

ASSET MANAGEMENT PLAN 2021

III Appendix Pack

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1 CORPORATE CONTEXT FOR AMP 2021

The London Borough of Southwark – an overview

Approximately 314,200 people live in Southwark; a densely populated inner London borough, with the 9th highest population density in England and Wales at 9,988 residents per square kilometre.

Socially, economically and in its heritage Southwark is an incredibly vibrant and diverse part of South East London, with a unique character. There is a young, growing and mobile population. 58% are aged 35 or under. Growth is much faster than the national average, with the second highest rate in South East London, driven by natural change and international migration.

As a result Southwark's population is projected to continue to increase, growing by almost 20% by 2030 (+60,000 residents over the period). In particular, developments around Old Kent Road, Canada Water and Elephant and Castle, will lead to significant population increases in these communities. Nevertheless, approximately 4 in 10 residents continue to live in communities considered the most deprived nationally.

Ours is an ethnically and culturally diverse borough, particularly amongst those under 20. Almost half of the population identifies as a minority group, with communities concentrated across the middle of the borough with pockets in the north.

12.9% of residents were born in Africa, 75% of reception-age children are from black and minority ethnic (BME) groups, there is a significant Latin American population. Over 120 languages are spoken, with 11% of households having no members who speak English as a first language.

Administration

Administratively, Southwark Council is made up of 23 wards. Elections for the council are held every four years. The last election took place on 3 May 2018. Two or three councillors are elected from each ward; a total of 63 councillors.

The Labour party has 49 councillors and the Liberal Democrats party has 14 councillors. The leader of the council is Cllr Kieron Williams (Labour), with a Cabinet format consisting of nine lead members, each with specific portfolio responsibilities. The composition of the cabinet is shown in section 2 below..

The council employs officers to carry out its policies and run services. Officers are managed by the Chief Executive, and arranged into six departments aligned to service delivery:

- Chief Executives
- Finance & Governance
- Housing & Modernisation
- Place & Wellbeing
- Environment & Social Regeneration
- Children's & Adults Services

Further detail about the roles of the departments is provided in Section 3.

Corporate vision & the Council Plan

The Council defines its approach to all the challenges and opportunities in the administration of its area in the Council Plan.

Southwark's Council Plan describes our vision for the borough to help create a fairer future for all. It sets out our priorities and commitments and is the guiding document that decides what the council does. The Council Plan makes commitments across six priority themes:

- A place to call home
- Climate Emergency
- Green & Fair Economic Renewal
- Tackling Health Inequalities
- A great start in life
- Southwark together

These themes, extensive regeneration programmes including those for the Aylesbury Estate, Old Kent Road and Canada Water, and an emphasis on modernising the Council to deliver value for money through organisational efficiencies form the basis from which Service Plans and Resource Plans (including this Asset Management Plan) are developed, activities aligned, and outcomes monitored.

An outline of the council's key strategic plans, including the Council Plan is given in Section 4. It includes links to our website for all documents mentioned.

Corporate performance & resources

Performance Schedules have been developed for each of the six corporate commitments, incorporating day to day and statutory service delivery measures, departmental / service plans, and specific actions supported by or centred on assets.

2 CABINET & PORTFOLIOS

Leader of the Council

Cllr Kieron Williams

Deputy Leader and Cabinet Member for Children, Young People & Schools

Cllr Jasmine Ali

Cabinet Member for Public Health & Community Safety

Cllr Evelyn Akoto

Cabinet Member for Jobs, Culture & Skills

Cllr Stephanie Cryan

Cabinet Member for Social Support & Homelessness

Cllr Helen Dennis

Cabinet Member for Finance & Resources

Cllr Rebecca Lury

Cabinet Member for Communities & Equalities

Cllr Alice MacDonald

Cabinet Member for Housing

Cllr Leo Pollak

Cabinet Member for Leisure, Environment & Roads

Cllr Catherine Rose

Cabinet Member for Climate Emergency, Planning & Transport

Cllr Johnson Situ

Alongside cabinet, the Leader appoints up to four deputy cabinet members, focused on specific projects to help deliver the Council's priorities as set out in the Council Plan.

