



Haringey Council

Agenda Item

[No.]

Overview and Scrutiny Committee

On 6th December 2010

Report Title. **Asset Management - Information Report**

Report of: **Director of Corporate Resources**

Signed : *J Power 16/11/10*

Contact Officer : **Dinesh Kotecha**
Corporate Property Officer/Head of Corporate Property Services
Tel: 020 8489 2101
dinesh.kotecha@haringey.gov.uk

Wards(s) affected: All

Report for: Non-key

1. Purpose of the report

- 1.1. The Overview and Scrutiny Committee as part of its work programme, has requested an information report on Asset Management.
- 1.2. The report focuses on property assets, summarising current portfolios and management arrangements, and updates the Committee on progress since its previous in-depth review of Asset Management in 2004-5. The report also highlights current issues and challenges in the management of property assets.

2. Introduction by Cabinet Member

- 2.1. The report shows the significant improvements made in managing the Council's property assets since the in-depth Scrutiny Review which reported in 2005. The corporate approach to asset management has been further strengthened, so that decisions about assets can be made in the context of the Council's overall objectives and priorities. Equally, through implementation of the Corporate Landlord model for operational buildings, the Council now has a single point of asset management expertise enabling day to day management and spending on assets to be better co-ordinated and prioritised.

2.2. Recent years have seen major investments in the Council's assets, particularly housing stock and schools and increased efficiency in the use of retained buildings through the Smart Working programme. However the report necessarily highlights the challenges that lie ahead as the economic climate and Comprehensive Spending Review continue to impact on the Council's asset management objectives.

3. State link(s) with Council Plan Priorities and actions and /or other Strategies:

3.1. In addition to the provision of premises from which the Council can deliver effective services, property assets are deployed in a number of ways in support of Council objectives:-

A Thriving Haringey

- Acting as a catalyst for regeneration initiatives through the deployment or disposal of surplus Council property, often working with external partners, ,
- Supporting the local economy and local business , particularly Small and Medium Enterprises (SMEs) through provision of commercial premises
- Supporting community and third sector activity through the provision of local premises and community buildings

A Cleaner, Greener Haringey

- Providing local leadership for the sustainability agenda by reducing energy costs and increasing re-cycling in Council-run buildings

Delivering High Quality Efficient Services

- Reducing Council revenue expenditure through savings in running costs, more efficient use of premises and rationalisation of the portfolio.
- Providing office accommodation which uses space flexibly and efficiently and supports modern ways of working
- Releasing capital value from surplus or redundant assets so that resources can be re-directed to other Council priorities.
- Supporting changes to ways of delivering services across local public services

4. Recommendations

4.1. That the report be noted.

5. Reason for recommendation(s) (N/A)

6. Other options considered (N/A)

7. Summary

7.1 Asset Strategy

7.1.1 The Council's Asset Strategy is underpinned by the overall aim which is to only hold assets that are required for immediate or future service delivery, contribute to the achievement of corporate objectives and priorities or, if there is some strategic value in retention, to enable the Council to facilitate or influence wider borough plans for social, economic and physical regeneration.

7.1.2 Building on the review commissioned by the Overview and Scrutiny Committee in 2004/05 and the subsequent development of the corporate Asset Management Plan thereafter, the Council has reviewed and confirmed or set out the strategic purpose of each of the portfolios so that continuing retention and improvement can be properly considered.

7.1.3 In summary the Council has set out the following key reasons for holding property assets;

- To deliver public services (e.g. schools, libraries, leisure centres, day centres, museums, sports and parks pavilions, community centres)
- To reduce homelessness by providing a supply of affordable housing directly, in partnership with Registered Providers and through supply of land and property to enable developers to expand the general housing supply.
- To encourage the delivery of public services by community and voluntary sector organisations and facilitate partnership working by providing a supply of community spaces and buildings (not otherwise available through the voluntary and private sectors).
- To encourage enterprise, creation of employment and facilitate inward investment to the borough through the supply of a range of commercial properties within the borough (not otherwise available through the private sector)
- To exercise control and influence over future regeneration of the borough and facilitate key developments through retention of property interests for the longer term.
- To contribute to the Council's financial strategy by providing core property needs economically, generating revenue income and raising a flow of capital receipts to support investment priorities.

