

Public Accounts Committee			
Report Title	Strategic Asset Management Plan 2014		
Key Decision	No	Item No.	4
Ward	All		
Contributors	Head of Corporate Asset Services; Sustainable Resources Group Manager		
		Date:	25 March 2014

1. Purpose

- 1.1 The Council's current Asset Management Plan ends in 2014. This report seeks the views of Public Accounts Committee on the approach proposed to developing a new Strategic Asset Management Plan.

2. Recommendations

- 2.1 Public Accounts Committee is invited to comment on the approach proposed and in particular:
- The extent to which the draft recognises the key challenges the Strategic Asset Management Plan needs to respond to (section 4)
 - The scope of the Strategic Asset Management Plan and the values that should shape the Council's approach to assets (paragraph 4.12)
 - The proposed delivery strands (section 5)
 - The outcomes to be delivered (paragraph 6.1)

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 of all services, though the approach proposed for the new 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 our plans to achieve each of these, 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 Annex A shows the connections between the Strategic Asset Management Plan and other corporate strategic frameworks and policies. 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.
- 3.4 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.
- 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.
- 3.7 Annex A sets out the components of the Strategic Asset Management Plan, including the Corporate Accommodation Strategy that will tie together the operational requirements of Council services and the commercial estate. This Corporate Accommodation Strategy will be the framework for decision-making across the estate and for individual buildings in relation to retention, acquisition, disposal and management of property. The key strands of this work are being developed through the Lewisham Futures Programme and are summarised below in section 5.

4. Lewisham's existing Asset Management Plan and drivers for change

- 4.1 The current Asset Management Plan (2011-2014) provided a framework for strengthening the Council's approach to asset management with a particular focus on achieving revenue savings from the operational corporate estate. Key achievements over the period of this Plan include:
- Savings of £1.4m from rationalisation of the estate including the closure of the Town Hall
 - Delivery of new buildings including Deptford Lounge and the Glassmill leisure facilities
 - Creation of Corporate Asset Services as part of the reorganisation of property services
- 4.2 A copy of a report to Mayor and Cabinet on 13 November 2013 on the Council's rationalisation programme is included under Annex B as part of the ongoing updates to Public Accounts Committee on this work.
- 4.3 The extent of pressures on public finances in terms of scale or duration was not anticipated in 2011 and the new Strategic Asset Management Plan will need a wider focus than revenue savings on the operational estate. 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.
- 4.4 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.

Housing

- 4.5 Over the past 15 years, high levels of demand and constraints on land availability have driven above-average growth in house prices. In 1997 the average Lewisham house price was £73,789, five times the level of the median salary. By 2010 the borough's average house price had increased to £255,351 eleven times median income levels.
- 4.6 The opportunity to buy a property is increasingly out of reach of many. Purchasing a property in Lewisham's lowest 25% of prices requires a single resident to be earning at the level of the highest 25% (£40k p.a. or more), qualify for a 75 per cent loan-to-value mortgage, and have saved £1 in every £5 that they had earned for 7 years or have other access to the £45k deposit.

- 4.7 The private rented sector in Lewisham is large and growing and the market is tough with competition for private rented sector vacancies being high. The sector has more than doubled in size between the 2001 and 2011 census and now consists of over 30,000 privately rented properties, representing more than 25% of the borough's housing stock.
- 4.8 With population figures increasing, access to genuinely affordable and high quality housing is one of the most significant issues facing the borough. The Strategic Asset Management Plan needs to respond to this pressure, by prioritising opportunities to drive new housing supply of all tenures and by making land available for the construction of new homes where possible.

School places

- 4.9 Demand for Primary places in recent years has exceeded Lewisham's supply of permanent places. The borough has been able to respond by putting in additional accommodation each year to meet demand. In order to retain sufficient funding for future years, it has invested in permanent places only when confident that the reception demand for the coming year can be funded. No surplus capacity has therefore been established.
- 4.10 In addition to the planned expansions funded through existing programmes (expanding Holbeach, John Ball and Sir Francis Drake), 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.