Deputy Cabinet Member for Low Traffic Southwark

Cllr Radha Burgess

For further information see:

<https://www.southwark.gov.uk/council-and-democracy/councillors-and-mps/leader-of-the-council-and-cabinet-members>

3 DEPARTMENTAL STRUCTURES

Division	Department	Function
CHIEF EXECUTIVE	Chief Executive's Office	The Chief Executive's Office comprises the Support to the CE, Response and Renewal, Local Economy Team, Emergency Planning & Business Resilience and Overview & Scrutiny teams. Our role is to directly support the Chief Executive and chief officer leadership team in translating political vision into projects and programmes across the Council.
	External Affairs	The External Affairs division comprises policy and public affairs; media; marketing; and cabinet support. As well as this, we manage internal communications for the council and the administration's political assistant. Our services are responsible for managing and enhancing the standing of the council through the development of external and internal communications, public affairs, policy projects and initiatives.
	HR	Human Resources and L&D core services.
	Planning	Reports jointly to Director of Planning and Director of Regeneration and is made up of a number of teams related to planning, transport, conservation and building control
	Regeneration	The Regeneration division comprises North, South, Capital Projects, Property and Planning & Regeneration Old Kent Road.

Division	Department	Function
FINANCE & GOVERNANCE	Law & Democracy	Constitutional team, Registration and Electoral Services, Legal Team - litigation. Corporate, regeneration and development, etc, Monitoring Officer
	Exchequer Services	The Exchequer Services division includes the Assessment & Payments, Client Services, Strategy & Compliance, Income Operations, Homeownership and Support Services. The purpose of this division is to manage all processes related to council tax, business rates, housing benefit, the Southwark Emergency Support and management of payroll. It is also responsible for services financed through the housing revenue account.
	Finance and Accounting	The Finance and accounting division includes the director's office, professional finance services and financial and information governance. The purpose of the division is to

		provide professional leadership and management to the finance, procurement, risk and insurance, and information governance functions across the council. It also delivers the pensions administration service.
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Division	Department	Function
HOUSING & MODERNISATION	Resident Services	The Residents Services division includes the Area management, Strategy & Business Support, Strategic Business and Support Housing Services.
	Customer Experience	The Customer Experience division includes the Contact Centre; Customer Resolution and Specialist Services, My Southwark Home Owners, and the Housing Solutions Service.
	Asset Management	The Asset Management division includes New Homes; Investment, Repairs and Maintenance and Engineering.
	Modernise	The Modernise division includes IT and digital services; Organisation Transformation and Corporate FM. The purpose of the division is to acts as an enabler of new and modern ways of working, while delivering high quality FM, IT

Division	Department	Function
ENVIRONMENT & LEISURE	Leisure	The Leisure division includes Parks & Leisure and Culture Services. The purpose of the division is to provide, enhance and maintain parks, public spaces, libraries and provide access to arts, culture and heritage.
	Environment	The Environment division includes Highways, Waste & Cleansing, Traded Services and Regulatory Services
	Climate Change	The Sustainability and business development division assists the whole of the E&SR department with essential support services, specialist advice and research and project assistance. The division also includes the Sustainability and energy team.
	Public Health	Public health includes Place and Health Improvement, People & Health Intelligence and Health Protection & Children and Young People teams. The purpose of this division is to improve the health and wellbeing of Southwark's residents and to reduce health inequalities. We do this by working closely with partners across the Council,

		CCG, NHS and Voluntary Sector to support people to make healthier decisions, to identify health needs and to provide an understanding of evidence and what works to inform service redesign and modernisation.
	Communities	The Communities division includes the Community Support, Resident Involvement, Community Engagement and Community Safety & Partnerships Teams.

