustaining good income generating characteristics and aiming for growth potential in the medium term.

As described above in 3.2.3 (i) the Council will move to eliminate the unclassified category of assets, with all assets being classified as either operational or commercial, and if the properties fall within the commercial classification they will be subject to market terms.

The Urban Files approach, section 3.2.3 (ii) will enable a more strategic approach to reviewing the portfolio and considering disposals and acquisitions with the intention of developing a more coherent portfolio of properties.

Opportunities exist to develop sites currently in the Council's ownership to fully exploit their potential as commercial properties. This co-ordinated transparent approach should assist in identifying new development opportunities going forward.

In addition transfer of the Council's non-Housing stock, such as garages and commercial properties, from the Housing Revenue Account to the General Fund is expected to deliver a saving of £1,000k by 2017/18. The saving, part of the Lewisham Future programme, is based on removing the restriction from managing these properties within the Housing Revenue Account, allowing the transfer of debt to improve the potential for borrowing for wider housing objectives, reducing voids and ensuring a commercial approach to the management of these properties.

### **3.5.2 INCREASED INCOME FROM THE EXISTING ESTATE**

#### *Refocussing the existing commercial portfolio to achieve market rates and maximise income collection*

##### (i) Rent review of all assets and programme of lease renewals and re-gears

In order to meet Local Authority financial reporting standards the asset portfolio of the London Borough of Lewisham must be valued every five years. The guidelines for valuations have changed this year so that demonstrating that we have revalued all our assets over a 5 year period is no longer sufficient. The Authority is obliged to consider the carrying value of all our assets and provide compelling reasons if some classification of assets do not require revaluation. Additionally there are certain categories of assets which must be valued every year such as Council Investment Assets and Council Dwellings. In addition to this, there is also a requirement to get an asset re-valued within the five year period if the reported value has undergone a material difference since its initial valuation.

In previous years it has been sufficient to do asset revaluations as at the 1st April however, as the emphasis is placed on the carrying value at the 31st March each year it has been decided to get valuations done at the 31st of January each year.

The portfolio should be pro-actively managed on commercial terms, in particular ensuring that the Council achieves true market rental levels. This can be achieved through re-negotiating of the existing leases through lease renewals or lease re-gears. This process will also identify leasehold properties where rent reviews are outstanding and where existing rental levels are considerably below current market rents.

There are a significant number of commercial properties where the current rent receivable are approximately 5 to 10 years out of date where market rental levels would be expected to be considerably higher.

Increasing market rental value of the portfolio can be a lengthy process, particularly in a rising rental market. The lease renewal process is often protracted including where a negotiated settlement cannot be reached requiring legal assistance.

In some cases the rent review process can also be protracted, particularly if the matter has to be referred to a third party outcome in accordance with the subject lease. The timelines will vary depending upon whether a third party Arbitrator/ Independent Expert appointment can be agreed upon or whether the RICS/ Law Society have to make the appointment then the process can take in excess of six months before you receive an Award (Arbitration) or Determination (Independent Expert) and there may be considerably associated costs depending upon the nature of the property and rent review provisions of the subject lease. Indeed, there are some rent reviews within the portfolio that are more straight forward as they are RPI and can generally be backdated unless "time is of the essence" which is rarely the case.

There are a significant number of over-holding tenants, whereby either vacant possession should be obtained and/or new leases on commercial terms need to be put in place. Those properties that are vacant or due to become vacant

should be actively managed to achieve current market terms. This can be done through refurbishing the properties in order to bring to a lettable state and to attract tenants on strong covenants and secure longer lease terms. All of the Council-owned properties that are currently marketed by the third party, approx. 25% of these properties required some internal repairs and light refurbishment work.

#### (ii) Proactive income collection, void minimisation and debt recovery

The new AMS and associated systems, described above in section 3.2.2, will ensure more robust data is held on assets within the commercial portfolio and will enable a more proactive approach to identifying properties due for rent reviews and leases that are due to expire in any financial year. As a result, the indicative rental budgets can be produced accordingly.

The process of ascertaining the lease and licence expiry dates will assist in reducing voids. A complete and consistent management plan is in place to ensure that when a lease/licence is due to expire (preferably 9-12 months in advance) appropriate pro-active steps are adopted. This includes formally notifying a tenant to determine whether they intend to renew their lease, or if we are entitled to seek vacant possession marketing the property prior to expiration or putting in plans for redevelopment.

The prioritisation of rent arrears and rent recovery requires a consistent corporate approach. The focus is to ensure rental income is maximised, a debt recovery culture is established. The main three objectives should be to reduce the debt owed to the Council, from both previous and current tenants; to outperform the KPIs and promote a stronger payment culture through the portfolio.

