

Asset Strategy 2014–2019

A NEW APPROACH



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1. Introduction

It is clear that the Council is in a need of a fresh approach to the management of our assets for a number of reasons.

1. The significant financial challenges faced by the Council over the period 2015/18 and beyond.
2. The significant demand for school places and affordable housing.
3. The opportunity to delivery much need growth and regeneration across the borough

The Council's asset portfolio is a major resource that is integral to the delivery of many of the services. Currently the Council spends around £18m per annum on its assets and it is vital careful consideration and review is needed to ensure these assets are contributing to the Council's priority outcomes and the ongoing economic and social development of Croydon.

The Council's property portfolio is made up of a range of non-domestic property assets that support the Council's objectives. The property portfolio can be broadly broken down into the following categories:-

- Operational – held to support service delivery
- Investment – held for financial return
- Community – support residents or provide recreation
- Education – Schools and learning facilities
- Surplus – awaiting disposal, re-development or alternative use

The Council's property portfolio has a book value of around £1bn (excluding HRA property) and generates around £1.8m income from letting to third parties per annum. The rental income derived from the estate has slowly declined as assets have either been disposed for a capital receipt or historic agreements where long lease options existed have been exercised.

This strategy does not involve the Council's Housing stock or assets that may be acquired through the vehicle being looked at to facilitate housing and regeneration.

The Asset Strategy for Croydon sets out how the Council intends to manage and augment its property estate over the next five years. The strategy sets out the vision, objectives and priorities and how the Council's estate will be reviewed to ensure it is fit for purpose and supports the Council's key outcomes, being:-

- Growth – Jobs, housing and regeneration
- Financial – reducing costs and increasing income
- Service – integrating services and making them more accessible

There is a real opportunity to get added value from our assets to support all these themes and at the same time there is a real danger if this is not prioritised in this way that our assets remain a liability and mean front line services need to be cut to maintain them. The Asset Strategy sets the vision and plan for future property requirements and will build on the work already undertaken in reducing overall accommodation costs and the number of buildings the Council's uses.

The strategy is shaped by the need to further reduce overall expenditure, increase income and provide services and support to Council residents. At the present time the Council holds an unsustainable number of buildings with a growing maintenance requirement. The current backlog maintenance is estimated to be £30m and over the next five years this figure will grow and the Council does not have the financial resources to meet these requirements. Difficult choices are inevitable; however the Council is reviewing its options and exploring opportunities to increase income to support property maintenance costs.

The Asset Strategy also provides a revised Governance structure to reflect the need to draw property teams and other service areas involved with asset management such as Insurance and Health & Safety closer together and provide a single route for decision making and review. This will greatly increase the Council's ability to understand cost in use, utilisation and provide a forum for reviewing the estate and challenge the holding of property assets.

2. Background

Croydon is London's most populous borough with 365,000 residents. The borough covers 34 square miles and is bordered by Bromley to the East, Sutton and Merton to the West and Lambeth to the North.

The Council holds close to 700 property assets and these range from Parks and open spaces to Depots and Youth Clubs. The majority of property assets are held for either community use (parks and open spaces) or the delivery of Council services (Libraries and Leisure Centres). The Council also holds a small property portfolio for generating income to support service delivery.

Over the next 5 years the Council faces many challenges with the reduction in Central Government funding. However, there are also opportunities and the Council has developed an ambitious growth plan to support residents, increase opportunities and improve lives. The ever increasing population means there is an unprecedented demand on Council services and in particular for housing and school places.



The Council has worked through a rationalisation and consolidation programme over the past 5 years which has included the consolidation of staff into Bernard Wetherill House and the reduction in the overall number of office buildings. During this period the Council has vacated 12 office buildings (9 leasehold and 3 freeholds).

3. Purpose

The purpose of the strategy is to:-

- Set out the corporate guidelines for holding property assets
 - Provide a linkage between property assets and how they support Council objectives
 - Provide a framework for challenging services use of property assets
 - Create an estate that is sustainable and obtains value for money
- Provide a revised governance structure for the management of property assets
 - Provide a structure around utilising the Council's Asset Information system TF Cloud ensuring a central point of contact for all asset information data.

The strategy will also set out the key priorities and projects that will be delivered over the next 5 years in order to meet the Council's objectives.