Division	Department	Function
CHILDREN'S & ADULTS SERVICES	Adult Social Care Services	The Adult Social Care Service comprises Mental Health, Learning Disabilities, All Age Disabilities, Older People & Physical Disability, Service Development: Safeguarding and Performance, Development & Quality (PDQ) and Service Development: Personal Budgets & Client Finance services. Our services aim to reduce social isolation, promote positive health and wellbeing as well as offering choice and equity.
	Children's Social Care Service	The Children's Social Care Service includes Family Early Help & Youth Justice, Assessment & Safeguarding, Corporate Parenting and Quality & Performance. Our services aim to reduce the number of children in care and promote positive outcomes to children and young people.
	Education Services	This department provides universal children's services including early years services, school improvement, admissions and place planning and school transport, alongside secondary further education services, adult education, Education and business alliance, virtual school, NEETS and special educational needs teams.
	Children's and Adults' Commissioning	Commissioning is the design, transformation, specifying and, where appropriate, purchasing of care and support services that help children, adults and families to feel and be safe, emotionally resilient and as independent as possible and appropriate for their individual and collective circumstances. We commission services for people who are vulnerable, people with learning disabilities and/or physical disabilities and carers; we commission these services for people of all ages.

4 KEY CORPORATE DOCUMENTS

Council Plan the overall plan for the organisation, describing how we will deliver our vision, through the commitments that we make to the people of Southwark. It also makes a number of commitments to equality and fairness in line with our equality and diversity policies. The Council Plan shape what every council team and member of staff does. The Plan is accompanied by an annual performance report at the end of each financial year

<https://www.southwark.gov.uk/council-and-democracy/fairer-future/council-plan>

Medium Term Financial Strategy effective planning and resource management are crucial to meeting our collective goals. This provides a framework of underlying principles by which resources may be allocated across the council and other relevant considerations that need to be taken into account

Budget Book the budget book provides detail on budgets and other resource information for each council department and division, presenting key information for the services that the council provide. The budgets have been agreed within the framework of the Council Plan confirmed at Council Assembly, which contains the leader's vision of a fairer future for all in Southwark. <https://www.southwark.gov.uk/council-and-democracy/key-documents/budget-book>

Planning: New Southwark Plan (NSP) a new borough-wide planning and regeneration strategy up to 2033. Once finalised and adopted, it will replace current local plan, comprised of the saved Southwark Plan policies and the Core Strategy.

<http://www.southwark.gov.uk/planning-and-building-control/planning-policy-and-transport-policy/development-plan/local-plan?chapter=4>

Asset Management Plan 2021 this document. AMP 2021 aims to bring about the delivery of strategic goals through the use of property assets. It is an integral part of the council's resource and business planning alongside the MTFS.

Asset Management Plan for Commercial Property a comprehensive review in 2016 of these assets, the rationale for holding them and the importance of the incomes produced continues to guide the management of the portfolio today:

<http://moderngov.southwark.gov.uk/ieDecisionDetails.aspx?ID=6004>

Facilities Management Procurement Strategy (operational property) to bring a number of FM services back in house, such as pest control, reception services and cleaning in our main offices. The remaining FM services will be divided into two contracts, one for soft FM services which includes one off security and cleaning of outlying offices and facilities and one for hard FM services such as repairs and maintenance.

<http://moderngov.southwark.gov.uk/ieIssueDetails.aspx?Id=50017110&PlanId=0&Opt=3#AI50129>

VCS

Southwark has a strong and vibrant Voluntary and Community Sector (VCS) which delivers a wide variety of services to local people. The sector reflects the diversity of cultures and interests in the borough. A new Voluntary and Community Sector Strategy for Southwark has been developed in 2016, in partnership with the local VCS and Southwark Clinical Commissioning Group.

<https://www.southwark.gov.uk/engagement-and-consultations/grants-and-funding/voluntary-and-community-sector-support>

Faith Strategy

<http://moderngov.southwark.gov.uk/mglIssueHistoryHome.aspx?IId=50018819&Opt=0>

Highways Infrastructure Asset Management Plan the Highway Infrastructure Asset Management Plan (HIAMP) and its component documentation sets out the strategy, policies and investment criteria needed to keep all highway assets in a safe and operational state in the most efficient and effective manner, both on a day to day basis and in the long term.

<http://moderngov.southwark.gov.uk/mglIssueHistoryHome.aspx?IId=50015355&Opt=0>

Southwark Housing Strategy to 2043 Southwark council cabinet agreed Southwark's first long-term housing strategy in January 2015 around the four core principles of increasing

supply, quality, engendering pride and responsibility, and supporting vulnerable individuals and families.

