

Item No. 16.	Classification: Open	Date: 13 December 2016	Meeting Name: Cabinet
Report title:		Asset Management Plan for the Commercial Property Estate	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Fiona Colley, Finance, Modernisation and Performance	

FOREWORD – COUNCILLOR FIONA COLLEY, CABINET MEMBER FOR FINANCE, MODERNISATION AND PERFORMANCE

The council's commercial property estate is comprised of a wide variety of shops, offices, industrial buildings, community centres and more. It generates more than £11m of income each year to support our provision of public services, particularly housing services as many of the premises are located underneath council homes.

This Asset Management Plan sets out with transparency and clarity our policies as a landlord, our management arrangements and our plans for the future. In doing so it builds on the review undertaken by of overview and scrutiny committee and audit reviews of the service.

It reiterates our market rent policy whilst affirming our commitment to being a reasonable and responsible landlord to both our commercial and voluntary and community sector (VCS) tenants. It sets out our current approach on VCS premises and outlines the work we are doing with the sector to review that approach following the agreement of the new tripartite VCS strategy.

Southwark Council is also a landlord that considers the impact our choice of retail tenant makes to the vibrancy and affordability of shopping on our high streets, local parades and estates. We have already taken steps to reverse the dominance of payday lenders and betting shops by excluding those uses from our lettings policy and these policies will continue.

Over the last two years I have been in ongoing discussion with Councillor Leo Pollak and the Blue Bermondsey BID about the council's approach to lettings at The Blue and on Southwark Park Road. Unusually the council is the dominant commercial landlord in this town centre, as the majority of the shops are underneath council flats, and whilst the town centre itself is not in a regeneration zone, it is close to the developments at Bermondsey Spa and the forthcoming Grosvenor Estate redevelopment of the Biscuit Factory.

We see this as an exciting opportunity for the council to pilot a new approach to our retail lettings. One where we work in partnership with the local community to more actively curate the town centre with a view to enhancing the medium to long term vitality and sustainability of the town centre and achieving best value for the council from our estate.

RECOMMENDATIONS

1. That cabinet approves the asset management plan (AMP) for the commercial property estate contained in Appendix 1 of this report, including:
 - A clear strategic direction and performance management arrangements for the portfolio
 - a pilot letting scheme for the Market Place/Southwark Park Road area (“the Blue”)
 - actions identified through the recently completed Southwark Voluntary and Community Sector Strategy 2017-2022.
2. That cabinet notes the new AMP presents a refreshed approach to achieving a vibrant and sustainable commercial property estate, encompassing work by members and officers, review by overview and scrutiny committee and fully responding to recommendations made by the council’s internal auditors in their reports of January and September 2016.

BACKGROUND INFORMATION

3. The council owns a valuable commercial estate, including shops, business premises and miscellaneous other properties. The majority of these are owned freehold, introducing both flexibility and strategic potential to the management of the estate.
4. The assets are managed to generate income and market rents are charged in new lettings, at rent review and upon lease renewal. Officers forecast that £11.6 million will be produced from this source in the current financial year. Approximately 65% of this income is for the benefit of the Housing Revenue Account and the remainder is received into the General Fund.
5. The estate also fulfils non-financial objectives such as providing a range of accessible, affordable local services and facilities to residents. The majority of the shops in the retail portfolio are in parades of 10 units or fewer and are strongly geared to the communities they are situated in (shops on or near housing estates for example).
6. The other area of note is in providing accommodation opportunities for the VCS (see paragraph 12 below) and supporting the aspirations of Southwark’s Economic Wellbeing Strategy 2012-20.
7. In some cases the council’s freehold ownership provides strategic, regeneration and new homes opportunities where it is viable to do so. As a result the composition of the estate has changed and continues to do so, with existing assets released for alternative uses and new assets created, through the Southwark Regeneration in Partnership Programme, for example which will see the return of a number of new commercial properties to the council for letting.

KEY ISSUES FOR CONSIDERATION

8. The new AMP for the commercial estate supplements the Corporate Asset Management Plan previously agreed by cabinet, adding to this overarching strategy an additional layer of operational detail with regard to the tenanted non-residential

assets that make up the portfolio.

9. The strategy provides a framework for the management of the council's commercial properties over the next five years, after this the plan will be fully reviewed. In the meantime performance will be monitored on a regular basis and additional detail may be added to reflect the evolving nature of the portfolio and influences upon it (regeneration, economic, financial, legislative, best practice, etc.), by way of additional reports to cabinet, individual decision making and internal procedures.
10. The AMP describes the composition of the estate and covers in depth the following areas:
 - Portfolio management arrangements, including governance and resources
 - Rent policy (market rent) and income
 - Addressing debt
 - Procedures for letting vacant premises and the approach to tenant selection.
11. It concludes by reviewing the commercial portfolio on an asset class by asset class basis and making recommendations for each. This is followed by a summary of performance indicators and reporting arrangements to support the sustainable management of a successful portfolio of commercial assets, looking in turn at financial performance indicators, strategy and management practices.

Voluntary and community sector

12. The commercial portfolio includes 70+ properties that are occupied by VCS organisations. This excludes the many other community facilities used as tenants and residents halls. The property team has engaged fully in the recent review of the voluntary and community sector strategy, developed through tripartite collaboration involving the VCS, Southwark Council and NHS Southwark Clinical Commissioning Group.
13. The report considers obstacles to facilitating the supply of appropriate premises to the VCS, looking at how the sector can use premises more effectively, and share the assets that are available. Workstreams will now be brought forward to develop new approach to facilitate this, acknowledging nevertheless that there are competing demands from various sectors (regeneration, culture, affordable business space, etc.) to reconcile.
14. Officers have shared with Community Southwark information about council premises occupied by the VCS, and the basis on which they occupy, to help establish a clearer picture of how organisations can best be supported to manage financially and to utilise and share premises, and to explore how current provision compares to new and emerging demand.