4. Vision, Objectives and Priorities

The Council's property assets will support three key objectives, including:-

- Growth – Jobs, housing and regeneration
- Financial – reducing costs and increasing income
- Service – integrating services and making them more accessible

The Council has a clear vision of what its property estate should look and feel like. Over the next 5 years the property portfolio will be reviewed and the Council will have a property estate that is:-

- Fit for purpose and cost effective
 - Assets are able to function effectively and enable staff / the public to use them whilst ensuring value for money is achieved
- Sustainable and efficient
 - Assets are maintained well to ensure longevity and are efficient in their uses of power, resources and are well organised.

- Lean
 - Ensuring that Croydon's assets are able to maximise their output whilst keeping costs down.
- Located where residents can easily access services
- Flexible
 - Enabling buildings to be used for a variety of purposes such as office space, community centres and places of learning.

To ensure that the Council's property assets are fit for purpose and supporting the Council objectives a continuous cycle of review and challenge will be implemented and managed through the revised governance arrangements set out in section 8.

5. Strategic context and supporting Council objectives

The Council owns and leases hundreds of non-domestic property assets. The vast majority of these assets are held for community use and supporting service delivery. In this time of austerity, all public bodies are reviewing their property portfolios and challenging the use and need to hold property assets. Property is the most expensive asset the Council has after its people and therefore challenging the need to hold assets is financially prudent.

This asset strategy sets out three key outcomes that a property asset should be measured against when reviewing the rationale for holding the asset:-

- Growth
- Financial
- Services

The three strategic outcomes are further explained below and when reviewing the Council's portfolio, these are the challenges that need considered.

Growth

The Council have produced 'The Croydon Promise – Growth For All'. This plan sets out the Council's vision for Croydon in the future and how all residents will benefit from growth in the borough and over £9bn of investment. The plan is ambitious and sets out 10 key targets the Council must attain:-

1. Provide 9,500 housing starts for residents in the next 5 years
2. Enable the creation of 16,000 jobs
3. Oversee the development of the Whitgift Centre by Westfield and Hammerson
4. Attract investment in the borough
5. Enable 2000 business starts per annum in the borough
6. Re-instate Croydon as a premier office location by accelerating the development of over 1m square feet of office space
7. Raise aspirations of residents through partnering with an international calibre university
8. Improve the transport network across the borough
9. Support residents into employment by implementing our new Pathways to Employment programme
10. Buy local wherever possible and use the Council's buying power to support local businesses, generate job opportunities and promote investment in communities

Property assets can stimulate growth in a number of ways including the following:-

- Job creation
- Regeneration
- Stimulating micro economies

The use of Council assets to act as a catalyst for development and regeneration is not a new phenomenon; however the desire for a capital receipt has in the past meant longer term regeneration opportunities may have been overlooked.

The presence of a Council building or service often creates high footfall and can lead to a micro-economy which attracts other businesses. Therefore, a local presence is often a lot more than just a local presence; it attracts investment, footfall and activity.

By challenging the rationale for keeping property assets or challenging the use of property assets the Council will create opportunities for better use of its assets, foster better relationships with residents and improve the places people live and work in.

When considering the future of a property asset the following questions should be considered:-

1. Does the property support growth such as generating more jobs or stimulating the micro economy?
2. Could the site support housing or act as regeneration opportunity?

Financial

Local authority budgets are reducing year on year and Croydon faces the challenge of saving £100m over the next three years. All services face significant challenges and the use of property assets to generate income will be critical. However, alongside income generation there is a real need to reduce the costs of running and maintaining the Council's estate.

In the course of reviewing the need to hold property assets the following challenges will be presented:-

1. Does the asset offer an opportunity to generate rental income in the medium to long term?
2. Are there opportunities to reduce the running cost of the property?
3. What is the long term cost of holding the property asset?

These questions and challenges are critical to ensuring the Council has an estate that is value for money and cost effective. If the property is surplus to requirements and does not support regeneration or present an opportunity to generate a rental income then the property asset should be considered for disposal.

