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| | <p>Assets Regeneration and Growth Committee</p> <p>9 July 2014</p> |
| Title | Strategic Asset Management Plan principles for consultation |
| Report of | John Hooton, Deputy Chief Operating Officer Cath Shaw, Lead Commissioner, Enterprise and Regeneration |
| Wards | All |
| Status | Public |
| Enclosures | None |
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Summary

This report seeks approval from Assets Regeneration and Growth Committee on the following:

- a) The principles of the Strategic Asset Management Plan for consultation;
- b) The approach to the creation of a development pipeline; and
- c) The approach to office accommodation rationalisation, confirming the plan to exercise the break clause on the lease of North London Business Park building 4 in October 2015.

Recommendations

- 1.1 That the Assets, Regeneration and Growth Committee agree the principles of the Strategic Asset Management Plan for consultation;
- 1.2 That the Regeneration and Growth Committee approve the short term office accommodation strategy, and in particular to serve notice to break the leasehold interest within Unit 4, NLBP in April 2015 to expire in October 2015, following which the Council's office-based activities will be encapsulated within Unit 2, NLBP and Barnet House.
- 1.3 That the Assets, Regeneration and Growth Committee approve the approach to the creation of a development pipeline, and that an initial list of potential development options and projects be tabled to the September committee;

2. WHY THIS REPORT IS NEEDED

2.1 Executive Summary

2.1.1 The London Borough of Barnet (LBB) holds property to sustain and support its corporate objectives as reflected in the corporate plan. The Council should seek to secure an operational and asset portfolio that is both fit for purpose and capable of providing flexible accommodation that can adapt to future requirements and increase/decrease in accordance with need.

This report outlines the principles of asset management, acquisition and disposals for consultation. The strategic asset management plan itself, and the component parts, will come back to this committee in the autumn of 2014.

2.1.2 The report also sets out the approach to reviewing the Council's office accommodation to create a fit for purpose, flexible accommodation strategy for the next decade and beyond.

The key factor which enables the Council to restructure the Civic Estate is the ability to break the occupational lease in NLBP Unit 4 by giving 6 months' notice from April 2015 to expire in October 2015.

The proposal utilises, in the short term, the current estate maximising the performance of the existing portfolio whilst taking advantage of the opportunity to relinquish Unit 4 NLBP. The Civic Estate, under review (e.g. NLBP 2 & 4 and Barnet House), amounts to 284,700 sq. ft. and the short term solution will reduce the estate to 100,000 sq. ft. and the medium term solution to circa 80,000 sq. ft.

The proposed short term solution is based on the surrender of NLBP4 and a decant in mid-2015 into NLBP2 and Barnet House (e.g. 100,000 sq. ft.)

Options are being developed for a longer term solution, including consideration of a bespoke new building. An options appraisal and recommendation will be put to the September meeting of this Committee.

The proposal exceeds the current savings included in the medium term financial strategy for CSG, and any additional savings will contribute to the additional budget gap for the period 2016-20.

- 2.1.3 The report outlines proposals for establishing a development pipeline on appropriate surplus Council land. It proposes that the aim of this pipeline should be to maximise financial benefits to the Council while responding to need for particular housing types.

2.2 Components of a strategic asset management plan

- 2.2.1 It is important that the Council takes a strategic approach to asset management. The strategic asset management plan is a document designed to set out the future direction for managing public assets within the London Borough of Barnet for the next five years. It will set out guidelines regarding both the intended state of the asset portfolio and the key parameters in relation to overall asset management. It will be used by Elected Members, Officers and Partner organisations to support/inform any decision related to property assets and should be treated as the key reference point to which all future decisions in relation to the property portfolio are referenced.

- 2.2.2 The main outputs of a Strategic Asset Management Plan are as follows:

- The delivery of a strategic approach to asset management;
- The creation of an office accommodation rationalisation strategy;
- The creation of an agile working strategy;
- A shared accommodation strategy with partner organisations;
- A community asset strategy, subject to a separate plan to be agreed by the committee in late 2014;
- A strategy for maximising returns from development opportunities; and
- An agreed common approach to asset disposal, acquisition, management and estate rationalisation.

- 2.2.3 The Council has an extensive and varied asset portfolio. The total asset value of the portfolio based on current book value (as at 31st March 2013) was over £1bn. This figure includes £0.6bn of social housing stock. Excluding the housing revenue account, the annual rental income received on the estate is

circa £3m per annum. The total cost of office accommodation is currently £8.6m per annum.