In accordance with the Council's standard tenancy agreement, the incoming Tenant has a responsibility to pay rent to the Council on time. This is, however, not always the case. The current outstanding debt for the commercial estate (general fund) is £312k over the period of 0 – 901+ days.

The annual rent roll is circa £640k, therefore the average outstanding debt for the rolling 12 month period of £185k represents 30% of the annual rent roll. Through the introduction of direct debit payments for commercial properties and improved processes for the chasing and collection of aged debt it is assumed that outstanding debt can be reduced by an average of 30%.

A proactive approach to income collection will

- Provide tenants with clear information about rent and other charges throughout their tenancy;
- Set up all rental payments, including service charge, by Direct Debit and ensure that it is easy for tenants to understand the process;
- Maximise the collection of income and minimise any outstanding debts;
- Have effective and fair procedures in place to take early actions before debts accumulates further;
- Set up the timing on when the legal action is to take place and when bailiffs are to be sent out, if necessary as a last resort if debt recovery is unsuccessful;
- Agree fair and satisfactory repayment arrangements and plans with the tenants;
- Ensure that there are internal policies on sustaining leases and existing tenants;
- Adopt best practice and have benchmarks in place.

Our approach will be proactive in minimising debt with the procedures to be reviewed annually. On-going monitoring and prompt written notifications will help to develop a culture of good payments, providing all of the existing and incoming tenants with clear information on their rental obligations and repayment plans. The objective is also to maintain top quartile current rent arrears performance against other local authorities.

## 4) DELIVERY

The following seeks to distil the array of activity described in the asset management and accommodation strategy into a set of central strands of work underpinned by a smart set of key performance indicators and a robust analysis of the risks.

### 4.1 Outcomes, work strands and projects

There are four interlinked objectives driving the range of activities and work strands in progress and to be delivered over the coming years. These are:

- Increasing the level of income generated by the Council's assets
- Reducing expenditure associated with the Council's assets
- Improving the quality of services delivered by the corporate asset function
- Compliance with regulation and responsiveness to risk

There are a number of core work strands that are planned and underway aimed at delivering on these objectives. These work strands have been described throughout the body of this Strategic Asset Management Plan. The following table shows where these in the document these are described and what they are intended to deliver.

Work strands	What success looks like
<b>Effective management of assets</b>	
Data capture, storage and analysis	<i>Embedding a corporate approach to asset-related data that is accurate, consistent and efficient</i>
Capacity and functions	<i>Creating the right alignment of resource within the Council to manage assets effectively and efficiency</i>
Estate management	<i>Using the Council's assets strategically to create value and managing the estate in a transparent and consistent way</i>
Governance and partnerships	<i>A corporate approach to assets that promotes delivery through planning, partnership and collaboration</i>
<b>Accommodation strategy for the operational estate</b>	
Asset optimisation	<i>Reshaping the corporate portfolio based on delivering the new net financial position and achieving service outcomes</i>
Facilities management	<i>Effective and efficient management of the corporate estate</i>
Sustainable and efficient estate	<i>Management of assets based on an understanding of opportunity costs and long-term potential alongside the costs and benefits in the here and now</i>
<b>Compliance and risk</b>	
Statutory compliance	<i>Fully compliant with regulation and our obligations to residents and staff</i>
<b>Commercial estate</b>	
A better balanced portfolio	<i>Proactive use of the Council's assets to drive regeneration and create value and opportunity</i>
Increased income	<i>Refocussing the existing commercial portfolio to achieve market rates and maximise income collection</i>

The work strands are comprised of a number of projects that have been described in the body of this Strategic Asset Management Plan. These projects are summarised in the table below.

Programmes	Work strands	Projects
Effective management of assets	Data capture, storage and analysis	<ul style="list-style-type: none"> <li>• New Asset Management System</li> <li>• Data systems</li> </ul>
	Capacity and functions	<ul style="list-style-type: none"> <li>• Staff reorganisation</li> <li>• Clear backlogs</li> </ul>
	Estate management	<ul style="list-style-type: none"> <li>• Remove unclassified asset category</li> <li>• Urban Files</li> <li>• Third sector and community assets</li> </ul>
	Governance and partnerships	<ul style="list-style-type: none"> <li>• New corporate governance arrangements</li> <li>• Partner engagement</li> <li>• Schools estate</li> </ul>
Accommodation strategy for the operational estate	Asset optimisation	<ul style="list-style-type: none"> <li>• Refocus of the operational estate</li> <li>• Investment and improving quality of the operational estate</li> <li>• New investment</li> </ul>
	FM	<ul style="list-style-type: none"> <li>• 2016 realignment of contracts</li> <li>• Integration of functions</li> </ul>
	Sustainable and efficient estate	<ul style="list-style-type: none"> <li>• Carbon/energy targets</li> <li>• Corporate sustainability</li> </ul>
Compliance and risk	Statutory compliance	<ul style="list-style-type: none"> <li>• Fire safety</li> <li>• Asbestos policy and management plan</li> <li>• Water hygiene plan</li> <li>• DDA</li> <li>• Energy Performance Certificates</li> <li>• Staff safety</li> <li>• Third party management of assets</li> </ul>
Commercial estate	A better balanced portfolio	<ul style="list-style-type: none"> <li>• Development of underutilised commercial and housing assets</li> </ul>
	Increased income	<ul style="list-style-type: none"> <li>• Rent review of all assets and programme of lease renewals and re-gears</li> <li>• Proactive income collection, void minimisation and debt recovery</li> </ul>

