

Royal Borough of Greenwich

Property Asset Strategy

Efficiency & Opportunity: Using property to support growth, regeneration and community vibrancy

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Version 1.1



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Executive Summary

The Royal Borough of Greenwich (RBG) faces a significant period of change as it embraces the challenges and opportunities over the next 20 years associated with developments in physical infrastructure such as housing and transport. The population of the borough will increase significantly, as will the proportion of those aged 65 and over, leading to a changing profile of demand for Council services. The Council has a vision to promote growth and regeneration in the borough, to provide high quality services and to tackle poverty. In doing so it wishes to secure sustainable improvements in the quality of life and to ensure equity of opportunity for all residents. It will need to do this with constrained financial resources.

Property has a key part to play in supporting this vision because as a resource it is multi-faceted and multi-purpose. Property helps to support services, regeneration, and community well-being; as well as consuming revenue (from its operations and maintenance) it can also generate revenue (from lettings). The RBG portfolio has latent value within it and there is a policy choice about the strategic direction in how this value is exploited for the benefit of the community at large. In simple terms this is a **choice between short term 'efficiency' (releasing capital and lowering operating costs) and long term 'opportunity' (harnessing value for re-investment), or a balance between these two.**

In the future the Council should take a **twin-tracked approach to property**, balancing these short and long term choices. Both these short and long term perspectives must contribute to the Council's overall aspirations for the borough and can be summarised as *'Efficiency and opportunity: using property to support growth, regeneration and community vibrancy'*.

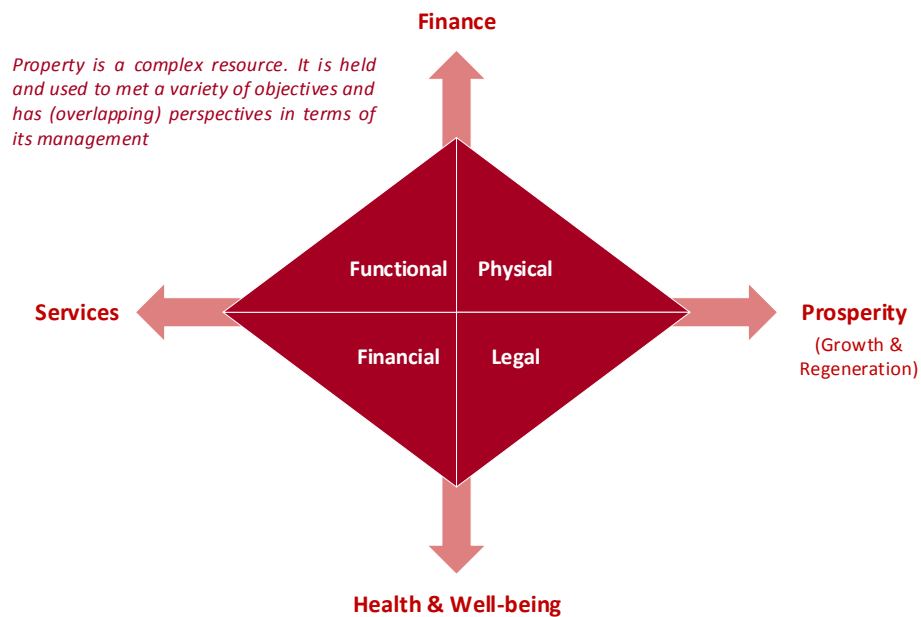
In practice this means taking a **balanced approach between efficiency and opportunity**. To do this the Council will need to review the need for assets, review the performance of assets, manage properties effectively (by good FM services, maintenance and statutory compliance), grow an opportunity portfolio of sites which can over the long term generate value and reduce the Council's carbon footprint over time by 'greening the portfolio'.

The strategy is purposely bold with ambitious, but realistic actions. Implementation will depend on a range of factors. These include Member and officer commitment, leadership, recognition of the complexity of property as a resource, change in outlook to embrace a more entrepreneurial approach and a strong strategic property team. Over time this will lead to **changes in the size and nature of the portfolio**. There may be fewer service delivery buildings, but these will be better quality, better maintained, fit for purpose. A locality-based, multi-service model for the operational portfolio may provide the optimum balance between resource pressures, community outreach and equity. There may be more assets held for income generation, future value release or supporting growth and regeneration.