2.3 Principles of a strategic approach to asset management

2.3.1 The purpose of the Council holding assets is to support its corporate objectives by delivering services, generating income, making assets available for activities that support our objectives, and protecting the long term interest of the community. Holding assets will also support the objectives of the local plan and maintaining the built environment. The principles proposed for adoption by the Council in managing assets are as follows:

- The purpose of asset management is to support the Council's objectives;
- The Council's asset portfolio should be managed and considered as a whole rather than considering assets in isolation;
- That the asset management plan should drive a reduction in use of space to achieve savings;
- That the asset management plan should reduce running costs and increase energy efficiency;
- That the plan should maximise letting income, but this should be balanced against community or social value; and
- That efficiency should be achieved by sharing assets across the public sector.
- Supporting longer term regeneration and growth

2.3.2 Committee are asked to comment on the draft principles of asset management for consultation.

2.4 Asset disposal and acquisition principles

2.4.1 The proposed principles that the asset management plan will consider in relation to asset acquisition are as follows:

- The acquisition will make a positive contribution to the current delivery of Council services;
- The acquisition will make a positive contribution to reducing occupational cost;
- All other methods for the delivery of the service have been investigated and an option appraisal has been undertaken which highlights acquisition as the most economic and efficient means of service delivery;
- The acquisition of the interest has potential for future strategic regeneration and / or redevelopment, or contributes to wider corporate objectives and appropriate funding has been identified.

2.4.2 The proposed principles that the asset management plan will consider in relation to asset disposals are as follows:

- The asset no longer makes a positive contribution to the current delivery of Council services;

- The asset has no potential for future strategic regeneration and / or redevelopment purposes;
- An alternative site can provide a more cost effective and/or efficient point of service delivery;
- There is no adopted and resourced Council plan/policy/strategy, which will bring the asset into beneficial use in the foreseeable future;
- There is no potential for advantageous shared use with partners;
- Consideration of long term income streams as alternative to disposals.

2.5 Creation of an office accommodation strategy

2.5.1 The Council currently spends £8.6m per annum on office accommodation. A key element of the CSG contract is to reduce the cost of office accommodation by circa £3m per annum from 2015, with a detailed review carried out in the first year of the contract to develop a detailed plan for office accommodation.

2.5.2 The short term recommendation is to consolidate the Council's office accommodation into Unit 2, North London Business Park, and Barnet House. This would enable the Council to exercise a break clause in the lease for Unit 4, North London Business Park.

2.5.3 Options are being considered for the longer term, including the potential for new build office accommodation. An options appraisal and recommended way forwarded will be put to the Committee at its 8 September meeting.

2.5.4 The savings from consolidating into Unit 2 (NLBP) and Barnet House marginally exceed the guarantee set out in the Capita contract. Depending on the outcome of the review of longer term options, it is possible that further savings could be generated over the full term of the CSG contract.

2.6 Creation of an agile working strategy

2.6.1 Critical to achieving a reduction in space requirements to enable an exit from Unit 4 (NLBP) is improved space efficiency and agile working. This will be facilitated by the introduction of mobile technology for staff and the introduction of flexible working practices, to be in place by April 2015.

2.7 Shared accommodation with partner organisations

2.7.1 A key principle of the strategic asset management plan will be that opportunities for shared accommodation with partner organisations will be actively explored. This is likely to involve office accommodation, and also customer facing locations such as libraries, health centres and community centres.

2.8 Community Asset Strategy

2.8.1 The Community Asset Strategy will set out an approach to managing those assets that are available to the community for their sole use. It will not cover Council operational assets such as libraries, leisure facilities and parks which will be subject to separate strategies developed by the Council.

2.8.2 A detailed review of all community assets will be undertaken leading to development of a Community Asset Strategy for consideration by Assets, Regeneration and Growth Committee in late 2014. This strategy will be subject to consultation. This review and strategy will be guided by the following principles:

- The Council will generate a commercial yield on community assets, but this could be subsidised where an organisation is clearly supporting the Council's objectives or assisting with service delivery; and
- The Community Asset Strategy will prioritise utilisation of buildings and identifying opportunities for organisations to share and co-locate.

2.8.3 The Community Asset Strategy will also set out the approach to community right to bid, and explore how community assets can be used as a tool for encouraging community engagement.