## 4.2 Performance indicators

Performance indicators have a fundamental role to play within a strengthened performance management regime for the corporate running of assets.

The following measures will be reported corporately at Resources and Regeneration Directorate level:

Measure	Reporting freq.	Target
% sites below statutory compliance	Quarterly	0%
Percentage of statutory, planned preventative maintenance activities carried out within 72 hours of scheduled / agreed date	Monthly	100%
Percentage of all planned preventative maintenance activities carried out within 72 hours of scheduled / agreed date	Monthly	95%
Forecast annual revenue expenditure against budget	Quarterly	<100%
Forecast annual income achieved against budget	Quarterly	>100%
% performance against in-year savings targets	Quarterly	100%
Income derived from renewable energy	Quarterly	n/a
Annual Corporate Carbon Emissions	Annually	-5%
Percentage of Right to Buy valuations completed within 3 weeks	Monthly	100%
Percentage of vacant council-owned commercial properties	Monthly	<5%
Percentage of a one-fifth tranche of the corporate estate revalued within a five year cycle	Annually	100%
Average rent from the Council's commercial estate (£ p m2)	Quarterly	tbc

A range of other measures will be used to track performance at a team and individual level and these will be reported as part of the wider Asset Management System, section 3.2.1

### 4.3 Risks

The key identified risks in relation to the Council's asset portfolio and asset function are:

- Failure to comply with legislative / statutory obligations resulting in: risk of death or injury to staff or public; criminal prosecution; civil litigation; reputational damage; or damage to property or equipment
- Corporate assets no longer fit for purpose due to location or suitability for service delivery resulting in: service delivery impact, increased costs, loss of income
- Loss of a strategic asset or premises through failure to maintain it in a safe and effective condition resulting in: prosecution by the HSE with cost and time implications; front line service failure; major reputational damage to the Council
- Failure to achieve projected net new financial position for the Council under the Lewisham Future Board savings resulting in: impact on future year's budgets and savings targets, impact on ability to maintain asset function effectively
- Failure to have service specific strategies aligned with asset strategy resulting in: inadequate or insufficient use of accommodation; lack of integration with disposal or investment programmes; loss of forecast savings and new income
- Failure of disaster recovery and / or business continuity plans in the event of a serious incident resulting in: criminal charges; loss of communication / ICT; loss of essential service provision
- Loss of capacity during or following reorganisation process resulting in: failure to achieve statutory compliance; loss of income and or increased costs; loss of quality of service outcomes
- Failure to adequately manage revenue or capital budgets and to manage income or expenditure resulting in: increased exposure to financial risk; inability to meet budgets or savings targets; reputational damage
- Lack of accurate and robust data resulting in poor decision-making, lack of transparency in use of assets; lack of compliance with statutory requirements; reputational damage; increased exposure to financial risk

The measures being undertaken to respond to these risks are set out within the body of this Plan. The key projects that address the risks are:

- Ensuring robust data capture, storage and analysis through the new Asset Management System and associated systems (3.2.1)
- Ensuring effective capacity for the asset management function through the reorganisation and clearance of backlogs (3.2.2)
- Effective management of the estate, through effective budget management, categorisation of assets, decision-making, and investment opportunities (3.2.3)
- Effective governance and partnerships with others (3.2.4)
- Reducing exposure to cost and driving quality in the operational estate (3.3.1)
- Effective facilities management and procurement of the FM function (3.3.2)
- Understanding and reducing our use of resources (3.3.3)
- Effective understanding, resourcing and management of compliance and risk (3.4)
- Development of underutilised commercial assets (3.5.1)
- Increased income through an optimised commercial estate (3.5.2)

#### 4.4 Timetable

The following sets out milestones for delivering the asset management and accommodation strategy.

Implementation of the Strategic Asset Management Plan will be overseen by the Asset Management Board. The Asset Management Board will in addition report to the Regeneration Board on a 6-monthly basis in relation to delivery of the Strategic Asset Management Plan.

It is expected that the action plan will be updated and reported on annually as part of the commitment to produce an Annual Business Report on Assets and that the Strategic Asset Management Plan will be reviewed and republished in 2018.

