



Haringey Council

Report for:	Cabinet – 7th February 2012	Item number	
Title:	Haringey Strategic Property Review 		
Report authorised by :	Director of Place & Sustainability		
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Wards affected: All	Report for non-key decision		

1. Issue under consideration

- 1.1. This report summarises the work currently being undertaken to assess future property needs and review the Council's asset holdings to determine options and strategies to achieve key regeneration and community priorities, generate capital receipts and release revenue savings through reshaping of the Council's property estate.
- 1.2. The report outlines the aims of the three streams of reviews;
- Council occupied buildings i.e. Offices and other service buildings.
 - Tenanted properties leased for community use i.e. Community Buildings.
 - Tenanted properties leased for business use i.e. Commercial Properties.
- 1.3. The scope of this property review excludes housing, schools, parks, open spaces and transport infrastructure. However, where appropriate the review will consider opportunities for any improvements in the use of resources through sharing, for example, community spaces available within schools and housing estates.

2. **Introduction by Cllr Goldberg, Cabinet Member for Finance and Carbon Reduction**

This strategic review aims to realise our ambitions for the borough's regeneration and mitigate the impact on residents arising from cuts in public sector funding by leveraging the Council's property assets to reshape and improve services.

3. **Other options considered** (Not applicable to this report).

4. **Recommendations**

4.1. Members are asked to note the aims and objectives of the property review work streams, discuss the approach being taken and comment on the desired outcomes for each portfolio category.

5. **Background Information**

5.1. Excluding housing, the Council's property estate has a capital value (for accounting purposes as at 31st March 2011) of around £0.5 billion of which just over £52.7 million is held for non operational purposes (i.e. lettings to businesses and community groups) and the remainder for the Council's occupation for operational use.

5.2. The aim of the Haringey Property Review is to maximise leverage of the Council's property portfolios to achieve the following key outcomes;

- **Place shaping** – enable and deliver regenerative property developments on Council land and facilitate borough regeneration plans through land assembly.
- **Social regeneration** – support the voluntary sector (strategy) by facilitating fairer access to buildings and community spaces.
- **Economic regeneration** – support employment and enterprise by ensuring suitable business premises are available and developed within Haringey.
- **Financial efficiency** – achieve revenue savings to help mitigate the impact of funding reductions and generate capital receipts to support capital investment priorities. Ensure the most effective use of the remainder of Council operational and non-operational assets.

5.3. To achieve these outcomes the property review is focusing on resizing and reshaping the Council's property portfolios through further rationalisation, taking account of reductions and changes in public services and the Council's establishment necessitated by the significant reductions in public sector funding.

5.4. The current reductions in funding and changes in service delivery highlight a number of fundamental shifts in the way the Council deploys its property assets in support of its objectives, with consequent impacts on longer term property strategy.

5.5. These can be summarised as follows:-

- A changing focus with public services increasingly delivered across a wide range of providers, including public, voluntary and third sector partners and private contractors.
- Less building-based service provision or disengagement from “non-core” provision leading to reduced portfolio requirements
- Transfer or leasing of premises - either as part of contracted, externalised or commissioned services, or in response to community demands (e.g. establishment of Free Schools).

Council occupied buildings

5.6. The key driver for this stream of the property review is to achieve significant efficiency and savings in premises budgets as part of the Haringey Efficiency and Savings Programme (HESP). In addition the review of Council occupied buildings also has the following objectives;

- Support the Council’s Customer Contact Strategy (Community Hubs)
- Support changes in the way the Council works (Re-thinking Haringey)
- Facilitate changes in service delivery arising from budget decisions
- Support other efficiency/collaborative initiatives (e.g. shared services).

5.7. As part of the Council’s budget setting for 2011-14, Cabinet agreed a budget reduction of £1.6 million from offices and other Council occupied buildings. This budget saving was based on the expected reduction in the Council’s establishment and reduction, changes or cessation of public services as a result of the reduction in public sector funding. In addition a further £0.5 million of budget saving from maximising the efficient use of property assets is included as medium term financial strategy for delivery in 2014-15.

5.8. The approach to the review of Council occupied buildings is as follows;

- Offices – extend the existing Office Accommodation Plan (centrally managed administrative buildings) by incorporating all other available office buildings. The aim of the review is to develop options for integrating use of these buildings to achieve further rationalisation and reduction based on an assessment of future needs and wider adoption of SMART Working.
- Other Council occupied buildings – review all other service buildings (excluding housing, schools, parks/open spaces and transport infrastructure) taking account of proposed changes to public services and the impact of budget reductions. The aim is to identify surplus properties for redevelopment or disposal by adopting a cross-service/portfolio approach to maximise the potential use of property assets.

