

Item No. 19.	Classification: Open	Date: 19 January 2021	Meeting Name: Cabinet
Report title:		Corporate Asset Management Plan 2021	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Rebecca Lury, Cabinet Member for Finance and Resources	

FOREWORD – COUNCILLOR REBECCA LURY, CABINET MEMBER FOR FINANCE & RESOURCES

Southwark Council is a large property owner and manager, and we therefore have a significant impact on domestic and working life throughout the Borough.

Our reach across the Borough is extensive, with the Council being landlord to over 35,000 dwellings, 15,000 residential leaseholds and more than 5000 other properties.

With such significant levels of ownership, we therefore have a responsibility to ensure that we are doing this to the highest standard and taking decisions that are in the best interests of our residents and the Borough as a whole.

This new Asset Management Plan sets out our ambitions for existing stock and future investment decision-making. We have considered the new Borough Plan and how the decisions that we take around property can help to achieve these, prioritising climate change and recognising the hugely important role in providing and building stable communities.

Our future decision-making will follow a clear process, evaluating how closely any decisions are aligned to our corporate ambitions, ensuring we are taking well-thought through decisions in the best interests of the Borough as a whole.

RECOMMENDATIONS

1. That Cabinet approves the refreshed Asset Management Plan contained in Appendix 1 of this report, as a key strategic document alongside the council's other resource policies and the central strategy for the management of the council's non-dwellings property holdings.
2. That Cabinet notes and agrees the Investment Strategy contained in part 6 of the new Asset Management Plan.

BACKGROUND INFORMATION

3. Our new Asset Management Plan sets a policy framework for the efficient stewardship of the authority's property assets. It emphasises the strategic significance of a multi-billion pound property portfolio deployed in, and aligned to, the fulfilment of the Council's corporate priorities:
 - A place to call home
 - Climate Emergency
 - Green & Fair Economic Renewal
 - Tackling Health Inequalities
 - A great start in life
 - Southwark Together
4. It is supplemented by a Commercial Property AMP, adopted in 2016, to provide additional detail in respect of this important part of the estate, which generates incomes that fund council services, whilst contributing to our borough's vibrancy and all levels of its economy.
5. Although the general principles of previous Asset Management Plans continue to hold good, much has changed in relation to the way assets are used now, the resource position, and the choices that need to be made about how assets should best support service delivery in the future. Years of austerity, the impacts of the Covid-19 pandemic, along with those to come as a result of Brexit, firmly place the asset base and how we manage it in a phase of uncertainty and, more positively, in the initial stages of recovery.

KEY ISSUES FOR CONSIDERATION

The Corporate Property Portfolio

6. Southwark Council is a major inner-city property owner. Through this ownership it has a significant impact on domestic and working life across the borough. As the landlord of approximately 35,000 dwellings, 15,000+ residential leaseholds and more than 5,000 other interests including commercial, industrial, and operational property the Council owns in the region of 36% of all the freehold land situated within its boundaries, with a further 1.5% occupied under lease.
7. The aggregate value of these interests is estimated to be approximately £3 billion. Approximately 96% of this value is concentrated in operational assets (primarily our housing stock) used by the council to deliver services in direct support of our Community Priorities. The remainder is invested in shops, business premises and other non-operational properties held for income generation. The rent roll from this source currently stands at £21.3 million per annum and directly funds service provision.

8. Regeneration continues to be a central theme, with the geographical focus for the future shifting to the Old Kent Road and Canada Water. Previous years had seen significant rationalisation. Particularly across the operational offices estate. This in turn had driven an extensive disposal programme. However, more recently activity has moved to using the council's land holdings to build new homes, either through direct delivery or in development partnerships. The council has also acquired land to increase the capacity of these programmes.
9. Properties that no longer fulfill operational or investment criteria may be released into the disposal programme, to produce capital receipts.

Investment Strategy

10. The council has a strong track record of promoting investment in its borough, securing major schemes such as the Elephant and Castle regeneration through the strategic use of its own asset holdings. The emphasis of our investment activity is in acquisitions for home building, for other strategic purposes that directly or indirectly support the aspirations of the Council Plan.
11. Inevitably, the way in which the council uses scarce resources is a fundamental theme for the new Asset Management Plan. In the current financial climate AMP 2021 envisages only essential, affordable investment aligned to strategic priorities:
 - Acquisitions of land for new buildings
 - Acquisitions of new stock of dwellings
 - Investment opportunities within the existing stock
 - Investing in the future of Canada Water
 - Securing sustainable, high quality employment opportunities;
 - Securing economic and infrastructure investment
 - Delivering a sustainable response to Climate Emergency and achieving Carbon Net Zero for Southwark by 2030
12. Therefore, AMP 2021 seeks to ensure a robust approach to property asset investment decision making, setting out a structured framework for direct investment in real property assets.