##### Timeline

<b>2014/15</b>	Strategic Asset Management Plan published (Q4) New Asset Management System operational (Q4)
<b>2015/16</b>	New Asset Management Board in place (Q1) Reorganisation of Regeneration and Asset Management complete (Q1) Annual Business Report published (Q2) Phase 1 of asset optimisation complete and investment plan for operational estate agreed (Q4)
<b>2016/17</b>	Implementation of rent reviews complete (Q4) FM realignment implemented (Q4) Phase 2 of asset optimisation implemented (Q4)
<b>2017/18</b>	New investment programme achieving £200k annual income
<b>2018/19</b>	All assets either commercial or operational
<b>2020+</b>	New Investment programme achieving £5m+ annual income

##### Savings targets

	2014/15	2015/16	2016/17	2017/18	<b>TOTAL (£m)</b>	2020
Structural reorganisation	0.35	0.60			<b>0.96</b>	
Operational estate optimisation	0.92	0.19	0.30	0.67	<b>2.08</b>	
Commercial estate optimisation		0.35	0.45	0.10	<b>0.90</b>	
Energy efficiency		0.11	0.01	0.02	<b>0.13</b>	
New income				0.20	<b>0.20</b>	5.5
<b>TOTAL (£m)</b>	<b>1.27</b>	<b>1.25</b>	<b>0.76</b>	<b>0.99</b>	<b>4.27</b>	<b>9.77</b>

## 4.5 Supplementary documents

The following documents include strategies, operational resources, policies and reports that are part of or connected to the Strategic Asset Management Plan. Some of these documents are not published publicly for legal and /or commercial reasons.

- Asset Register
- Asset Optimisation Schedule
- Corporate Asset Services Annual Business Report
- Corporate Asset Services Business Continuity Plan
- Data Management Handbook
- Energy Monitoring and Targeting report 2013/14
- Energy Policy
- Flood Alleviation Strategy
- Highways Asset Management Plan
- Maintenance of assets and premises audit report 2012/13
- Regeneration and Asset Management Risk Register
- Regulatory Risks Policy
- Third sector protocol
- Use of Resources Statement 2013/14

DRAFT

PUBLIC ACCOUNTS SELECT COMMITTEE			
<b>Report Title</b>	Funding and Financial Management of Adult Social Care.: Update		
<b>Key Decision</b>	No	Item No.	6
<b>Ward</b>	All		
<b>Contributors</b>	Executive Director for Community Services		
<b>Class</b>	Part 1	Date: 10 <sup>th</sup> December 2014	

## Reason for Urgency

The report has not been available for 5 clear working days before the meeting and the Chair is asked to accept it as an urgent item. The report was not available for despatch on Tuesday 2 December due the need for additional data and information to be gathered prior to publication. The report cannot wait until the next meeting due to the committee's work programme timetable.

### 1. Purpose

1.1. This report sets out an update on progress on implementation of the recommendations of the Public Accounts Select Committee's (PAC) review into the Funding and Financial Management of Adult Social Care.

### 2. Recommendations

Public Accounts Select Committee is requested to :

2.1. Note the progress on the ten recommendations made at its November 2013 meeting

### 3. Policy Context

3.1. Personalisation and the integration of Health and Social Care are two of the key drivers in the delivery of Adult Social Care services in Lewisham.

3.2. Following the Dilnot report in 2012, the Care Act will into force in 2015. This will consolidate a range of existing legislation into one unified statute.

3.3. The overall vision for Lewisham is established in the Sustainable Community Strategy. The recommendations arising from the PAC review relate to the strategic priority - 'Healthy, Active and Enjoyable' where people can actively participate in maintaining and improving their health and well-being.

3.4. Additionally it links to the Council priority 'caring for adults and older people – working with health services to support older people and adults in need of care'.

## **4. Background**

4.1. At its meeting of 17 April 2013, PAC decided as part of its work programme to undertake an in-depth review into the funding and financial management of Adult Social Care. The Committee agreed that, set against the context of potential increasing spend due to a demand led service and changing demographics as well as increased pressures to save money on local authorities, adult social care services face significant challenges. Added to this are potential changes emerging from central government which could have a serious impact on the finances of adult social care services. Therefore the Committee decided to pursue the following key lines of inquiry

- How are demographics changing in Lewisham and what increased financial pressures could this represent?
- How is the adult social care budget being managed now?
- What has been the financial impact of the rollout of personalisation?
- How are contracts and procurement managed within adult social care?
- Have there been or are there planned any ways to improve the cost effectiveness of these?
- How has the application of charging within adult social care been structured and how has this impacted on the overall budget position?
- What is the likely impact on adult social care of the provisions set out in the Care Bill and the Dilnot proposals?
- What is the potential for the use of alternative delivery models, such as trading companies or the increased use of public health responsibilities to support adult social care?