Meeting the challenge

- 4.11 These are pressing and challenging issues. In response the new Strategic Asset Management Plan will require an unprecedented reshaping of the corporate approach to asset management. The Corporate Accommodation Strategy will be the focal point for this, and will provide the framework for decision-making across the corporate estate and in relation to individual assets.
- 4.12 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.

- 4.13 Values underpinning the intended approach to the new Strategic Asset Management Plan include:
- Fair and consistent use of assets based on transparent and evidenced-based decision-making
 - Proactive use of the Council's assets to drive regeneration and create value and opportunity
 - A commitment to investing in the whole life-cycle of assets
 - A commitment to investing in robust data capture, processing and systems
 - Risk-aware but not risk-averse
 - A corporate approach to assets that promotes delivery through planning, partnership and collaboration
 - An approach to assets that integrates social, economic and environmental costs and benefits with consideration of financial cost and benefits
 - An approach to assets that understands opportunity costs and long-term potential alongside the costs and benefits in the here and now

Scope

- 4.14 '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.
- 4.15 The scope of the Strategic Asset Management Plan is considered to include all operational and commercial buildings, highways, public realm, open spaces, education, public health, cultural and community facilities and a range of other associated non-domestic properties owned by the Council.
- 4.16 Taken together these assets are powerful levers for change. They have a significant, and growing, value of £1.7Bn 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.

5. Delivery strands

- 5.1 The following section sets out the key strands of works the Strategic Asset Management Plan will need to deliver. This is has been structured by:
- Infrastructure
 - Asset optimisation

- Commercial estate
- Governance, business-processes and capacity

Infrastructure

5.2 Delivery of improved and new infrastructure will be a significant part of the work to respond to changing demographics and service needs, as well as the delivery of an estate that can operate within its budgetary limitations. Much of this work is already underway and subject to the Council's wider scrutiny and decision-making processes. The Strategic Asset Management Plan will need to be informed by, and influence, future development of this activity, key strands of which include:

- An expanded schools' estate that meets the borough's needs now and in the future in the most cost-effective and sustainable way
- The New Homes, Better Places programme to build at least 250 new homes by 2017 and support our housing providers to deliver a greater supply of modern affordable and energy efficient homes
- Transport infrastructure including potential rail and underground extensions

Asset optimisation

5.3 There is significant potential to achieve greater value from the Council's existing assets. So while further reductions in the size of the estate will be needed, given the scale of savings the Council has to meet there are opportunities to use existing buildings more effectively, to generate more income from these buildings and to run them at lower cost.

5.4 Optimising the Council's assets will be based on understanding and achieving this potential to do more, and translating this into the retention, acquisition, disposal and management of assets. This will result in a leaner more effective operational approach as well as getting the right balance between commercial and service objectives. As described above in paragraph 4.12 the Corporate Accommodation Strategy will be the focal point for this work.

5.5 The key strands of work that will deliver this include:

- Targeted capital investment aligned to long-term decisions about use of buildings to reduce costs and exposure to maximise the return on investment
- Use of the operational estate, schools and other buildings to create opportunities to extend service provision to communities through shared use, co-location and flexible use of spaces
- An overall reduction in the operational estate driven through the Corporate Accommodation Strategy
- Transparent and consistent guidelines relating to community assets and the use of corporate assets by voluntary and community sector organisations
- Further rationalisation of facilities management contracts extending across all assets where feasible to maximise economies of scale,

using in particular the retender of FM contracts in April 2016 to drive efficiencies and savings

- Use of buildings and land released through the Corporate Accommodation Strategy to generate additional revenue
- Investment in modern energy efficient properties to reduce our exposure to rising energy costs and development of generation and supply of energy to increase revenue opportunities
- Maximise the use of Community Infrastructure Levy and Section 106 agreements to ensure Council's assets meet changing service requirements

Commercial estate

5.6 The non 'operational estate' currently includes the commercial portfolio and what is often termed the 'grey estate': properties that are neither fully operational or commercial. Use of these buildings is in some cases based on informal or long-standing practice with no formal agreement in place. These arrangements are not transparent and often inconsistent with practice elsewhere, with resulting risks in terms of compliance with health and safety and other statutory requirements as well as lower income potential. In addition, a backlog of estate management has resulted in the commercial estate failing to achieve its full market value.