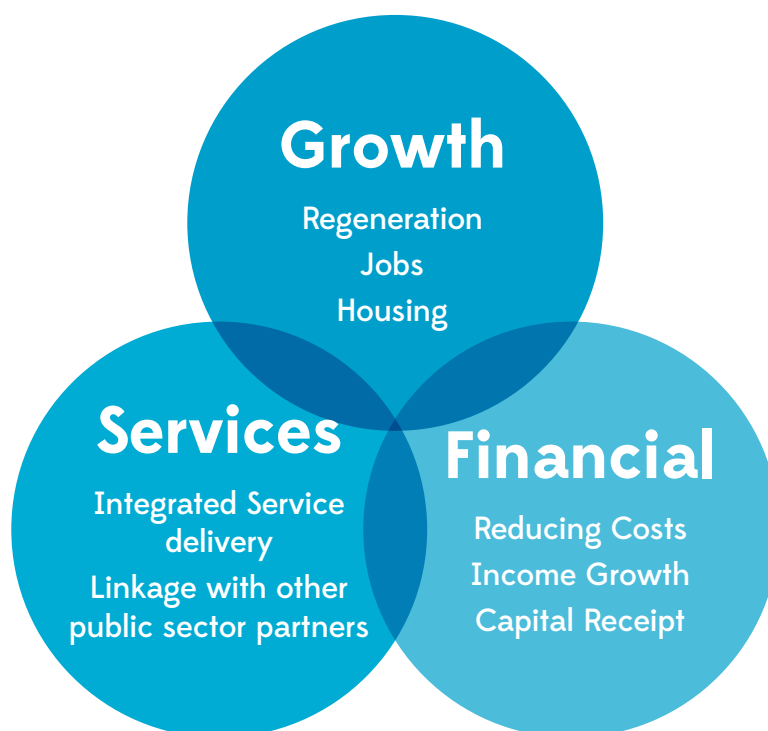
Services

The Council is committed to integrating more services, making services easier to access and co-locating with other public bodies. In many instances the Council already shares accommodation with partners such as Croydon Mental Health (Tamworth Annexe) and long term partnerships with public bodies offer opportunities to reduce cost, increase use of services and improve the residents experience.

When the property asset is being reviewed the following questions will be posed:-

1. Is the property asset supporting service delivery, and if so is the property fully utilised or is there an opportunity to co-locate the service with another function or public body?
2. Could the service be integrated and provide residents with better access to what they need and in a location that reaches more residents or is more accessible?

Digital by Design is a key strand of the Croydon Challenge and a work stream that will enable the Council to automate a number of processes and procedures. As technology evolves the need for Council buildings will reduce.



If a property asset is not able to support at least one of the key outcomes above then the property should be deemed surplus to the Council's requirements and a capital receipt sought via an appropriate disposal. Where a capital receipt is generated the priority use will be to support affordable Housing schemes.

6. Delivering Objectives – A New Approach

In order to achieve the objectives set out in this strategy and to meet the Croydon challenge of delivering financial savings a new, fresh approach will be taken to the management of property assets and delivery of key projects. This new approach will put the three objectives at the heart of the decision making process and these objectives will be used to continually challenge the holding of property assets by both service departments and corporately.

There are a number of high level work streams that flow the Asset Strategy and support the delivery of the aforementioned key objectives. Each of the work strands has already commenced and each has its own governance structure and a Senior Responsible Officer (SRO). These projects are the key priorities and each has an intrinsic link to the Council's Key objectives and supports at least one of the objectives.

For the purpose of this document the Projects have been numbered 1-4 and a brief summary of each project has been set out below.

Project 1 – Accelerated Review of Assets

The Council holds a reasonable size non-operational property portfolio. This includes Golf Courses, industrial units and small pieces of land. Traditionally the Asset Management service have focused on supporting large housing development schemes, meeting the Educational requirement to increase the number of pupil places and managing the Council's core property portfolio.

A renewed focus will be made towards 'sweating assets' and identifying opportunities to make better use of assets to either meet the key objectives set out earlier in this document or to generate a capital receipt.

An immediate review will commence of the Council's medium term leases to third parties. In a number of instances the annual rental income is limited by existing lease terms and the surrounding area or restrictive covenants mean any form of development is extremely unlikely. These assets do have a capital value to existing tenants and therefore where these opportunities exist, a disposal to generate a capital receipt will be sought.

Formal service challenges will commence from January 2015. The challenges will concentrate on identifying buildings whereby utilisation is considered low (i.e. public footfall is low) or running costs are high in comparison to similar buildings or future capital investment is high.

Services will also be challenged as to whether alternative methods of service delivery could result in a reduction of their property requirements. This could be in the form of better technology or sharing space with other Council or public services. Service departments will also be encouraged to consider whether the space they occupy lends itself to alternative non service use such as private hire or letting. This is type of alternative use has traditionally been successful in Schools and Libraries and part of the Service challenge will be to explore all options to generate income and reduce costs.

Case Study Example

A large golf course was leased from the Council with 73 years unexpired. The rent being paid to the Council under the terms of lease was £60,000 per annum. The Golf Course was part of metropolitan open land and therefore no prospect of any development existed. The market value of the site was £1m and a capital receipt to the Council to support the delivery of affordable housing was deemed as a better solution to meet Council objectives.