Policy implications

13. The Asset Management Plan is a key strategic document for the Council, sitting alongside the council's Medium Term Financial Strategy. Defined decision making processes and structures for asset management planning are in place across all parts of the asset base, under the lead of the Council's Director of Regeneration and Head of Property.

Community impact statement

14. AMP 2021 sets the strategic framework within which future decisions about assets will be made. It enables the council to organise its property assets efficiently to support the delivery of the council's corporate vision and values, including Southwark Stands Together, tackling racism and achieving equality.
15. The activities flowing from AMP 2021 will bring about specific actions for individual assets. Equalities considerations will be captured and reported in full to inform the recommendations and decision making at this level.

Resource Implications

16. The strategic vision for assets is shaped by good estate management practice, adjustment following the Covid-19 pandemic, escalating property holding costs and mounting financial pressures on public sector resources. Resource considerations are set out in the main AMP document.
17. Detailed work with services on specialist assets will be undertaken to develop service based asset strategies, identifying further efficiencies and supporting innovative ways of delivering services and value. The AMP Action Plan (Part 2 of the AMP) identifies a number of specific projects and programmes, together with the active management, acquisition and disposal processes that will bring them forward.
18. AMP 2021 includes a detailed Investment Strategy methodology to ensure that limited resources are used as effectively as possible, to ensure a fit for purpose estate that is aligned to corporate need.

Financial Implications

19. There are no immediate revenue implications arising from the recommendations of this report.
20. The detailed decisions that flow from the framework the AMP sets will be subject to further reports confirming funding before commitments for project expenditure are approved.
21. Asset management is an important part of the council's business management arrangements. The Asset Management Plan is a key strategic document, which sits within the council's Fairer Futures medium term financial resource planning arrangements and Capital Investment Strategy.
22. Staffing and any other costs connected with this report will be contained within existing revenue budgets.

Consultation

23. The Asset Management Plan sets a strategic framework for asset management planning across the council at a time of immense change. The consequences of the Covid-19 pandemic, including the implications for assets, are still being determined, absorbed and adjusted to by all the council's services and the community they serve.
24. Through AMP 2021, detailed work on asset strategy at services level will be brought forward with individual departments, and this process will incorporate full consultation.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Governance

25. Cabinet is being asked to approve the refreshed Asset Management Plan set out at Appendix 1 and also agree the Investment Strategy at part 6. This will assist the Council in the optimum organization of its property assets and also the delivery of its best value duties, which is a major part of the government's modernisation agenda.
26. Cabinet will note the proposals set out in the AMP results in an emphasis being placed on the requirement to build new council homes as opposed to the possible sale of some of its property assets. Cabinet is advised that there are a number of statutory powers available to the Council to do this. These transactions will be dealt with separately at the relevant time and in accordance with the appropriate statutory powers.
27. It is noted that the considerations of the Equality Act 2010 will be taken into account at the relevant time. Accordingly, at this stage there are no particular legal issues which arise with this report.

Strategic Director of Finance and Governance (FC20/026)

28. The report is requesting cabinet to approve the refreshed Asset Management Plan contained in Appendix 1 of this report, as a key strategic document alongside the council's other resource policies and the central strategy for the management of the council's non-dwellings property holdings and notes and agrees the Investment Strategy contained in part 6 of the new Asset Management Plan.
29. The strategic director of finance and governance notes that there will be no immediate revenue implications from this report and notes other comments in the financial implications.
30. The strategic director of finance and governance also notes that Asset management is an important part of the council's business management arrangements. The Asset Management Plan is a key strategic document which sits within the council's Fairer Futures medium term

financial resource planning arrangements and Capital Investment Strategy.

31. Staffing and any other costs connected with this report to be contained within existing departmental revenue budgets.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Commercial Property Asset Management Plan 2016	Property / Regeneration Department, Tooley Street, SE1	Matthew Jackson Tel: 020 7525 1332
Link: http://moderngov.southwark.gov.uk/mglIssueHistoryHome.aspx?Ild=50011497		

APPENDICES

No.	Title
Appendix 1	Asset Management Plan 2021 – Managing Assets Through Recovery and Change (Parts 1, 2 & 3)

AUDIT TRAIL

Cabinet Member	Councillor Rebecca Lury, Finance and Resources	
Lead Officer	Eleanor Kelly, Chief Executive	
Report Author	Matthew Jackson	
Version	Final	
Dated	8 January 2021	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Finance & Governance,	Yes	Yes
Director of Law & Governance	Yes	Yes
Cabinet Member		
Date final report sent to Constitutional Team	8 January 2021	