<https://www.southwark.gov.uk/housing/housing-strategy>

Modernise Strategy on 1 November 2016, Southwark's Cabinet agreed a suite of strategies to help staff in the way that they work and support the delivery of the council's priority outcomes. The modernisation programme focuses on three key areas which are the fundamental building blocks on which to transform and modernise the council: workforce, workplace and IT.

<http://www.southwark.gov.uk/council-and-democracy/modernise-strategy>

Schools Strategy

CAS Social Care Strategies

Economic Wellbeing Strategy to build a strong local economy for all, working in partnership with residents, businesses and the voluntary sector: a council that is open for business and will promote and support economic wellbeing.

<http://www.southwark.gov.uk/business/economic-wellbeing-strategy>

Cultural Strategy 2017-22

<http://moderngov.southwark.gov.uk/documents/s67314/Appendix%201%20Cultural%20strategy.pdf>

Southwarks Creative Enterprise Zone

<https://www.southwark.gov.uk/events-culture-and-heritage/creative-southwark/projects-and-programmes/southwark-s-creative-enterprise-zone-cez>

Libraries & Heritage strategy 2019 - 2022 there are 12 libraries spread across the borough and a home library service for people who cannot come to a library. There is also a borough archive, local history library, heritage collections including the Cuming collections and the service is the custodian of the borough art collection

<http://modern.gov.southwark.gov.uk/ielssueDetails.aspx?IId=50018805&PlanId=0&Opt=3#AI52123>

Waste Management Strategy 2003 – 2021

<http://www.southwark.gov.uk/bins-and-recycling/waste-strategy-and-policy/waste-strategy-for-southwark>

Physical Activity and Sport Strategy 2018–19 to use the power of physical activity to benefit individuals, places, and communities in Southwark. Each year of the strategy term will see plans formulated to jointly tackle key areas of the strategy, and set out in a published action plan.
<http://www.southwark.gov.uk/leisure-and-sport/southwark-physical-activity-strategy>

Southwark Biodiversity Action Plan 2013 – 2019 sets out a vision for the continued protection, conservation and enhancement of nature in the borough.

Southwark Maps an interactive and publicly available maps service providing invaluable strategic perspectives on our borough and its asset base

<https://www.southwark.gov.uk/council-and-democracy/maps-of-southwark/southwark-maps-interactive-maps-service>

5 ASSET BASE COMPOSITION

Asset Class	Description	Number	Area GIA (m2)	Present Existing Use Valuation
Dwellings	Housing*	36,988	2,540,000	£3,422,856,605
Educational Assets	Education Nurseries	5	11,600	£17,269,571
	Special Schools	8	11,000	£29,700,000
	Primary Schools	34	145,000	£359,157,996
	Secondary Schools	0	0	£0
Other Operational Land & Buildings	Off Street Car Parks/Park and Ride	12	-	£80,725,486
	Property used for or in direct support of residential activities	113	-	£29,144,087
	Offices, administrative buildings and land associated with administrative buildings**	36	112,000	£258,324,952
	Sports centres and pools	11	29,400	£30,500,000
	Residential homes and day centres	20	16,750	£17,547,046
	Libraries	12	10,000	£34,158,614
	Other educational establishments	6	2,400	£10,014,669
	Cemeteries and Crematoria (buildings only)	1	1,100	£1,150,000
	Museums and galleries	3	1,000	£916,230
	Other housing (HRA) property and non-HRA housing	40	9,000	£127,206,219
	Community Assets	Parks	6	-
Non-operational Assets***	Industrial property / business units	121	24,000	£277,890,267
	Retail units	468	34,500	£71,188,286
	Other Income Generating Non operational Assets	117	-	£134,774,816

Surplus Property, etc	Buildings declared surplus:	2		£134,750
	Land declared surplus assets	18	-	£127,666,639
	Assets under construction	66	-	£50,853,120
	Infrastructure	18	-	£268,894,597

Notes: *Dwellings number excludes c.15,000 leaseholds sold through the Right to Buy scheme. ** The value reported for the offices estate reflects the opportunity cost to the Council of the space it occupies and includes a notional value for leasehold assets. It does not reflect the figure the assets could be sold for. *** Income generating non operational assets exclude a number of low value assets and rights over land with annual rentals falling below de minimis amounts.