Project 2 - Review of Corporate Office accommodation

The Council's corporate office accommodation is currently being reviewed. The review builds on the work undertaken previously whereby the Council's main back office functions were consolidated into Bernard Weatherill House. This review will gather data on how well the space is utilised and organised, the cost of occupation and whether opportunities exist to better use office accommodation across the estate. By undertaking this review it is believed that opportunities will be presented to better use space and to generate rental income via the leasing of office space to third parties.

Case Study Example

The Council's occupation at Bernard Weatherill House is currently being reviewed. Early indications suggest that a significant amount of space in the building could be released and marketed for third party occupation. As prime office space in Croydon it is believed that this accommodation would rent well and be attractive to the market.

Project 3 - Review the use of existing School estate in partnership with our residents and our schools

A review of existing school sites will be undertaken to identify potential opportunities for further expansion to meet the Council's growing need for primary and secondary places. Over the next 3 years the Council will need to provide a significant number of additional places; and with pressures relating to Housing and financial resources stretched, further development of existing sites will be critical.

School sites will be reviewed to try and identify opportunities that may support further expansion to meet the needs of our families and for the education of the children in our borough.

Academy schools have generally been granted 125 year leases on full repairing and insuring terms. However, as the freeholder, the Council still retains an interest in both the land and the opportunities that may exist for wider regeneration or development of housing and other Council related service provision where it meets the needs of our communities.

Project 4 - Community Asset Review

The Council has 66 Community Buildings across the borough. They are occupied by a range of third sector organisations delivering many different outcomes for the Council's residents. This portfolio of buildings costs over £1m a year to run and maintain. The buildings in this portfolio range from small estate based Tenants Halls to larger buildings such as Stanley Halls.

With a reduction in the Council's resources this level of community buildings cannot be sustained in the medium term. Generally the buildings in a fairly poor state of repair and many are near the end of their natural life and require significant investment. The Council has limited capital at the present time and other priorities such as school places and housing will continue to take precedents over most other needs.

The Community Asset Review will consider how the Council manages and funds the running of Community Buildings on a day to day basis. The review will look at the utilisation of each building, its running cost and backlog maintenance. The cost of providing the outcomes to the residents of Croydon will be benchmarked both internally and externally. This information will help officers produce options on each asset and in the wider delivery of community benefits and space.

This review will produce the following deliverables:-

- Future management options for the community buildings portfolio
- A schedule of buildings that may be appropriate for Community Asset Transfer
- A schedule of sites where opportunities may exist for re-development and alternative provision of the space

The outcomes of this review will be:-

- Community organisations become less dependent on the Council for funding
- Opportunities to source additional funding (such as Lottery) for the improvement of buildings
- A reduction in overall expenditure for the Council

Case Study Example

Selsdon Hall was let as a Community Asset Transfer to an established community group who were already active in the area. Since completion of the 25 year lease the group have refurbished the premises to improve the facilities and have appointed a full time centre manager to help promote the venue and facilitate lettings. This has resulted in a significant increase in the use of the centre through hires and organised events. The Council will continue to support the group by meeting the running costs up to March 2015 and after this period the group will be fully responsible for all costs saving the Council £45,000pa. The lease provides some control over usage and helps to ensure that it is available to local residents and groups at reasonable rates.

The table below summarises the 4 key projects that support the key objectives as set out in the strategy.

Project Number	Objective
<u>Project 1</u>	
Accelerated review of assets	Reduce cost, improve access for residents and identify opportunities for housing / regeneration. Identify opportunities to generate capital receipts or stimulate regeneration.
<u>Project 2</u>	
Review of Corporate Office accommodation	Reduce overall footprint, increase income and reduce costs. Improve access to services and stimulate micro economic growth.
<u>Project 3</u>	
Use of existing School estate	Identify further opportunities for expansion.
<u>Project 4</u>	
Community Asset Review	Review opportunities to improve service delivery and identify potential regeneration / housing opportunities. Reduce overall cost, create opportunities for groups to access funding, assist third sector groups with becoming self sufficient

Asset Management

The first key stage in the overall asset management process is to develop a strategy which sets out the key priorities and objectives for the property portfolio over the next 5 years. Asset management plans and programmes can

then be prepared, delivered, reviewed and, if necessary, revised. The key steps in the process, along with the underlying factors that support effective asset management, are summarised in the diagram below.