7.2 Property Asset Base

The Council's total property asset base (land and buildings) is currently valued at £1.6 billion. In management terms, there are effectively four distinct portfolios: housing stock, schools/educational buildings, operational buildings and commercial premises (the latter including leased community buildings). Attached at Appendix 1 is summary information on values, the types of properties held and current portfolio management arrangements.

7.3 To enable the Committee to consider the current approach to asset management and discuss issues of interest or raise questions on the priorities, this report gives a summary of the corporate processes, management responsibilities for the portfolios and a summary of the programme in relation to;

- Investment and Renewal
- Review, Rationalisation and Disposals
- Supporting Regeneration
- Sustainability and Efficiency
- Working with Partners and the Community Sector

7.4 The report also sets out some of the key issues and challenges currently affecting asset management.

7.5 Corporate Approach to Management of Property

7.5.1 The Council's primary aim as set out in its Asset Management Plan is to only hold assets that are required for immediate service delivery or contribute to the achievement of corporate objectives and priorities in the longer term. The current Asset Management Plan re-states the following principles:-

- All Council assets are corporately owned and subject to corporate policies regardless of the management arrangements.
- Decisions on acquisitions, disposals and changes in operational use of all assets require corporate approval.
- Proceeds from disposals of assets are to be allocated in accordance with existing policy in the Capital Strategy.
- Allocation, occupation and use of all assets should be in accordance with corporate standards.
- Use and performance of all assets should be measured and reported in accordance with corporate standards.

7.5.2 At officer level, the formation of the Capital and Asset Strategy Board in 2009 (jointly led by the Head of Corporate Property and the Lead Finance Officer) has further strengthened the corporate approach by bringing together capital financing and asset management. For instance the identification of properties as surplus to service needs and suitable for disposal will be subject to consideration of service needs, asset management and capital financing implications. There is also an inter-departmental Property Management Compliance Board which engages services (as clients) on day to day building management issues, particularly statutory requirements.

7.5.3 The recommendations of the earlier in-depth scrutiny review of Asset Management in 2004-5 focused predominantly on the need to implement plans then underway to replace diverse building management arrangements with a single Corporate Landlord model. This model has been fully implemented since 2007 and day to day repairs and maintenance of all premises (other than housing stock and schools/educational buildings which have separate arrangements) are now handled by a Corporate Landlord function within Corporate Property Services.

Particular benefits have been:-

- Establishment of a Property Helpdesk– providing a single point of access for reporting building issues across the Council and, where applicable, for commercial or community building tenants.
- Streamlining of processes, including an on-line database with a single managing agent delivering and managing service contracts and maintenance activities. The data collected also enables targeting and prioritisation of repair and maintenance programmes.
- A consistent and coherent approach to repair and maintenance for operational buildings and for leased buildings where the Council has repairing responsibilities. This includes single prioritised repair and capital investment programmes.
- Concentration of building management expertise in one place which relieves other services of these responsibilities, freeing them up to concentrate on service delivery.
- Co-ordination of statutory building compliance work (e.g gas/water/ electricity safety testing, fire certificates and completion of adaptations required by the Disability Discrimination Act 2003).

7.6 Investment and Renewal

7.6.1 Housing

The Committee will be familiar through other reports it considers, with the major programme of investment in Housing Stock (£198.5m). This programme is in its third year (due to complete in 2014) and 75% of housing stock now meets the Decent Homes standard. High levels of satisfaction in the programme have been recorded from Council tenants.

7.6.2 Children and Young People's Service -

The Building Schools for the Future Programme has seen the provision of a new Sixth Form Centre and Secondary School as well as physical improvements to existing schools allowing the extension of the services available from school buildings. The last of eighteen new Children's Centres is due to complete in March 2011, offering a range of services, support and advice to young children and their parents and carers. The Primary and Pre Schools capital programme has involved the expansion of a number of primary schools to meet increasing need. The new Inclusive Learning Campus being built at Broadwater Farm to support primary and special school pupils will be the first of its kind nationally. It is described as an 'inclusive learning campus'; because it will bring together children with different educational needs and will include:

- A 100 place special school formed by the primary departments of William C Harvey and Moselle special schools
- A two form of entry primary school; Broadwater Farm Primary School
- The existing Broadwater Farm Children's Centre

7.6.3 Leisure Centres – Investment of £2m over the last four years (mainly through Prudential Borrowing) has seen increases in both usage (up 13%) and membership of Leisure Centres (up 57%) as well as reductions in energy costs.