2.9 Development Pipeline

2.9.1 In the past, surplus Council land has been sold, often for development. The proposed principles governing this development pipeline are:

- The decision whether to develop or sell a site, and what to develop on the site, should be based on assessment of what offers the best financial return to the Council while meeting need for different housing types. This might, for example, involve development of affordable or extra care housing, which offsets the costs of temporary accommodation or residential care respectively.
- While decisions will consider the Net Present Value of different options, the requirements of the Medium Term Financial Strategy may in some cases suggest that revenue savings are afforded a higher priority than Capital receipts.
- The Council will decide whether to develop using Barnet Homes, Re, or a third party developer dependent on the skills and specialisms required, and an assessment of the relative risk and reward of different options. Sites may be considered individually, or grouped into portfolios.

2.9.2 If the Committee approves these principles, they will be used to guide the development of proposals for consideration at the next meeting.

2.10 Next steps and timescales

2.10.1 This document will be consulted on over the summer with key stakeholders including elected members, community groups and partner organisations. The following decisions will then come back to the committee throughout the year:

September Committee:

- Strategic Asset Management Plan for approval
- Development pipeline for approval
- Office accommodation strategy – medium to long term options for consideration

December Committee:

- Disposals forward plan for approval
- Community Assets Strategy for approval

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 It is important that the Council has an up to date asset management plan in place. Within the asset management plan there are a number of key principles which are included in this paper. The paper is recommending an approach to asset management that maximises cost and energy efficiency across the operational estate and balances income maximisation with service delivery across the community asset estate.
- 3.2 The Council could take a more commercial approach to letting of community buildings, but this could have an impact on groups that deliver services in support of the Council's objectives. The Council could decide not to drive reductions in cost and increases in income elsewhere in the asset portfolio, but this would not be a sensible option particularly given the challenging financial climate.

4. POST DECISION IMPLEMENTATION

- 4.1 The next steps are set out in section 2.9. This document will be consulted on over the summer and the strategic asset management plan will come back to committee in September. A number of component parts of the overall asset strategy will also come back to committee.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 The Corporate Plan 2013-16 has a strategic objective to “promote responsible growth, development and success across the Borough”.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT,

Property, Sustainability)

- 5.2.1 The cost of the development of the strategic asset management plan and the component elements within this strategy are contained within existing CSG budgets.
- 5.2.2 Office accommodation rationalisation is a component of the MTFs saving for CSG for the years 2014-16. Any additional savings on office accommodation rationalisation above the amount in the current MTFs will support the committee in meeting the savings challenge for 2016-20.

5.3 Legal and Constitutional References

- 5.1.1 Council Constitution, Responsibility for Functions sets out the terms of reference of the Assets Regeneration and Growth Committee, including 'Develop strategies which maximise the financial opportunities of growth'.
- 5.1.2 The Council has general powers to dispose of and acquire property, contained in the Local Government Act 1972 and the Housing Act 1985.
- 5.1.3 A Strategic Asset Management Plan is envisaged by the Management of Assets, Property and Land Rules contained in the Council's constitution. The terms of reference of Assets Regeneration and Growth Committee include consideration and approval of non-statutory plans that concern asset management matters.

5.4 Risk Management

- 5.4.1 None in the context of this report.

5.5 Equalities and Diversity

- 5.5.1 Equality and diversity issues are a mandatory consideration in the decision-making of the Council. This requires elected Members to satisfy themselves that equality considerations are integrated into day to day business and that all proposals emerging from the finance and business planning process have properly taken into consideration what impact, if any, there is on any protected group and what mitigating factors can be put in train.
- 5.5.2 The projected increase in the borough's population and changes in the demographic profile will be key factors that need to be considered when determining both the corporate strategy and service responses. Both of these need to also reflect the aspirations and contributions of current residents
- 5.5.3 Similarly, all human resources implications will be managed in accordance with the Council's Managing Organisational Change policy that supports the Council's Human Resources Strategy and meets statutory equalities duties and current employment legislation.

5.5.4 In consulting on the principles of the strategic asset management plan over the summer we will seek to identify any particular impacts on protected groups that should be taken into account in developing the strategic asset management plan.

5.6 Consultation and Engagement

5.6.1 As set out in the main body of the report.

6. BACKGROUND PAPERS

6.1 None