4.2. The Committee held evidence taking sessions in July and September 2013, receiving their final report and making their draft recommendations at their meeting on 11 November 2013.

4.3. Following the Select Committee a referral was made to the Mayor and Cabinet on the 18 December 2013. Ten recommendations were made. Officers responded to these recommendations in a report to Mayor and Cabinet on 5<sup>th</sup> March 2014 and to Public Accounts Select Committee on 25<sup>th</sup> March 2014.

## **5. Update on recommendations**

### **5.1. Recommendation 1**

5.1.1. The personalisation agenda within Adult Social Care should be further pursued and promoted by the Council as a way of offering services that are more flexible and suited to individual needs, as well as creating savings.

5.1.2. Original officer response : Adult Social Care has maintained a steady focus on transforming the service delivery model to embed

personalisation and improve outcomes for people. It is anticipated that this move from a traditional allocation of services and hourly rates to personal budgets will improve choice and control to people who meet the Council's eligibility criteria as well as secure savings/efficiencies. The reorganisation of the assessment and care management team will ensure that specifically trained staff will manage the administrative aspects of personalised care and support planning which will free up qualified frontline practitioners to work with those people in most need.

5.1.3. Update : There is a continued focus on embedding practice that focuses on pro-active prevention and short term support such as Enablement to help people to reach their maximum level of independence before any on going care and support is agreed. The approach to assessment puts the person at the heart of the discussion with the practitioner and looks at the opportunities there are in the community and from the persons own support network and resources as well as what may be purchased from the personal budget allocation. In some cases the person will receive an assessment and support plan that does not require any expenditure from the Council as needs can be met by opportunities available within the community or purchased by the individual. When a personal budget is allocated the practitioner will work with the individual and the care provider to make sure that needs are met in the way that best suits the person. Work is ongoing to achieve what is a cultural change within the workforce so that care and support has a focus on the person and their needs rather than a service solution.

## 5.2. Recommendation 2

5.2.1. The increased use of direct payments for services should be promoted, ensuring that there is effective oversight and monitoring of the direct payment process in place.

5.2.2. Original officer response : Direct payments are a form of personal budgets. Adult Social Care has recently changed the administrative processes to reduce bureaucracy and improve its ability to monitor the use of payments by establishing an in-house team who have a specific focus on this task. The overall process is more user friendly and is complemented by the support planning process and allocation of resources to ensure choice, control and efficient use of a range of resources.

5.2.3. Update : The Direct payment process is well embedded as part of the assessment and support planning process .A budget is allocated based on the assessment of need. The process in place ensures transparency of the use of the budget as pre payment cards are used and expenditure is monitored as to ensure it is used appropriately. We are able to identify any anomalies that would suggest improper use and deal with these at an early stage.

### 5.3. Recommendation 3

- 5.3.1. Local markets supplying Adult Social Care services to those in receipt of direct payments should be further developed, with particular attention paid to supporting local voluntary and community groups that promote social cohesion.
- 5.3.2. Original officer response : Work is underway to build capacity and develop options that will support individuals within their communities. It is anticipated that greater involvement with the range of services that are being developed within the voluntary sector, and access to community networks across the borough will have a preventative effect by reducing isolation, and support the development of community based enterprise.
- 5.3.3. Update : Significant work has taken place with the voluntary sector to build a range of service which offer service users access to a wide range of options designed to offer an alternative to traditional care services. In November 2013 Lewisham Council funded a consortium led by Age UK Lewisham and Southwark for 18 months to deliver the Community Connections Programme. This is a preventative community development programme aimed at supporting very vulnerable people to improve their social integration and wellbeing. Individuals have a person centred support plan which identifies their skills, interests and needs and connects people to relevant organisations and groups in their local area. The Community Connections programme works closely with the integrated health and social care teams and is a key part of the neighbourhood model of care and support. The programme aims to support 1200 people over 18 months.
- 5.3.4. Community Connections also works with local organisations and groups to build capacity and ensure sustainability. The programme aims to undertake planned development work with 40 community groups and make connections with 160 organisations, groups and forums during the 18 month period. Key findings from the recent interim evaluation report indicate that the project has started successfully and is well known across the borough, Community Connections has brought together information on a wide range of community resources which were previously unknown to health and social care. 515 people were referred to the programme between November 2013 and September 2014 with 86% of those referred reporting an improvement in their wellbeing following support from community connections.
- 5.3.5. Development visits have taken place with 160 community groups and organisations in Lewisham and detailed development plans are in place with 27 community groups.
- 5.3.6. In addition to the work carried out by Community Connections the Council have funded Entelechy Arts to offer an alternative to traditional day care for older people "Meet me at the Albany" aims

to recognise the creative potential of older people and has been extremely successful at engaging vulnerable people in a wide range of activities such as circus skills, book binding and poetry.