Office Accommodation Strategy

- 5.9. The Council has for some years been implementing a rationalisation plan of the centrally managed office portfolio. The Office Accommodation Strategy is based on the administrative hub being centralised in Wood Green where accommodation is being provided on a flexible working basis as part of the Council's policy for SMART Working.
- 5.10. Implementation of the Office Strategy has already resulted in a reduction in the centrally managed offices portfolio achieved largely through the adoption of desk sharing at Wood Green and vacation of smaller buildings elsewhere.
- 5.11. Cabinet on 21st December 2010 agreed a revised office accommodation plan in response to the emerging financial pressures and the Council's drive for further efficiencies and savings ("Administrative Buildings Portfolio – review of plan"). The strategy also set out to curtail planned capital investment expenditure whilst continuing to maximise savings and efficiencies in office accommodation. To optimise the available space during the period of rationalisation, the Council also adopted the strategy of letting out vacant office space within occupied buildings to generate income and recover premises costs being incurred in keeping the buildings partly occupied.
- 5.12. Work continues in line with the Accommodation Strategy to adjust for the reduction in office-based staff and the decision to reduce the number of Customer Service Centres from four to two. The objective is to put forward options for further building disposals aimed at maximising financial efficiency, taking account of lease constraints and opportunities for regeneration.
- 5.13. To achieve further efficiencies and realise budget reductions already agreed, the review of the offices portfolio is being widened to incorporate all buildings being used by the Council for office functions, including those accommodating front line staff. In addition the benchmark for sharing of accommodation is being intensified through increased application of Smart Working methods (e.g. flexible working and space efficient office models).

Other Operational Properties

- 5.14. A number of operational properties (e.g. residential homes) are scheduled to become vacant as a result of some direct services ceasing. These properties are included in the scope of the review of Council occupied properties so that these can be subjected to a more comprehensive appraisal of options and potentially yield a greater rationalisation outcome and financial efficiency through revenue savings and capital opportunities.
- 5.15. A number of operational properties, for example leisure centres, are subject to service change projects and are therefore not included in the review. The property implications of these buildings will be an integral part of those projects but may at a later date be linked to this review (for example if any of the buildings become surplus to requirements as a result of the service review).

Community Buildings Review

- 5.16. The main aim of this review is to leverage the substantial portfolio of buildings leased for community use to facilitate regeneration and improve the support for Haringey's voluntary sector in line with the Voluntary Sector Strategy.
- 5.17. Due to varying historic practices the portfolio comprises a complex mixture of lease arrangements with varying terms relating to lease periods, rents, repairing responsibilities and security of tenure.
- 5.18. Although the original purpose of leasing out properties for community use was to meet the needs of Haringey's diverse communities and voluntary sector activities it is recognised that there remains an unmet need, especially within many of the newer and smaller sections of the community. Although new provision of Council owned properties is scarce there are concerns that the existing stock is not fully utilised and not widely accessible.
- 5.19. The Community Buildings Review in 2007 recognised that despite obligations for open access to community buildings leased by the Council, there were concerns about effective access, suitability and condition. It was agreed that future leases (new and renewal) should be based on standard terms with a presumption for a short term (maximum 5 years) and the Council taking responsibility for repairs (to reduce risk of non compliance and deterioration of buildings). However as the strategy was to migrate to the new model lease, as and when the current contractual arrangements came to an end, the current situation remains largely unchanged.
- 5.20. Key issues relating to the tenanted portfolio that require further review are;
- **Stock condition** – generally the portfolio is considered to be in poor state of repair overall, with limited capacity to invest.
 - **Community use** - some buildings could be made more generally available as a flexible resource.
 - **Utilisation** – some buildings may be under-utilised due to limited opening hours, lack of facilities to promote flexibility in uses and building condition.
- 5.21. The Council recently adopted a new Voluntary Sector Strategy which includes as outcome 5: *“Fairer access to assets and community spaces by providing support to enable Voluntary Sector organisations to access and to share high quality premises”*
- 5.22. Whilst there already appears to be a compelling case for rationalising the number of community buildings, more work needs to be done to understand the needs of communities and how best these can be met through any rationalisation and more effective use of buildings.

5.23. In addition to the tenanted community buildings the Council operates a number of buildings as community facilities and community spaces that are available from many other Council premises. These include schools, leisure centres, tenants' rooms, parks buildings and libraries. Additionally there are a large number of faith centres, clubs and organisations which are independent of the Council and provide facilities for community uses.

5.24. The approach to the community buildings review is as follows:

- Refocus the Council's strategy for the use and leasing of Council assets for community use as aligned with principles of the Voluntary Sector Strategy.
- Consult the voluntary sector on efficient and economic models for the provision of community spaces in Haringey.
- Assess the building stock condition and utilisation of the tenanted portfolio and other Council properties available for community use.
- Evaluate all buildings to identify opportunities for redevelopment and consider disposal options that could help realise or contribute to other Council objectives relating to regeneration and housing and employment.
- Develop options for increasing the efficiency and effectiveness of community building assets.

5.25. Details of the community buildings consultation are yet to be defined, but will broadly seek the views of community groups on how to achieve outcome five of the voluntary sector strategy and in particular how the Council might facilitate increased sharing of spaces and facilities amongst community groups.

