



Sustainable Development Select Committee

Report title: Non-Housing Assets - Update

Date: 27 June 2022

Key decision: No

Class: Part 1

Ward(s) affected: All

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Outline and recommendations

This report provides a summary of the current work underway reviewing the Council's corporate operational and commercial assets. It provides an overview of the work beginning to develop a comprehensive, new Strategic Asset Management Plan, the processes in place to review key asset groupings, opportunities for disposal of land and assets that are not considered strategic, and the Corporate Estate Maintenance programme

The Sustainable Development Select Committee is asked to note the contents of the report, and in particular, the outline Strategic Asset Management Plan (SAMP) and provide feedback.

Timeline of engagement and decision-making

No formal decision-making to note

1. Summary

- 1.1. The Council's effective utilisation of assets is critical to supporting the delivery of a range of services and to many of the Council's emerging corporate plan objectives. This report provides a summary of the current work underway reviewing the Council's corporate operational and commercial assets. It provides an overview of the work beginning to develop a comprehensive, new Strategic Asset Management Plan, the processes in place to review key asset groupings, opportunities for disposal of land and assets that are not considered strategic, and the Corporate Estate Maintenance programme.

2. Recommendations

- 2.1 That the Sustainable Development Select Committee note the contents of the report which updates on current work on Council assets, in particular the emerging Strategic Asset Management Plan (SAMP) and provides feedback.

3. Policy Context

- 3.1. The Council's asset base supports a wide range of functions and services. This includes office accommodation, community facilities, adult learning, libraries, bereavement services, education and children services, housing, social care and health provision. The estate provides important Council income via commercial lettings. As such, the Council's assets have directly contributed to the delivery of the Council's Corporate Strategy 2018-2022 and its seven corporate priorities:

- Open Lewisham
- Tackling the housing crisis
- Giving children and young people the best start in life
- Building an inclusive local economy
- Delivering and defending: health, social care and support
- Making Lewisham greener
- Building safer communities

- 3.2 Many of the emerging priorities in the developing new Corporate Strategy will equally, be dependent of a strong asset management plan that maximises utilisation of our estate.

4. Background – Council Assets

- 4.1. There are approximately 860 assets within the Council's non-housing asset register. This does not include Housing Revenue Account (HRA) assets, but covers the commercial, corporate and schools estate held within the General Fund (GF). It also includes assets held by the Catford Regeneration Partnership Limited (CRPL), the Council's wholly owned company.
- 4.2. The non-housing portfolio includes assets mainly used to deliver; the Council's civic functions (offices, libraries, depot, hostels etc), help discharge statutory obligations (e.g. schools), generate revenue income stream (retail units, light industrial sites etc) and help deliver specific corporate objectives. These assets are held and accounted for by the various services and directorates using them. For example, schools assets are held by the Directorate for Children and Young People, while offices and civic buildings and the operational estate are maintained by the Directorate for Corporate Resources. The

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Directorate for Housing Regeneration and Public Realm holds ‘corporate landlord’ responsibility for all assets and has a key role in ensuring the use of assets is optimised to support the delivery of corporate objectives.

- 4.3. Alongside the core non-housing estate is a Council garage portfolio of approximately 1500 individual garage units across a number of estates and sites. Although this portfolio is tenanted and managed by Lewisham Homes, overall responsibility lies with the Council’s Property & Estates team within the Housing Regeneration and Public Realm Directorate.
- 4.4. The table below provides a breakdown of the Council’s current non-housing asset portfolio grouped broadly according to use type. This excludes the garage portfolio noted above.

Asset Category	No.	%
Commercial (including CRPL portfolio)	313	36%
Operational	151	18%
Land holdings	143	17%
Schools estate	98	11%
Parks / Open Spaces	100	12%
Others (inc. hostels, allotments)	53	6%
Total	858	

- 4.5. The Council is required to publish a register of assets it owns as part of the transparency agenda. A full list of the register is published on the Council’s website and can be found here: <https://lewisham.gov.uk/myservices/planning/landandpremises/council-land-and-premises>