5.3.7. Following an assessment of an individual's needs, support planners will work within the neighbourhood teams to help people use personal budgets or direct payments to access all of the services described.

5.3.8. For those who choose to have their need for personal care met by the council this care is currently provided by a range of providers commissioned by the council via a framework agreement. This care is currently delivered in a traditional time and task model. Officers are currently working on proposals for the recommissioning of personal care services. The aim is to move away from a tradition time and task model to one which is much more outcome focused offering greater flexibility and choice for the service user and their family. Officers are currently working with a wide of providers to explore different models of service delivery. a recent market event to explore the development of an outcomes based framework for domiciliary care services attracted xxx providers many of whom had not previously worked within the borough

#### 5.4. Recommendation 4

5.4.1. The Committee supports the work carried out so far to integrate Adult Social Care with health services. This work should be maintained and further advanced with the new Lewisham and Greenwich NHS Trust, GP Practices and Public Health. Opportunities for further savings should be explored through integrating budgets and creating efficiencies.

5.4.2. Original officer response : The Government announced their aspiration for health and social care to be integrated by 2018. The Integrated Care Programme has been established in partnership with the CCG, LGHT, GP's and Housing. This work is overseen by the Health and Wellbeing Board.

5.4.3. Update : The work of the Adult Integrated Care Programme is progressing steadily and activity is monitored by the Adult Integrated Care Programme Board and overseen by the Health and Wellbeing Board.

5.4.4. Members of the Health and Wellbeing Board receive regular reports on the integration programme and any related matters. At the Board's last meeting on 25 November 2014, members received an update on the Neighbourhood Community Teams; on the amalgamation of the Social Care Advice and Information Team and District Nursing Call Centre; and on plans for an enhanced online health and care information offer.

5.4.5. The Board also received an update on the Better Care Fund Plan, which sets out how funding to support integration will be used and on the joint Commissioning Intentions Integrated Care.

#### 5.5. Recommendation 5

5.5.1. Knowledge of Adult Social Care and the services it offers should be improved among all areas of the health sector. Promoting and improving signposting to Adult Social Care Services could provide improved longer term health outcomes and increased value for money.

5.5.2. Original officer response : Improved access to information and advice on the services, activities and opportunities available across the borough to support health and wellbeing at all levels of need, promote independence and reduce the need for ongoing support, is a key workstream within the Adult Integrated Care Programme. This will look at removing duplication, streamlining processes and securing efficiencies across the sector.

5.5.3. Update: The Adult Integrated Care Programme Board recently agreed plans for a comprehensive and user friendly web resource which will be hosted on the Council's website. The web resource will equip local residents with information and advice about keeping well and how to access health and social care services alongside other services such as housing support. It will provide a single, reliable source of information and advice about care and support services for both professionals and residents and ensure that the information and advice requirements of the Care Act are met. Future developments include tools to enable residents to make referrals and access services online.

5.5.4. More widely, the programme includes the establishment of the joint neighbourhood teams which bring together health and social care professionals, increased support within the community to reduce hospital admissions and to improve the timeliness of discharges from hospital. The programme also focuses on workforce development to strengthen relationships between professionals and embed joint values and ways of working. This work aims to improve customer experience and the levels of knowledge between sectors.

#### 5.6. Recommendation 6

5.6.1. An assessment should be carried out of the short-term impact that deferred payments for care introduced under the Care Bill will have upon Council finances and ensure there is adequate provision made for any impact.

5.6.2. Original officer response : The government have estimated the national impact of proposed changes to deferred payments and have indicated that matching funding will be available. However,

given the lack of detail of the proposals and the difficulty in projecting take-up it isn't yet clear whether the funding will be sufficient locally. In Lewisham, despite our having a fully developed scheme, take up has been low – usually fewer than 10 cases at any one time. For each of these there is a delay in collecting full contributions with “debts” building up at approx £20k to £30k p.a. On this basis, if all the known local self-funders applied (successfully) for a deferred payment, debt would build up at up to £1m more p.a. than at present. This would have a noticeable impact on the Council's cash flow in the medium term but the lost interest would, in theory, be recovered in the longer term once the loan was repaid.

5.6.3. Current proposals are that deferred payments would only be available in cases where the service user had less than £23,250 in cash, investments etc as well as their property asset. This is likely to significantly reduce the number of new applicants.