1 Introduction

1.1 The Nature & Importance of Property

Property is a complex and multi-faceted resource. The Council holds properties for a variety of purposes – to accommodate staff, as places through which to provide services, in support of community engagement, to facilitate future development and to generate income. All these purposes for holding property have a common objective around promoting the prosperity and well-being of Greenwich residents. Day to day management of property is important to ensure they are safe, clean, welcoming, fit for purpose, well maintained and performing well in terms of meeting the needs for which they are held. Over and above this operational perspective of property there is a strategic dimension to the property portfolio. As public expenditure constraints continue and as services reform in response to these and other pressures, so increasingly the Council is recognising the strategic dimension of property and identifying how it can contribute to long term growth and regeneration in the borough.



1.2 Purpose & Scope of Strategy

This strategy is designed to articulate a broad strategic direction for property over the long term in order to ensure it is optimised to meet the Council’s priorities for the Royal Borough of Greenwich. The vision it articulates is deliberately bold in order to

emphasise the strategic aspect of property. As such the strategy is not a static document but rather part of a process designed to engage members and officers in a dialogue about the nature of, and future direction for, RBG's property resource. It is intended to promote a common understanding of property and to set a direction for its management over the long term. The strategy is a practical tool which helps to define, implement and measure how the Council:

- Integrates decision making on property with wider Council processes
- Makes investment decisions
- Enhances the financial value from property holdings
- Maintains and improves assets
- Ensures the property portfolio is 'fit for purpose'
- Promotes innovation and development in asset management
- Listens and responds to property users evolving needs
- Supports the Council's objectives for growth and regeneration
- Contributes to the borough as being a great place to live, work and visit

The strategy takes a '5-year and beyond' planning horizon in order to provide a long term strategic perspective. It is restricted to consideration of property assets that the Council owns or uses (but excludes the Council's housing assets which are considered through a separate strategy and non-property infrastructure assets such as highways). It sets a programme of action over the medium term and will be subject to periodic review as changing circumstances require.

1.3 Overview of Greenwich

The Royal Borough of Greenwich is located on the south bank of the river Thames. Its neighbouring boroughs are Lewisham to the west, Bexley to the east and Bromley to the south. It has the longest river frontage of all London boroughs, approximately eight miles. Around 15% of its total area is occupied by green and open space. The Council comprises 51 councilors representing 17 wards and the Council meets in Woolwich Town Hall where the council's main civic office is also based.

The mid 2016 population estimate for the borough was 279,800 and it is predicted that by 2026 the population of Greenwich will increase to 322,000; with a significant proportion of the increase in 65+ age group (expected to rise by 29.6%). This population increase is expected to be concentrated in a few wards including: Peninsula (103% increase); Woolwich Riverside (58%), Eltham West (37%) and Woolwich Common (19%).

Recent years have seen the start of major transformation in Greenwich, with significant new investment being attracted for housing development, new businesses and improvements in physical and social infrastructure. New transport links, together with the availability of brown field sites for development will also open up opportunities for further growth, and the Council is pursuing an ambitious programme of physical regeneration. Through this investment in physical infrastructure there is an opportunity to secure the foundations for the future prosperity and wellbeing of the people of Greenwich. At the same time, the borough faces some challenges from continued public sector spending restrictions, a growing and changing population and entrenched poverty and deprivation in parts of the borough.

1.4 Overview of the Portfolio

The Council owns a large and diverse property portfolio. Basic dimensions of the portfolio are provided below. These properties are held:

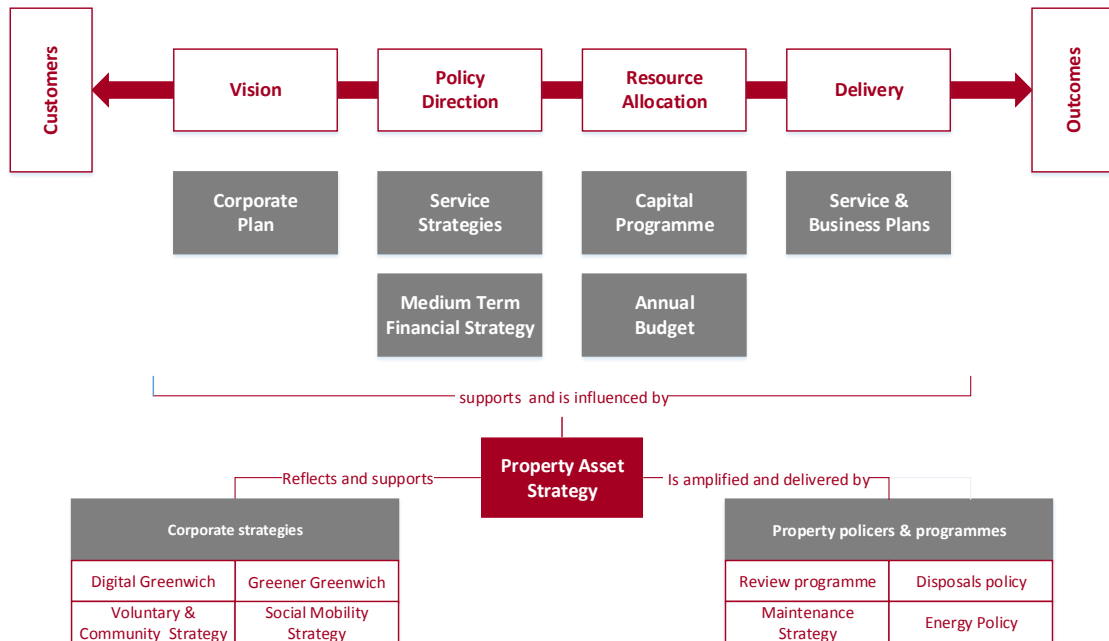
- in support of direct or indirect service provision (operational)
- to generate income for the Council (commercial)
- to support growth & regeneration (opportunity)
- to meet community needs or in stewardship (community & infrastructure)

Total Number of Sites			
915 (From Concerto)			
Value	Cost	Income	Condition
£1.048.8M ¹ For capital accounting	£43.1M ² Annual running Costs	£14.9M ³ Generated from lettings	N/A Estimated repair requirement

¹ From Statement of Accounts – Land & buildings excl. housing, infrastructure, community assets & surplus assets. ² from 17/18 outturn ³ includes income from lettings, car parks & service charges

1.5 Links to Other Plans

A property asset strategy does not exist in isolation. It is closely linked, where these are in place, to a range of other plans as identified below. It both supports, and is informed by, these other plans. The property asset strategy is itself amplified through other property policies, procedures and programmes of work. Finally the strategy is both internally and externally facing.



2.0 Operating Context

2.1 Influences for Change

There are a range of influences that are driving change in the borough and to which the Council must respond through its portfolio management. These can be recognised nationally, regionally and locally and also through the Council’s own policies.

National

- *Public expenditure restraint* - The medium term outlook at a national level is dominated by *uncertainty over the impact of Brexit* and continuing constraints on public sector expenditure. In response to these financial pressures there is *continuing reform of public services*, with in the case of local government, a need

to do more for less and differently, particularly as rising public expectations and changing demography are placing increasing demands on Council services.

- **Population Growth & Housing Need** – Within the UK there is a housing shortage with houses being too costly, of poor build quality and often in the wrong places. As UK population continues to grow from rising life expectancy, high birth rate and net immigration, it will place further pressures on housing and prices. Housing shortage has been described as the ‘biggest risk’ to the economy by the Governor of the Bank of England. Research indicates UK needs approximately 300,000 new houses per year to meet demand. Use of publicly owned land and property as a catalyst for housing growth is likely to be a national priority as affordability of housing becomes more acute.
- **Localism & Place Shaping** - The government’s localism agenda has a policy drive around decentralisation. Voluntary groups, social enterprises, parish councils and others have a ‘community right to challenge’ local authorities over their services and in future could compete to provide services. Communities can ask councils to list certain assets as being of value to the community and bid to buy assets if any come up for sale. There is also potential for the transfer of the management and/or ownership of council land and buildings to a community organisation at less than market value to achieve a local social, economic or environmental benefit. There is a policy drive to promote sustainable communities with an aspiration to create vibrant areas, which are attractive places, to live, work and play with part of this concerned with encouraging community participation and place shaping.
- **Partnership Working** - There is a strong drive for partnership working. This is seen as both a policy and resource imperative exemplified through the **One Public Estate (OPE)** initiative which is focussed on managing collective public property assets in an area as a single portfolio. The aims of OPE are to generate receipts, reduce running costs and liabilities; promote growth through supporting housing development and job creation; encourage optimal use of assets through co-location and sharing arrangements and support customer focussed services through service integration.
- **Health & Social Care Integration** - There is a national drive to integrate health and social care which will have implications for both council services and their property portfolios. The **Naylor Review** of the health sector estate (2017) identified that without investment the NHS estate will remain unfit for purpose and that to meet Dept. of Health targets to release £2bn of assets for

reinvestment and to deliver land for 26,000 new homes will require capital plans which are aligned to clinical strategies, maximise value for money (incl. land sales) and address backlog maintenance. Similarly the *profile of public health* as a critical issue is rising as the cost of health care rises and because of its long term impact on the demand for health and other local services.