Policy implications

15. The council's overarching plan for the prudent stewardship of its property assets, geared to the achievement key corporate outcomes in the Council Plan is the Corporate Asset Management Plan, an update is planned for 2017-18 to ensure the core objectives of the Council Plan are fully reflected. The corporate AMP aligns with

the Medium Term Resource Strategy and together they provide a high level framework for the use of resources.

16. Beneath these plans is a tier of more practically orientated implementation strategies, including on its approval the document now under consideration with regard to the council's commercial property portfolio.
17. Reference has been made previously to the relationship of the commercial property asset management plan to the new VCS strategy. Regard has also been had to the council's recently agreed Economic Wellbeing Strategy in terms of advancing Southwark as a place of choice to start and grow a business, by developing policy for the better use, management and improvement of assets, including the council's own property.
18. The strategy promotes thriving town centres and high streets (through, amongst other initiatives, effective lettings policies) and aims for better quality, better managed, more flexible, affordable business space (a further strategy will be brought forward early in the new year looking at the provision of affordable business and creative space). Finally, the Wellbeing Strategy reaffirms that the council does not support commercial activities that withdraw money from the local economy or promote unhealthy lifestyles. The commercial asset management plan both mirrors and supports these objectives.

Community impact statement

19. In formulating the recommendations of this report the potential impact on the community has been taken into account, including people identified as having protected characteristics. No specific equality implications have been identified in relation to this report.

Financial implications

20. The combined projected income from the estate for the current financial year is £11.6 million. This is used to support the delivery of the council's priorities, primarily to the benefit of the HRA.
21. Commercial property rents are a significant and relatively stable source of revenue funding which the council controls directly, at a time when centrally granted funds have seen unprecedented cuts.
22. There are no other financial implications arising from this report.

Consultation

23. Consultation has been undertaken internally across regeneration, property and local economy teams. Premises issues formed a specific component in consultation events for the Southwark Voluntary and Community Sector Strategy 2017-2022, and the outcomes have fed into the present report. Ongoing consultation is undertaken with the housing and modernisation department regarding asset management decisions affecting local residents and assets held in the Housing Revenue Account including, for example, the identification of opportunities for hidden homes and Direct Delivery schemes.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Democracy

24. An updated asset management plan is critical to the efficient and effective delivery of the council's services in accordance with the core objectives set out in the Council Plan. There is an expectation following the Localism Act that public property assets are managed closely.
25. The council has a wide-ranging property portfolio which according to this report is projected to produce income for the current financial year of approximately £11.6 million. The updated plan responds to the comments received from the council's overview and scrutiny committee and the subsequent independent review undertaken by auditors, which is referred to at paragraph 2 of the report.
26. A commitment was made to in September to bring the updated plan back to cabinet and it is with this background and in this context that cabinet members are asked to approve the plan.

Strategic Director of Finance and Governance

27. This report is requesting cabinet to approve the asset management plan (AMP) for the commercial property estate contained in Appendix 1 of this report, and to note that the AMP presents a refreshed approach to achieving a vibrant and sustainable commercial property estate incorporating the work and comments from officers, members and the council's internal auditors as reflected in paragraph 2. Full details are contained within the main body of the report and the appendices.
28. The strategic director of finance and governance notes that total projected income from the estate is £11.6m of which 65% benefits the housing revenue account and the remainder for the general fund.
29. The strategic director of finance and governance also notes that that there are no other financial implications arising from this report.
30. Staffing and any other costs connected with this report to be contained within existing departmental revenue budgets.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Refresh of economic wellbeing strategy	Property Team 5 th Floor, Hub 1 Tooley Street	Matthew Jackson 020 7525 1332
Link: http://moderngov.southwark.gov.uk/mgIssueHistoryHome.aspx?IId=50011496&Opt=0		
Southwark Voluntary and Community Sector Strategy 2017-2022	Property Team 5 th Floor, Hub 1	Matthew Jackson 020 7525 1332

Background Papers	Held At	Contact
	Tooley Street	
Link: http://moderngov.southwark.gov.uk/ieDecisionDetails.aspx?ID=5949		
Promoting a Vibrant, Sustainable Retail Estate Aligned to Local Need	Property Team 5 th Floor, Hub 1 Tooley Street	Matthew Jackson 020 7525 1332
Link: http://moderngov.southwark.gov.uk/ieDecisionDetails.aspx?ID=5332		
Scrutiny Review of Non Residential Property – Cabinet Response (see item No.9)	Property Team 5 th Floor, Hub 1 Tooley Street	Matthew Jackson 020 7525 1332
Link: http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&MId=5373&Ver=4		
Corporate Asset Management Plan – Overarching AMP 2010	Property Team 5 th Floor, Hub 1 Tooley Street	Matthew Jackson 020 7525 1332
Link: http://moderngov.southwark.gov.uk/mglIssueHistoryHome.aspx?IId=11425		

APPENDICES

No.	Title
Appendix 1	Asset Management Plan for the Commercial Property Estate (circulated separately)

AUDIT TRAIL

Cabinet Member	Councillor Fiona Colley, Finance, Modernisation and Performance	
Lead Officer	Eleanor Kelly, Chief Executive	
Report Author	Matthew Jackson, Head of Property	
Version	Final	
Dated	1 December 2016	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments sought	Comments included
Director of Law and Democracy	Yes	Yes
Strategic Director of Finance and Governance	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team		1 December 2016