5. Strategic Asset Management Plan (SAMP)

- 5.1 The previous Strategic Asset Management Plan (SAMP) covered the period 2015-2020. A new strategic plan is needed, which will cover the use and management of the Council’s assets, ensuring a consistent corporate approach is taken to inform Council decision making processes. Work is ongoing to review priority assets including considering future use, disposals and reducing finances, and therefore it is important the Council has a strategy that sets out its approach. This will better enable officers to recommend decisions around future use and maintenance of assets, and ensure resources are spent in the best way possible.
- 5.2 The SAMP document will be prepared during 2022-23 and will run from 2023 – 2028.
- 5.3 The Inclusive Regeneration division will deliver the SAMP, leading engagement and gathering direct input from relevant services, with oversight provided by the Council’s Asset Review and Regeneration and Capital Boards. It will be a cross-directorate owned strategy, ensuring that future service needs are met and priorities for investment and maintenance in or rationalisation of our existing estate are identified.
- 5.4 The full scope of the SAMP is currently being developed, however it will include the following areas: current asset base; acquisition and investment approach; accommodation strategy; sustainability and carbon reduction; as well as disposal strategy and process. The SAMP will also review the community and third sector use of Council assets in its varied forms together with wider public sector partnerships and the opportunities to maximise the utility of public estate.
- 5.5 The SAMP will recognise and align with a detailed asset management plan for the HRA estate, informed by the soon to be finalised HRA business plan and building on Lewisham Homes’ current asset strategy.

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- 5.6 As noted, the SAMP is a medium term strategy to be developed in 2022/23 and sets how the Council's assets will be used and managed to best effect in furthering objectives of the Council. In the meantime and in support of the strategy, a number of workstreams are underway in parallel to this strategy. A summary of these, including a review of community use of Council assets; approach to disposals; and a council-wide asset review is summarised below.
- 5.7 The corporate estate maintenance programme (CEMP) invests in and maintains the Council's asset base. £4.9m from the Capital Programme has been committed across 2020 – 2024 and covers approximately 70 buildings. Benefits of the programme include less interruptions to critical operations due to building or equipment failure, longer asset life, improved efficiency and energy performance, increased safety and compliance, and reduced repair costs. Running parallel to the CEMP has been the delivery of Public Sector Decarbonisation Scheme (PSDS) funded improvements to selected corporate buildings. The SAMP will be important to informing the CEMP and future applications for PSDS funding, ensuring prioritisation of funding in the right places, and informing the Council's longer term capital strategy. In turn the CEMP (and its associated condition surveys) will help provide evidence on the condition of assets under review and the investment required.

6. Community use of assets

- 6.1 The Council uses a number of its property assets to support the voluntary and community sector (VCS). The assistance is sometimes direct by offering a fully maintained facility or in other cases assisting with concessionary / peppercorn rents. The use of Council buildings by the VCS is underpinned by a 2014/15 review of Community Sector portfolio and a subsequent policy on the VCS use of Council assets.
- 6.2 As part of the SAMP, community use of assets will be considered. Our policy on the VCS use of Council assets recognises the value generated by the sector and that enabling access to assets is a form of support. As well as being directly involved in delivering services to citizens in the borough, VCS organisations also provide the essential infrastructure to enable the sector as a whole to develop and support individual citizens to be able to play an active role within their local communities.
- 6.3 Some tenancy arrangements for community uses are long held and there are inconsistencies in the value attached to tenancies (e.g. peppercorn leases), Council responsibility for repairs and maintenance, and access to discretionary rate relief.
- 6.4 Work in the SAMP will be undertaken collaboratively with Community Services to ensure a more consistent approach to third sector use of community assets and regularisation of tenancy arrangements for community occupied assets, whilst better recognising the value provided by community sector use and occupation of the Council estate.
- 6.5 Due to the historic nature of some of these uses, a number of third party uses of Council assets are at less than market rate. For example, whilst most nurseries occupy Council assets on commercial leases, a few only pay a modest rent due to historic agreements. There are also certain operational assets that are likely to be no longer required for their existing purposes, and could therefore be re-let on a commercial basis. The review and regularising of community access and use of Council assets (as set out in the agreed budget savings proposal under "Asset Optimisation" D-12) will not only ensure more effective and efficient use of assets to deliver current Council objectives, but also target

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an additional net income to the Council.