Regional & Local

- *River Thames growth* – Over the next 20 years there will be continuing development along the River Thames from Greenwich through Charlton Riverside to Woolwich. This will see significant housing and *population growth* which may have implications in terms of the *changing profile of service needs*. Of the over 40,000 expected population increase between 2016 and 2026 the majority of this will be concentrated into the Thames growth corridor.
- *Improved connectivity* – with several major infrastructure transport projects in the area the borough is likely to benefit from significantly improved connectivity. A new station will open at Woolwich in the near future as part of the *Crossrail* development which will link to the north Kent line at Abbey Wood across London to Essex, Heathrow Airport and Reading.

2.2 Council & Service Priorities

There are a range of corporate strategies to which the Council's property portfolio must respond in terms of its size, nature and management. The most significant of these are highlighted briefly below.

- *Corporate Plan 2014-18* - The Council's overarching priorities are: to promote economic growth and rising prosperity as a foundation for sustainable improvements in quality of life; to tackle poverty in the borough, helping to ensure that all residents are able to benefit from the new opportunities and to provide high quality services to support improved outcomes for local people. This means maximising, as far as possible, investment and delivery of the Growth Strategy and prioritising interventions which will have the greatest impact on growing the local economy with the consequent benefit for jobs, housing (including New Homes Bonus) and business rate growth.
- *Greener Greenwich Strategy 2016* - The aim of the strategy is to take and encourage actions which respond to climate change and air pollution; focusing on the reduction of emissions and fostering sustainable growth. An important part

of this is managing the council's own emissions, as an owner properties and parks and open spaces, and also as a landlord. This includes homes owned by the Council which make up around 25% of all housing in the borough and corporate buildings such as RBG's offices and service delivery buildings (such as libraries). The energy use and wastage from council's buildings must be reduced and one of the strategic objectives within the strategy is to improve the energy performance of corporate buildings and reduce associated carbon emissions with the council committed to achieving a 25% reduction in greenhouse gas emissions from its core operations, which includes its corporate buildings.

- *Voluntary & Community Sector Strategy* - in 2016 the Council launched a development process for a new multi-agency strategy that aims to shape a collaborative approach to meeting the needs of local people, building community resilience and increasing the sustainability of voluntary and community organisations. The vision is to achieve a more collaborative multi-agency approach ensuring sustainable interventions that meet local need and build resilience for the borough's diverse communities. To support this vision a strategic priority is to ensure physical assets meet the needs of the VCS and our communities, including where these are Council owned buildings.
- *Social Mobility Strategy 2018-22* – The Council has a vision to ensure a fair chance for everyone in Greenwich. This is underpinned by three themes: 'Help when times are hard' – focusing on those on, or under, the absolute poverty line; 'Opportunities out of poverty' – focusing on those just making ends meet and 'Moving on and moving up' – focusing on these who may be above measures of poverty but whose social mobility has stalled. In Greenwich 45% of working age households in employment claim benefits. There are a number of wards with extreme levels of deprivation including Woolwich Dockyard, Woolwich Common, Middle Park, Abbey Wood and Thamesmead. There are also high levels of income deprivation affecting older people in the north of the borough. The main objectives of the strategy are to: boost incomes, support RBG residents affected by Welfare Reform, improve educational attainment and skills, promote employment and economic growth, ensure supply of affordable homes, strengthen families, support vulnerable people and improve the wellbeing of residents.
- *Parks & Open Space Strategy 2017* – Open spaces are vital components of the urban environment as they provide natural breathing spaces, contribute to well-being and are highly valued by residents and visitors. The emphasis through this strategy is to sustain effective management of amenity areas in a time of

constrained financial resources. The Green Infrastructure Study (Towards a Greener Greenwich), suggests a public open space standard of 2.69ha/1000 people based on the provision of publicly accessible parks and gardens, natural and semi-natural green space and amenity green space. If this standard is to be met new public open spaces will need to be provided alongside growth in housing in the Greenwich peninsula and along the River Thames.

2.3 Resource Context

The revenue budget is broadly balanced for the next few years with no specific expectations or requirement for revenue savings from property. In the capital budget, however, there is a 'funding gap' to be bridged to support the delivery of the agreed capital programme going forward. The expectation is that this funding gap will be bridged, in part, by capital receipts from property disposals.