5.6.4. There are some financial risks to an expansion of the scheme:

- Recovery of debts: there will potentially be increased recovery activity, disputes and legal challenges when attempting to recover the monies local authorities are owed and increased exposure to financial losses. There are also financial risks if the package of care exceeds the value of the asset. To date, however, all deferred payments have been recovered without the need for legal action.
- Loss of council tax income: houses that are empty through a deferred payment when the individual is in residential care are exempt from council tax. This would result in an additional loss of income.
- Upfront costs & administration: A universal or right to a means-tested scheme could result in an increase in administration and upfront costs. The Care Bill gives local authorities the ability to charge a set-up fee and a rate of interest. However, as with other parts of the proposals, it remains unclear whether this will ensure that the scheme runs on a cost-neutral basis for local government.
- On-going property maintenance: The proposals are not clear about who is responsible for the costs associated with property maintenance and up-keep whilst the owner is in care. It is imperative that the property does not depreciate in value. Dramatic depreciation in value would considerably reduce the value of assets the person receiving care is seeking to protect through the cap and deferred payment. It would also affect the ability of the local authority to recover the full costs of care. Local authorities will also be required to provide information and support to homeowners on maintaining their property. For county councils in two tier areas they will need to work closely with partners, including district councils. The unique situation in two-tier local authorities with

regards to this issue must be specifically recognised in forthcoming guidance.

- Local housing supply: There is arguably an inherent policy tension between the government wanting to build more houses on the one hand yet encouraging homes to remain vacant (through deferred payments) on the other. Moreover, the means-test on non-housing assets could provide a disincentive to downsize and therefore restrict the recycling and supply of larger family homes.
- Extension of deferred payments to other care settings: The possibility that the scope could be extended to care provided at home would significantly increase numbers, risks and costs to the Council.
- Given the uncertainties, some councils have argued that operation of deferred payments should be transferred to a national agency.

5.6.5. Update : Guidance on implementation of this, and other key aspects of the Care Act was received in October 2014. The main aspects are as follows .

5.6.6. Deferred payment agreements are designed to prevent people from being forced to sell their home in their lifetime to meet the cost of their care. Local authorities must offer them to people who meet the criteria below and who are able to provide adequate security. They must offer them to people who have local authority-arranged care and support, and also people who arrange and pay for their own care, subject to these criteria. The regulations specify that someone is eligible for and so must be offered a deferred payment agreement if they meet all three of the following criteria at the point of applying for a deferred payment agreement:

(a) anyone whose needs are to be met by the provision of care in a care home. This is determined when someone is assessed as having eligible needs<sup>135</sup> which the local authority decides should be met through a care home placement. This should comply with choice of accommodation regulations and care and support planning guidance and so take reasonable account of a person's preferences;

(b) anyone who has less than (or equal to) £23,250 in assets excluding the value of their home (i.e. in savings and other non-housing assets); and

(c) anyone whose home is not disregarded<sup>136</sup>, for example it is not occupied by a spouse or dependent relative as defined in regulations on charging for care and support (i.e. someone whose home is taken into account in the local authority financial assessment and so might need to be sold).

5.6.7. As well as providing protection for people facing the prospect of having to sell their home to pay for care, deferred payment

agreements can offer valuable flexibility, giving people greater choice over how they pay their care costs. Local authorities are, at their discretion, permitted to be more generous than these criteria and offer deferred payment agreements to people who do not meet the above criteria. In deciding whether someone who does not meet all of the criteria above should still be offered a deferred payment, some considerations a local authority may wish to take into account include (but are not limited to):

(a) whether meeting care costs would leave someone with very few accessible assets (this might include assets which cannot quickly/easily be liquidated or converted to cash);

(b) if someone would like to use wealth tied up in their home to fund more than just their core care costs and purchase affordable top-ups (see further guidance on 'How much can be deferred' below);

(c) whether someone has any other accessible means to help them meet the cost of their care and support; and/or

(d) if a person is narrowly not entitled to a deferred payment agreement given the criteria above, for example because they have slightly more than the £23,250 asset threshold. This should include people who are likely to meet the criteria in the near future

Local authorities may also at their discretion enter into deferred payment agreements with people whose care and support is provided in supported living accommodation.

5.6.8. A local authority may refuse a deferred payment agreement despite someone meeting the eligibility criteria:

(a) where a local authority is unable to secure a first charge on the person's property;

(b) where someone is seeking a top up; and/or

(c) where a person does not agree to the terms and conditions of the agreement, for example a requirement to insure and maintain the property.

In any of the above circumstances, a local authority should consider whether to exercise its discretion to offer a deferred payment anyway (for example, if a person's property is uninsurable but has a high land value, the local authority may choose to accept charges against this land as security instead).

5.6.9. The deferred payment agreement scheme is intended to be run on a cost-neutral basis, with local authorities able to recoup the costs associated with deferring fees by charging interest. Local authorities can also recoup the administrative costs associated with DPAs, including legal and ongoing running costs, via

administration charges which can be passed on to the individual. Administration charges and interest can be added on to the total amount deferred as they are accrued, although a person may request to pay these separately if they choose.