7. Asset Review

- 7.1 Following a mandate from EMT in summer 2020, officers are carrying out a review across the Council's corporate, operational and office estate. The review seeks to identify prioritised opportunities to enable better utilisation of the Council's assets, land supply for housing development and to enable service transformation. It will also identify assets where disposal is considered an opportunity to provide capital receipt for the Capital Programme and reinvestment in core Council objectives. It will enable a more strategic approach to management and utilisation of assets, ensuring reducing capital budget for maintenance and investment are focused on key buildings which are 'sweated' as best they can be. It will also enable rationalisation of office and service delivery space, particularly as staff working habits and the way in which services are delivered change.
- 7.2 In the short term, the review is concentrating on a small number of assets and sites. In the medium term, in line with the SAMP, the ongoing asset review work will continue to look across the estate to ensure efficient and appropriate use which maximises social, economic and monetary value.
- 7.3 As part of the asset review officers undertake an options appraisal to fully explore all possible outcomes for an asset. One of the options for consideration is disposal. Disposals enable capital receipts to support the Capital Programme, reduce the maintenance and running cost liability for the Council, release land for an alternative use, such as housing and reduce the estate to a manageable and efficient size. The capital receipt generated can then be re-invested in other buildings which better meet the needs of the Council and its residents.
- 7.4 An Asset Disposal Process has been drafted which sets out the steps needed to be undertaken when declaring a General Fund (GF) or Housing Revenue Fund (HRA) asset surplus to requirements and subsequently disposing of it. The process is consistent with the Council's commitment not to dispose of strategic assets. Asset disposal is part of a range of tools or approaches which ensures effective asset management, therefore a clear process is required to ensure assets are disposed of in a structured and controlled way, to ensure best value for the Council and no long-term negative impact.
- 7.5 The process includes a series of questions that need to be satisfied before disposal is considered including exploring whether the asset can be commercially let, whether it sits adjacent to or within a housing estate that may be subject to renewal in the future, whether the site is of a strategic nature, and whether it could be developed or refurbished for specialist housing or temporary accommodation. Financial modelling includes the following factors for consideration: loss of income, running cost savings, land value and net present value (NPV) etc. The timing of disposal is also considered, along with the most appropriate method of disposal including public sector partners.
- 7.6 An Officer Board has been set up to support the Asset Review. The purpose of the Board is to challenge, scrutinise and drive forward the asset review and ensure it delivers its agreed outcomes and benefits. It will also oversee the development of the SAMP as well as reviewing demands on our infrastructure and assets and how this will change over time, taking into account economic, political and social pressures.

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8. Commercial estate

- 8.1. There are approximately 313 number of properties in the Council's commercial estate generating a total income of approximately £3M a year. This is in addition to the circa 1500 individual garage units generating a further £1.3M a year.
- 8.2. The commercial estate consists of mostly secondary and tertiary parades, often on Council estates around the borough. Most of the retail parades are situated beneath residential blocks or on estates. The best performing retail parades are at Evelyn Street, New Cross Road and Randlesdown Road. The portfolio also includes a number of light industrial units located at Forest Hill and a number of nurseries dispersed across the borough.
- 8.3. There are also a number of offices within the general commercial estate, with the main one being the Old Town Hall in Catford, where five of the six floors are leased to public sector partners including DWP (Job Centre), Ingeus, SLAM, Lewisham and Greenwich NHS Trust. The last floor is used by a work space provider to support low cost office and work space provision for start-up businesses.
- 8.4. Included within the commercial estate is the Catford Regeneration Partnership Limited (CRPL) property portfolio. This is managed separately to the main Council portfolio and includes Winslade Way shopping centre, various retail units on Catford Broadway and Rushey Green and approximately 20 residential properties above retail units, let separately on Assured Shorthold tenancies. The approach here is a short to medium term management of the portfolio in a way which supports the Council's long term regeneration objectives for the town centre.

9. Financial implications

- 9.1. There are no direct financial implications arising from this report; however the contents outline how the asset review will help generate revenue savings, reduced running costs, capital receipt and support strategic service delivery.

10. Legal implications

- 10.1. There are no direct legal implications arising from this report. Any assets subject to potential disposal or alternative use will have to follow the Council's constitution and any statutory requirements.

11. Equalities implications

- 11.1. Due regard to equalities will be considered when making decisions on assets, and where required Equality Analysis Assessments may need to be undertaken by services who are changing their offer. This will be considered on an asset by asset basis.

12. Climate change and environmental implications

- 12.1. There are no direct climate change and environmental implications arising from this report, however environmental consideration will be addressed in any capital project that takes places in the Council's estate. The CEMP and the PSDS funded works seek to decarbonise corporate buildings and make improvements which reduce utility consumption, make buildings more efficient and contribute towards the Council's target

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to be carbon neutral by 20230.

13. Crime and disorder implications

13.1. There are no direct crime and disorder implications arising from this report.

14. Health and wellbeing implications

14.1. There are no direct health and wellbeing implications arising from this report.

15. Glossary

Term	Definition
NPV	Net present value
VCS	Voluntary and community sector
SAMP	Strategic Asset Management Plan
CEMP	Corporate Estate Maintenance Programme
PSDS	Public Sector Decarbonisation Scheme

16. Report author and contact

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