7.6.4 Parks - Investment of £11.3m in parks and open spaces over the last four years (over 60% of which was externally funded) has seen the number of Parks awarded Green Flag status increase to nineteen. Recently, following a successful bid, Heritage Lottery Fund grant of £3.8m has been confirmed for a major refurbishment of Lordship Recreation Ground.

7.6.5 Adult Services - Under its Older People's Strategy the Council has disposed of all out-borough residential homes for older people, investing instead in a new home within the Borough combined with a policy of delivering services enabling older people to remain independent in their homes as far as possible. In response to recognised need, the new Haynes Day Centre for people with dementia has recently been developed.

7.6.6 Libraries - Major investment schemes in recent years have included the refurbishment of St. Ann's Library including provision of new community facilities and the recently completed re-modelling of Coombes Croft library (with Heritage Lottery Fund grant).

7.6.7 Operational, Commercial and Community Buildings - Capital investment in repairs and maintenance has been targeted at achieving statutory compliance and maintaining the building fabric so that the delivery of services is not interrupted. Whilst addressing backlog repairs, this has also been strategically aligned with measures to reduce energy consumption and CO2 emissions as part of the Council's Greenest Borough strategy.

7.6.8 A major project has been the refurbishment of office accommodation in support of the implementation of Smart Working to provide modern office environments and make increasingly efficient use of office space. In re-modelled offices there is now a standard ratio of workstations to staff of 7:10 and the space used per employee has reduced from 9.8m² in 2004 to 7.7m² currently.

7.7 Review, Rationalisation and Disposals

7.7.1 In accordance with the principles set out in the Asset Management Plan, portfolio reviews are undertaken periodically and individual properties reviewed when service delivery strategies affect asset requirements or services report assets as surplus to their own requirements. These reviews enable the Council to align the use of its assets to corporate priorities and to identify opportunities for releasing the capital value tied up in surplus properties so that it can be re-directed to other Council priorities. A flowchart of the review process is attached at Appendix 2.

Recent and on-going asset reviews include:-

7.7.2 Smart Working/Accommodation Strategy The rationalisation of office accommodation has so far seen the disposal of eight redundant buildings, generating capital receipts on disposal of freeholds or savings on rent if the building was leased. This has triggered subsequent regeneration of some sites on which around 110 new homes (68 affordable) have since been provided. In addition to disposals in progress such as Tottenham Town Hall, the Council has

earmarked more office buildings for disposal in the next phase of the Accommodation Strategy to 2012/13.

7.7.3 Commercial Portfolio - The Commercial portfolio was reviewed in 2008. The independent reviewer concluded that most (93%) of the portfolio met Council objectives and that overall its financial performance (rate of return) was above the industry benchmark. Opportunities for divesting of properties from the portfolio in favour of other options such as re-development are considered on a case by case basis. For instance, the Cabinet has recently approved disposal of commercial units in Gourley Place N15 and Lymington Avenue N22 which will enable wider regeneration schemes to proceed.

7.7.4 Leased Community Buildings - A review of community building leases was reported to Cabinet in 2007 with the aim of adopting a uniform approach, particularly to lease length, review periods and respective tenant/landlord responsibilities. The clarification of responsibility for repair and maintenance responsibilities is particularly important in safeguarding the condition and capital value of these buildings. A standard lease was agreed and work continues on introducing the new lease within Landlord and Tenant Act provisions as existing leases come up for renewal.

7.7.5 Disposals programme In the last seven years capital receipts exceeding £50m have been achieved. In addition to redundant operational buildings, the programme, which is monitored by the Capital and Asset Strategy Board, also includes housing properties and commercial properties which are unsuitable for the portfolio (e.g. are uneconomical to repair or could be of more benefit if redeveloped). A smaller and reducing proportion of capital receipts arises from the statutory Right to Buy provisions for council tenants. The capital receipts generated are made available for reinvestment in priority projects through the capital programme.