The Council has generally operated a cash accumulation - cash deployed – cash rebuild cycle with the current timing being in the cash deployment phase since 2013 to deliver the agreed capital programme. Looking forwards the immediate priorities after delivering the programme are to address backlog and compliance issues in the portfolio to bring it up to a satisfactory condition level and then to rebuild cash to support new initiatives. As there have been no recent current condition surveys the overall backlog maintenance is not known with any certainty and so a key priority is to determine this to allow for planning and future funding allocations. The Council will support borrowing if capital schemes are self-funding through, for example, savings. The business case needs to demonstrate that debt costs can be financed as part of the scheme.

2.4 Challenges & Opportunities in the Portfolio

A number of issues have been identified which need to be addressed to ensure the effective management of the portfolio as they represent risk to the Council in achieving its objectives. These are:

- *Portfolio diversity* – In reality the RBG portfolio is a diverse mix of assets, acquired at different times and for different purposes, rather than a single homogenous set of properties. Whilst this is understood it may be appropriate to recognise this more explicitly through defining individual sub-portfolios and categorising assets into these. This codifies the portfolio in a more systematic way and by defining the rationale for holding assets in each sub-portfolio and

their key management objectives may be able to place a sharper focus on how assets are managed.

- *Statutory compliance* - As a consequence of an historic fragmented and under-resourced approach to statutory compliance it is not possible to provide an assurance that the estate is currently fully compliant. A simple compliance status report covering all aspects of statutory compliance should be a basic requirement for effective portfolio management – so that the Council is aware of its compliance position at any point in time and is fully aware of any required action; including surveys to update currency. This is not available. This represent a significant risk to the Council including potential financial penalties, reputational risk and personal liability should there be any serious building failures associated with compliance matters.
- *Legacy of under-investment* - the portfolio has suffered from historic under-investment and in general terms comprises ageing buildings which are in a poor condition, not fully 'fit for purpose' and inflexible in terms of meeting future service needs or in terms of functional suitability. There is a mismatch between spend on maintenance and the condition of the building stock which may lead to a growing future liability for the Council. Currently the maintenance budget and spend is inconsistent with need; and the balance of spend is directed to reactive rather than planned maintenance indicating serious maintenance issues. Inadequate spend on priority maintenance areas may increase future liabilities to the Council or lead to risk of serious building failures. It is important to reflect that buildings are an expression of the Council and how they present may be indicative of the Council itself.
- *Governance arrangements* – A 'health check' of policy and practice in asset management at RBG identified that there had been a lapse in the general governance arrangements around the management of the portfolio. In particular there is no strategic property board to provide overall direction and to secure senior corporate and service office engagement on property matters. In addition there is a lack of systematic review processes and the need for some policies and procedures to be refreshed. There may also be value in defining the respective roles of 'Property' and 'Services' as the 'Corporate Landlord' and 'tenant' of properties.
- *Significant latent portfolio value & liability* - The Council has a large and diverse portfolio; with assets held for a variety of reasons. The portfolio has not been subject to systematic and robust review and challenge (over need and

performance). The previous five years have seen significant growth in the value of property in London and as a consequence there is potentially significant latent value within the portfolio (sites with development potential) which can over time be exploited to meet the Council's objectives for growth, regeneration and community vibrancy. At the same time the liabilities in the portfolio (from statutory compliance and maintenance) has also grown as identified above. The Council has a policy choice about how to exploit this latent value. In simple terms these can be described as short term efficiency (releasing capital and lowering operating costs) or long term opportunity (harnessing value for re-investment) or a combination of these.

3 Strategic Direction

3.1 Overall Direction

The operating context outlined above implies a revised direction for asset management. In the future asset management must take a twin-tracked approach balancing short and long term priorities. The short term focus needs to be around efficiency in order to identify opportunities to reduce costs and release capital (from disposals) in order to meet current commitments including capital programme initiatives. The long term focus needs to be around opportunity to identify and deliver sites which have latent value which can be exploited over time and support re-investment back into future Council priorities.