6 INVESTMENT METHODOLOGY – INCOME GENERATING ASSETS

Investment Acquisitions - additional criteria where priority is income generation

We have developed an initial set of high level criteria for appraisal and selection of new investment assets. Our approach and selection criteria take as their starting point the council's Annual Investment Strategy, dealing with financial instruments such as deposits and bonds. Here the objectives are to:

- preserve principal;
- secure a realistic return balanced against a cautious stance on risk;
- prudent exposure geared towards raising the level and sources of investment returns over the long term;
- diversified investment exposure, managed with due care and attention, having regard to market conditions.

Applying these to the property portfolio, the objective is a balance of new and existing assets of different types, with an appropriate spread of risk (allowing for the potential constraints of an "in-borough" focus). Starting from these principles and the criteria, our approach to investing in income generating assets can be summarised as:

- A **positive financial return**, where income received exceeds borrowing / holding costs and generates an annual surplus.
- Pure investment **cashflow and strategic principles applied** in acquisition decisions with assessments based on realistic

consideration of income potential and capital growth;

- A **long term, sustainable view** across a balanced, diversified portfolio of property investments, with appropriate risk analysis and a low risk stance;
- **Achieving a minimum return** over borrowing / holding costs;
- **In-borough investment** in alternative income streams, which can generate a return over the longer term for the council, or contribute to a strategic land assembly;
- Consideration of investment in out-of-borough opportunities only where there is a demonstrable benefit to people who live or work in Southwark, to service delivery, or to the borough's regeneration;
- Emphasis on **tradeable assets to maximise liquidity and preserve capital** for the asset type (notwithstanding market dynamics).
- **Active asset management** of investment assets acquired, on an arms-length basis by external advisors (the Head of Property and his team performing an intelligent client role). Not "business as usual";
- **Additionality** and potential for post-acquisition investment to preserve and enhance asset value and income.

An assessment of all opportunities and risks, including economic and market risk, will be undertaken in each case where a potentially suitable asset is identified, assessed as follows:

Criteria	Weighted Score	Excellent	Good	Acceptable	Marginal	Poor
	-	5	4	3	2	1
Location	15%	Prime	sub-Prime	Secondary	sub-Secondary	Tertiary
Tenant Financial Covenant	20%	Single tenant, strong covenant.	Single tenant, good covenant	Multiple tenants, strong covenant	Multiple tenants, good covenant	Poor covenants
Lease terms	15%	Unencumbered	-	Encumbered	-	Excessively onerous
Occupational Lease Length	15%	20 years+	15-20 years	10-15 years	5-10 years	less than 5 years or vacant
Building Quality	10%	Modern or recently refurbished. Nominal capex requirement.	Good quality, with significant capex not required within the next 20 years	Good quality, with significant capex not required within the next 10 years	Good quality, with significant capex not required within the next 5 years	Low quality with capex required within 5 years
Tenure	10%	Freehold	Lease 125 years+	Lease 100 - 125 years	Lease 50 - 100 years	Lease less than 50 years

Tenant Repair Obligations	10%	FRI	FRI - partially recoverable	IRI - 100% recoverable	IRI - partially recoverable	Landlord responsibility
Lot Size	5%	Case specific	Case specific	Case specific	Case specific	Less than £500k or greater than £100 m
Maximum Score	100%	100	80	60	40	20

7 ASSET MANAGEMENT GUIDANCE & REFERENCES

- **Hot Property: getting the best from local authority property assets** (Audit Commission 2000)
- **Asset Management of local authority land and buildings – good practice guidelines** (DETR 2000)
- **Asset Management Guidance** (ODPM 2003)
- **Asset Management Guidance** (ODPM 2004)
- **Guidance on Asset Management** (RICS & ODPM 2005)

- **Building Strong Foundations: A Framework for local authority asset management** (DCLG 2008)
- **Public Sector Asset Management Guidelines** (RICS 2008)
- **Public Sector Asset Management Guidelines, 2nd Edition** (RICS 2012)