7.8 Supporting Regeneration

7.8.1 The Council seeks opportunities to use its land to achieve wider corporate objectives by:

- Using major disposals as a trigger for significant long term regeneration schemes (e.g. Hornsey and Tottenham Town Halls and Hornsey Depot, Gourley Place).
- Working with major development partners on site assembly through direct disposal of individual Council owned properties (e.g. at Wards Corner, Northumberland Park) or securing Compulsory Purchase of other properties.
- Disposing of surplus land to boost capital funds for re-investing in Council services.

7.8.2 The Cabinet in September 2009 also agreed to investigate the establishment of a Local Asset Backed Vehicle (LABV) which would pool the Council's surplus assets to stimulate and support a major regeneration and housing investment programme. *(A further report on this is planned for Cabinet in December 2010).*

7.8.3 Major disposals of Council properties are progressing as follows:-

7.8.4 Hornsey Town Hall – The Hornsey Town Hall Renaissance Project involves the refurbishment and conversion of this Grade II* Listed Town Hall building into a centre for cultural and enterprise activities to the benefit of the community.

Asset Management main objectives include;

- Restoration of the Town Hall in a way that respects its listed status and safeguards its future by providing financially sustainable spaces fit for purpose.
- To facilitate cultural, community and other activities in the Town Hall, provide public access to the building and make a positive contribution to the local and wider economy.

The refurbishment project will involve new facilitating residential accommodation to the rear of the building. The project now has outline planning consent and work is underway on developing a viable and sustainable business plan to ensure effective asset transfer for community use.

7.8.5 Tottenham Town Hall – Refurbishment of this Grade II Listed building is taking place alongside transformation of the adjoining site to provide new homes, business units and community facilities. On completion, the asset will transfer to the development partner, a Residential Social Landlord. Restoration work to protect the heritage parts of the building is nearing completion, expected by December 2010. Development of flats and houses to land at the rear will then follow.

7.8.6 Hornsey Depot - Re-development of this surplus site in partnership with Sainsbury's will provide over 200 new homes (50% affordable) and a supermarket. Following approval to a Land Agreement the next stage (securing a developer) is now underway.

7.8.7 Strategic Sites

The Council also contributes to key regeneration schemes by freeing up or disposing of its own property or through supporting action to acquire property in order to achieve the necessary land assembly. Examples are Wards Corner, Haringey Heartlands and the Northumberland Park/Tottenham Hotspur schemes.

7.9 Sustainability and Efficiency

7.9.1 Effective mapping means the Council can now identify energy consumption across the organisation in greater detail. Major projects at high consumption sites include:

- Energy saving equipment such as voltage optimisation and variable speed controls (e.g. for fans) at key sites including leisure centres
- Installation of swimming pool covers and replacement of filtration equipment.
- Lighting controls at three sport centres, the Council's Professional Development Centre and some offices.

- Boiler replacement with more efficient models and controls upgrade at nine corporate sites.
- 'Switch-off' campaigns led by Green Champions, projecting energy savings up to 8% per building.
- Installation of photovoltaic panels on four schools within the Muswell Hill Low Carbon Zone
- In addition to energy saving improvements included in the Decent Homes programme and other projects to install energy saving measures, Homes for Haringey has also run campaigns to encourage energy-saving by Council tenants.
- Energy awareness training in schools and a sustainable investment fund to support installation of energy-saving equipment in schools.
- Projects are underway on ambient temperature and the Council is also exploring new energy technologies (e.g. combined heat and power).

7.10 Working With Partners and the Community Sector

7.10.1 There are several examples where multi-agency services have been co-located to provide a single access point (e.g. the Haynes Day Centre for people with dementia) or where partner agency services can be accessed through Council facilities (e.g. Health Services advice available in libraries). These tend to be individual service led improvement initiatives. Any larger scale sharing of services or functions on a structural basis would require a significant re-assessment of asset requirements and use.