- 5.7 The key strands of work to address this include:
- Elimination of 'grey' estate so that all assets are identified as operational or commercial
 - Improving rent collection and debt recovery
 - Increasing the market rental value of the commercial estate
 - Reviewing opportunities across commercial properties linked to the housing estate
 - Establishing a clear and consistent basis for the community use of Council premises, recognising the value of the third sector's role in in meeting the needs of the borough while ensuring transparency in the way the Council's assets are used by different organisations
 - Converting non-housing properties into domestic assets
 - Using development and regeneration programmes to open up wider income generating opportunities (e.g. on affordable housing and private rented accommodation)

Governance, business-processes and capacity

5.8 Responsibility for assets including buildings and other infrastructure falls across a number of different service areas. Quality of information and the processes for collecting, retaining and sharing data are often poor. As a result there are opportunities to reduce costs and achieve better value and quality of service. Achieving the right governance, business-processes and capacity will provide the tools needed for delivering the Strategic Asset Management Plan.

5.9 The key strands of work that will deliver this are:

- A restructure of Regeneration and Asset Management and premises functions across the Council ensuring that property and physical assets including highways and public realm are managed centrally by a dedicated team with clear authority and responsibilities in relation to service departments.
- Establish a cross-corporate leadership structure to underpin decision-making. Drive value through structured decision-making through the Council's Regeneration Board and the Asset Working Group that reports to this Board
- Integrate existing data systems and establish clear processes for data capture and storage

6. Outcomes and risks

- 6.1 The aim of the new Strategic Asset Management Plan is for proactive, sustainable and more resilient management of assets. The outcomes the Strategic Asset Management Plan will be measured against include:
- Provision of modern assets, contributing to delivery of excellent services, accessible, flexible and highly efficient to run and maintain
 - Integration of service delivery plans with asset management
 - Improved decision-making: faster, consistent, evidenced-based
 - Attainment of best in sector (or private sector) benchmarks for asset management
 - Delivery of a new net financial position as part of Lewisham Futures Programme and a value for money approach underpinning the management of all assets.
 - Compliance with statutory requirements, ensuring investment is proportionate to the level of statutory risk
- 6.2 These outcomes will be measured by a new set of smart Key Performance Indicators (KPIs) that will connect the new Strategic Asset Management Plan with service delivery outcomes.
- 6.3 The major risks with significant potential to impact on the delivery of the Strategic Asset Management Plan are those affecting the Council as a whole:
- Potential for further global and national economic impacts
 - Changes to predicted demographic pressures
 - Changes in service delivery and Government policy and legislation
 - Climate change

7. Timetable

7.1 Key milestones for delivering the new Strategic Asset Management Plan include:

First quarter 14/15	Publication of Asset Register
Second quarter 14/15	Draft of Strategic Asset Management Plan for discussion by Public Accounts Committee
Third quarter 14/15	Reorganisation of Corporate Asset Services complete
	Draft Strategic Asset Management Plan for agreement at Mayor and Cabinet

7.2 Public Accounts Committee should note that a number of the workstreams identified above in section 5, particularly those relating to governance, business-processes and capacity, will need to proceed in parallel with development and agreement of the Strategic Asset Management Plan.

8. Financial implications

8.1 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. Details on this will be produced as part of the work to develop the Asset Management Plan.

9. Legal implications

9.1 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.

10. Environmental implications

10.1 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.

11. Equalities implications

11.1 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.

12. Crime and disorder implications

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

13. Corporate asset implications

13.1 These are dealt with in the body of this report.