5.6.10. Officers are developing a policy to include : any flexibility over circumstances where a DPA will be offered (see paragraph 5.6.7 above), circumstances when a DPA will not be offered (para 5.6.8 above), administrative fees and interest rate.(para 5.6.9.above). The work on fees is being undertaken in conjunction with other London councils.

#### 5.7. Recommendation 7

5.7.1. The feasibility of forming a Local Authority Trading Company to trade in Adult Social Care services should be explored.

5.7.2. Original officer response : ASC are exploring a range of service delivery models that may include a Trading Company.

5.7.3. Update : The Chief Executive is coordinating work across Council on the scope for formation of LATCs.

#### 5.8. Recommendation 8

5.8.1. Contracts held by Public Health should be re-examined when due to be renewed, with funding directed towards areas that will not only lead to longer term health improvement but could also contribute to reduced future spending.

5.8.2. Original officer response : A comprehensive contract review is to be undertaken. This will include consideration of alternative service providers, especially for the larger value contracts. In 2014/15 ASC are retendering both the block nursing home contracts and the Domiciliary Care contracts.

5.8.3. Update ; Savings of £3.077m against the existing public health programme have been proposed for 2015/16. The savings proposals have had pre-scrutiny consideration by the following council select committees: Children and Young Peoples Select Committee; Healthier Communities Select Committee;

5.8.4. The savings proposals have also been discussed at partnership meetings with the CCG and Lewisham and Greenwich Trust, and several voluntary organisations. In addition, Lewisham and Greenwich Trust were broadly informed of the proposed changes in the Commissioning Intentions letter, dated 30 th September 2014, sent to the Trust by Lewisham Clinical Commissioning Group, regarding Sexual Health Services, Stop Smoking Services and the Community Health Improvement Service.

5.8.5. On Nov 12th the Mayor & Cabinet agreed that a period of consultation should be undertaken. The consultation will be considered by the Healthier Communities Select Committee and the Health and Wellbeing Board as well as a cross select committee Task & Finish Group. The final budget decisions will be recommended by Mayor & Cabinet in Feb 2015 and agreed subsequently as part of the budget for 15/16 by full council.

#### 5.9. Recommendation 9

5.9.1. That the London Living Wage should be paid for all those providing residential and domiciliary care in London for Lewisham service users, including those employed via direct payments.

5.9.2. Original officer response : The existing Domiciliary Care framework is based on the providers paying the London Living Wage. Direct payments are set at an hourly rate that makes the LLW affordable. Officers are exploring the inclusion of the LLW in Nursing Home and Residential Home contracts.

5.9.3. Update :The scope of payment of LLW is under discussion across London. The local cost of an extension to existing LLW commitments will be included with risks and other budget pressures in the 2015/16 budget.

#### 5.10. Recommendation 10

5.10.1. That further scrutiny and monitoring is carried out by the appropriate select committees on the following:

- The development of the local market for Adult Social Care services.
- The in-house direct payments process.

5.10.2. Original officer response : As recommended by the Committee, the suggested topics will be put forward to the appropriate select committees for consideration as part of their work programme setting in the next municipal year.

5.10.3. Update Both items have been referred to Healthier Communities Select Committee. Development of the local market for adult social care services will be considered at the January 2015 meeting. The in-house direct payments process has not yet been scheduled.

5.11. Adult social care is facing an unprecedented combination of reducing resources, increasing demand, legislative change and structural reform. The recommendations made following the original PAC review provided a helpful guide to the future direction of the service and the preceding paragraphs explain the progress made in

implementing these. Despite this progress, and despite a range of other action to manage demand and control spend, the adult social care budget is under severe pressure. Increasingly radical solutions will be needed to achieve the level of budget reductions demanded.

## **6. Financial Implications**

6.1. There are no direct financial implications arising from this response.

## **7. Legal Implications**

7.1. There are no specific legal implications arising from this response.

## **8. Crime and Disorder Implications**

8.1. There are no specific crime and disorder implications arising from this report.

## **9. Equalities Implications**

9.1. Although there are no specific equality implications arising from this report, it details the work that has already taken place across adult social care to ensure that individuals are given choice and control over how their needs are met, and that where services are being provided or are being developed they are built around the user.

## **10. Environmental Implications**

10.1. There are no environmental implications arising from this response.

### **Background Papers**

[Mayor and Cabinet - PAC referral report - 18 December 2013](#)

[PAC - Funding and Financial Management of Adult Social Care Review – 25 March 2014](#)

For further information please contact Robert Mellors, Group Finance Manager, Community Services on 020 8314 6628 or Joan Hutton, Head of Adult Assessment and Care Management on 020 8314 6304.