7.10.2 Working with community partners, particularly with Haringey Association of Voluntary and Community Organisations (HAVCO), the Council is exploring ways of widening use of the range of community assets across the borough and an event was held in July this year with community, voluntary and third sector representatives. Through a number of workshops the attendees considered how suitable community spaces could best be developed for the delivery of services and community facilities and the different building management models that could apply.

7.11 Issues and Challenges

7.11.1 i) Economic Climate and Market Conditions

7.11.2 Disposals

Some projects have been postponed since 2008 as a result of economic conditions and market uncertainty and it is unlikely that, despite best efforts, the values that were being mooted in late 2006 to mid 2007 will be realised again, at least in the medium term. There are some encouraging signs of longer term stability and a slowing in decline and Corporate Property Services has since begun to test the market through various means with preparatory work underway on further disposals, particularly those supporting wider regeneration objectives.

The Comprehensive Spending Review and reduced grant funding from the Housing and Communities Agency to Registered Social Landlords (RSL's) will impact on land disposals where a primary objective is affordable housing. It is

anticipated that RSL's will seek significant discounts or indeed land transfers at nil value, in effect representing an increased capital contribution from the Council.

7.11.3 Commercial portfolio

The current recession has continued to impact on local business and has discouraged the start up of new businesses. Both existing and potential tenants have been affected and the loss of local enterprises also affects job opportunities for residents. A strategy is in place to manage the impact on commercial income and lettings and to reduce as far as possible, the effects on tenants. A measured approach has been adopted to support existing and new tenants through a number of mechanisms including:- phased rents, flexible leases and payment plans.

7.11.4 ii) **Investment Need**

Recent years have seen significant investment in Schools and Housing stock and other buildings such as libraries and adults facilities. Additionally the Corporate Landlord model has improved the co-ordination and targeting of programmed capital investment in operational buildings which is important for maintaining buildings in satisfactory condition. It is anticipated that there will be fewer capital resources available in the foreseeable future, requiring review of spending priorities and sources of capital funding.

7.11.5 **Sustainability targets**

The Council has an ambitious target of 40% reduction in CO2 emissions to which the Council's asset base will contribute. Achievement of some of this reduction will rely on investment in new technology, equipment and materials which is likely to be subject to overall budget constraints.

7.11.6 **Other Factors**

It is anticipated that the Comprehensive Spending Review and emerging government policy will impact on assets in a number of ways:-

- Increasing emphasis on the rationalisation and sharing of services and assets across public sector agencies.
- Greater focus on voluntary and third sector provision and the Council's enabling role in this, including provision of premises from which to operate.
- Continuing budgetary constraints and the need to further prioritise expenditure on property assets.

8. Chief Financial Officer Comments N/A

9. Head of Legal Services Comments N/A

10. Equalities & Community Cohesion Comments

10.1 The planning and delivery of assets which are fit for purpose is vital to the delivery of effective services to residents. Utilisation of assets in support of key regeneration schemes contributes to increased affordable housing provision and local area improvements for some of the most disadvantaged communities. The provision of commercial units also provides opportunities for local enterprise and employment across Haringey's diverse population and is important to the start up of small local businesses.

11. Consultation (N/A)

12. Service Financial Comments

12.1 As an information report, there are no specific financial implications. However the use and management of assets has a significant contribution to make to the efficient use of resources by the Council and in the case of asset disposals, supplementing the funding available for capital programme projects. Some aspects of asset management are particularly vulnerable to economic climate and market conditions and the issues arising are set out in section 7.11.

13. Use of appendices /Tables and photographs

13.1. Appendix 1 – Asset base summary

13.2. Appendix 2 - Property Review process - Overview

14. Local Government (Access to Information) Act 1985

14.1. Documents used in the preparation of this report:

Corporate Asset Management Plan

Reports to Overview and Scrutiny Committee -

Asset Management Update – 27th March 2007

Commercial Property Portfolio – 27th October 2008

Reports to Cabinet

Council Community Buildings Portfolio – 23rd January 2007

Commercial Property Portfolio Review – 26th January 2009

APPENDIX 1

1. Asset Base Summary

(Values as stated in Accounts for year ended 31.03.10)