Commercial Property Review

5.26. The aim of this review is to leverage the Council's commercial properties to support economic and physical regeneration plans and employment opportunities for the borough by aligning more closely to current priorities and needs. In addition the review also has the following objectives;

- Financial – address under-occupancy, specifically at Technopark.
- Condition – consider options for improving some of the industrial estates and commercial buildings to contribute to environmental improvements.
- Management – consider options for future management of the portfolio.

- 5.27. The commercial portfolio was examined in 2007/8 by an external surveying company concluding that the financial performance was at or above the average for the sectors. It was noted that although the commercial portfolio was held for social objectives relating to enterprise and employment the focus on performance management was mainly financial. The review also proposed options for future retention and management of the portfolio if the Council wished to pursue specific objectives in relation to estate regeneration or financial divestment. In relation to the in-house management of the portfolio the review identified the need for addressing backlog but did not recommend outsourcing in isolation of the wider options for future retention and development.
- 5.28. Although the management issues identified in the 2007/08 review have been addressed, the recent impact of the recession on the income from the portfolio has brought the issues raised back into focus. In addition the opportunities and priorities arising from the borough's regeneration plans mean that there is a need to review the commercial portfolio again.
- 5.29. The approach to this review is to carry out a high level desktop refresh of the previous review and assess key parts of the portfolio within the borough's regeneration areas. The aim is to identify priorities for detailed review and consider the broader policy choices relating to future retention and objectives. Included within this will be an early review of the options for improving the use and performance of Technopark.

Next Steps

- 5.30. Detailed work is underway to prepare options in consultation with Members as follows;
- Council owned buildings – by April 2012 options appraisal to agree revised plans for disposals and retention with financial implications to enable implementation over the period 2012-15.
 - Community Buildings – by May 2012 prepare a draft refocused strategy and options for future use of the community buildings portfolio and proposals for consulting the voluntary sector. Plans for implementation will be devised as part of the next phase once the options have been considered by Cabinet.
 - Commercial Properties – by July 2012 prepare options for the future retention, divestment and management of the commercial portfolio.

6. Comments of the Chief Financial Officer and Financial Implications

- 6.1 The Council's Medium Term Financial Plan incorporates very challenging revenue savings and capital receipts targets linked to the expectation that the Council's property holdings will be reduced, and surplus capacity will be disposed of at best value.
- 6.2 The revenue savings commitment is for around £2m of savings to be delivered over the next three years through a reduction in property holdings.

- 6.3 The report acknowledges that these challenging targets can only be met if the property review moves beyond the original focus of the 2010 Accommodation Strategy to incorporate:
- Refreshed floor space rationalisation targets, higher occupancy targets to be adopted and achieved through SMART working, and the consequent release for disposal of surplus office accommodation.
 - A review of all other service holdings (excluding housing, schools, parks) with a view to disposal of under used assets
 - A rationalisation of the community building portfolio, and disposal of community assets which do not support the voluntary sector strategy
 - An options appraisal to decide between retention, divestment or alternative management of the commercial property portfolio with a sharper focus on value for money and financial efficiency for the Council.
- 6.4 The Council's 3 year capital programme, subject to approval by Council as part of the Medium Term Financial strategy is also heavily dependant on the achievement of future capital receipts from property disposals. Just over £27m of capital receipts are required to support the planned programme. Should this level of receipts not be achieved, reductions to the programme will be necessary, and the Council's ability to deliver regeneration, improved infrastructure and other capital investment objectives will be compromised.
- 6.5 It is recognised that there is a balance to be struck between making financial savings and supporting the voluntary sector by providing community spaces, therefore any future reports should demonstrate both the benefits of supporting the voluntary sector against the opportunity cost of any capital receipts foregone in order that Members can make an informed decision."
- 6.6 It is recognised that delivering structural change to the property portfolio will in the short term also require investment to secure SMART working, adapt existing office accommodation, and also allow for divestment and disposal costs. A capital budget of £1.4m in 2012/13, with further indicative budgets in the following 2 years totalling £1.2m are proposed to cover these costs. At this point it is assumed that the revenue costs of the various reviews can be met from existing resources.

7. Comments of the Head of Legal Services and Legal Implications

- 7.1 There are no specific legal implications at this stage. However for each of the detailed reviews there will be a need to consider legal implications for any proposed changes to the council's property interests, for example in relation to leasing arrangements, property disposals and any change of use.

8. Equalities and Community Cohesion Comments

Equalities and community cohesion implications of emerging proposals will be considered and impact assessments carried out wherever appropriate.

9. Policy Implications

9.1 The proposed approach to dealing with properties is consistent with existing corporate asset policy as set out in the Asset Management Plan.

10. Uses of Appendices (None)

11. Local Government (Access to Information) Act 1985

Background papers

Reports to Cabinet:-

21st December 2010: Administrative Buildings Portfolio - Review of Plan

26th January 2009: Commercial Portfolio Review

23rd January 2007 - Council's Community Buildings Portfolio

Council's Asset Management Plan