	No. units/properties		Value	Value
	2009/10	2008/9	31/03/10 £'000	31/03/09 £'000
ASSETS				
Council Dwellings (including garages)	16,259	16,323	1,109,462	1,057,294
Operational buildings (total)			448,882	518,389
Administrative buildings	24	26		
Under 5's Centres	8	4		
Primary schools	41	41		
Secondary schools	8	7		
Sixth Form Centre	1	1		
HALS/Youth buildings	5	5		
Nursery schools	3	3		
Play centres	7	8		
Pupil referral units	3	3		
Libraries	9	9		
Sports and Leisure Centres	4	4		
Coroner's Court	1	1		
Children's homes and hostels	3	3		
Homes for older people	4	4		
Homes for people with learning disabilities	3	3		
Day nurseries and family centres	1	1		
Day centres for older people	4	4		
Day centres for people with mental health problems/disability	5	5		
Cemeteries & Crematoria	3	3		
Depots	4	4		
Museums	1	1		
Community Assets			6,979	86
Leased Community buildings	42	43		
Parks and open spaces	167	167		
Allotments (plots)	1,647	1,647		
Investment properties			53,640	51,297
Commercial premises				
Office	126	126		
Light industrial	237	237		
Retail	240	240		
Surplus assets held for disposal			10,496	38,414
Assets under construction			33,106	54,155
TOTAL			1,662,565	1,719,635

2. Out of Borough Properties

Waltham Cross Housing Estate	90 units managed by Homes for Haringey as part of overall housing stock management.
Weir Hall Road N18 - on the Enfield side of the Borough boundary	189 units managed by Homes for Haringey as part of overall housing stock management.
Craven Park Road/Maple Close N15	130 units managed by Homes for Haringey as part of overall housing stock management.
Pendarren Outdoor Education Centre	Managed through Children's and Young People's Service
Bull Lane/Pasteur Gardens – (former school playing fields located in Enfield)	Routine planned maintenance and pitch bookings in respect of Bull Lane are managed by the Parks Service.
Enfield Crematorium	Services managed by Adults, Culture and Community Services. Day to day building repair and maintenance by Corporate Landlord (Corporate Property Services)
Miscellaneous properties	There is a small number of individual housing units, managed by Homes for Haringey and located in adjoining boroughs (e.g. as a consequence of earlier boundary changes)

3. Portfolio Management Arrangements

Portfolio	Management Arrangements	Other information
1. Housing stock	Homes for Haringey manages stock on behalf of the Council.	Homes for Haringey produces a separate Asset Management Strategy/Plan. Major investment in stock through the Decent Homes Programme is due to complete in 2014.
2. Operational properties (all buildings except housing stock and schools/sixth form centre and children's centres).	Corporate Property Services deals with revenue and capital repair and maintenance. Services retain responsibility for specialist maintenance (e.g. pool filtration equipment). There is a landlord/tenant relationship between these services and Children and Young People's Services (CYPS). Respective responsibilities are defined in line with the established CIPFA model which is a government requirement. Generally this involves local managers having responsibility for day to day building management whilst responsibility for major capital works (e.g. extensions, refurbishments) rests with CYPS. The Property Team within CYPS offers advice to schools on property management matters.	Administrative buildings continue to be rationalised under Smart Working (Accommodation Strategy). There is an Open Space strategy and Parks Asset Management Plan covering investment in parks and open spaces.
3. Schools, Sixth Form Centre and Children's Centres	There is a landlord/tenant relationship between these services and Children and Young People's Services (CYPS). Respective responsibilities are defined in line with the established CIPFA model which is a government requirement. Generally this involves local managers having responsibility for day to day building management whilst responsibility for major capital works (e.g. extensions, refurbishments) rests with CYPS. The Property Team within CYPS offers advice to schools on property management matters.	There is an Asset Management Plan for schools in line with Government expectations as to good practice.
4. Commercial (including leased Community buildings)	Managed by the Council through Corporate Property Services.	Depending on conditions of their lease or service agreement, tenants can report building issues through the Property Helpdesk.

STRATEGIC PROPERTY REVIEW - Overview