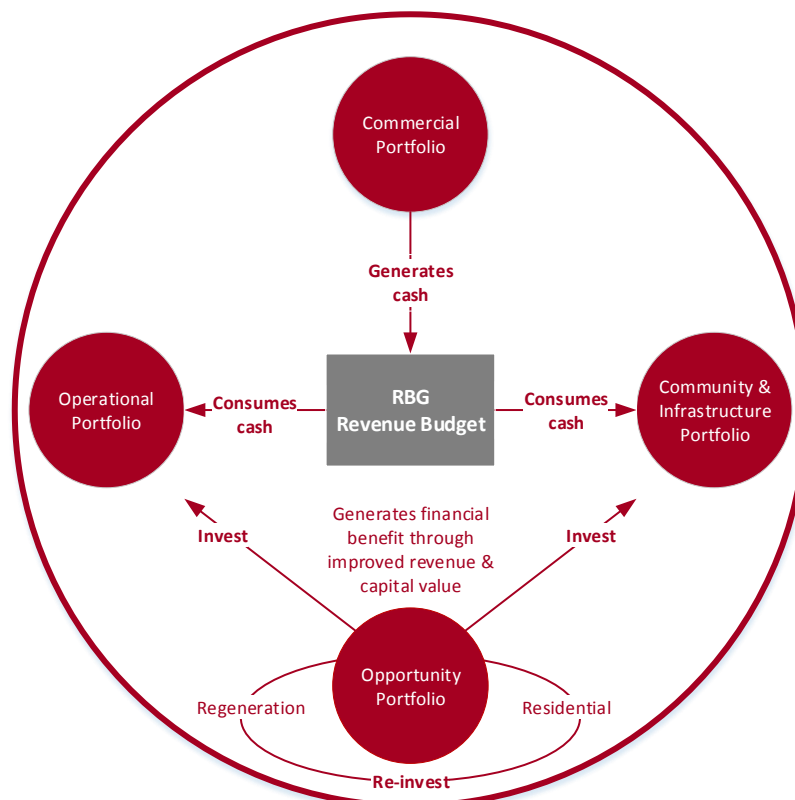
Both these short and long term perspectives must contribute to the Council's overall aspirations for the borough and the strategic direction for asset management can therefore be summarised as *'Efficiency and opportunity: using property to support growth, regeneration and community vibrancy'*. In the future the Council's approach to asset management needs to:

- Adopt a **Corporate Landlord Model (CLM)**. CLM is a protocol under which responsibility for property budgets, maintenance, staff and funding is transferred from individual services to a centralised Corporate Property team (DRES); with all decisions affecting Council assets considered from a strategic and corporate perspective. Service departments effectively become "tenants" within the premises they occupy with defined responsibilities for their premises. Under CLM they are not able to make independent decisions regarding the use or utilisation of Council premises. The service department has to make a case for any property they wish to occupy. This allows the Corporate Landlord to offer sufficient space -

and no more space than is required - for Council activities, thereby reducing overall accommodation requirements.

- **Promote segmentation of the portfolio.** The portfolio is not a homogenous set of assets but a series of sub-portfolios each of which are held for a specific need, with specific objectives requiring a specific management focus and a specific set of skills and expertise. Some of these sub portfolios *consume* cash whilst others *generate* cash; some have an immediate short-term perspective to their management whilst others have a longer-term perspective. The basis for portfolio segmentation is amplified in Appendix A.
- Review the portfolio to **identify assets that can be released** with the capital receipts used to support the capital programme in the short to medium term
- **Lower the operating costs** of property through release of poorly performing assets; rationalisation of the operational portfolio and targeting discretionary elements of property spend, such as energy, to lower overall costs.
- **Support provision of integrated access** to public services through joint working with partners to create multi-agency service facilities where opportunities allow.
- Identify and **exploit the latent value** of the estate with emphasis on where sites can be more intensively used or where opportunities to generate income / value from alternative uses (commercial and residential) can be realised.
- **Minimise future liabilities** to the Council by reducing the maintenance backlog or lowering its overall carbon footprint by releasing buildings which are poorly performing in terms of CO₂ emissions or maintenance unless they are service critical; and retro-fitting buildings to improve their sustainability.
- **Challenge utilisation** and use of the portfolio including buildings let on concessionary terms to occupiers.
- Put in place **robust governance**, portfolio intelligence and processes to support the effective management of the portfolio.
- A critical element of this revised approach is to understand the diverse nature of the portfolio and to **re-categorise assets** according to the rationale for them being held and the on-going objectives for their management. This segmentation is shown in diagrammatic form below.

Traditionally the overall portfolio has been seen as a necessary but cash consuming resource required to support service delivery. However increasingly property is being seen in more commercial terms with its ability to generate cash being recognised. There is no reason why the objective should not be for the overall portfolio to move towards 'cost neutral' in the long term with cash generating assets of the portfolio balancing cost consuming assets. As the overall portfolio generates more cash so the scope for re-investing in improving the quality of the portfolio becomes possible.



3.2 Key Themes

This future direction for asset management articulated above is underpinned by five broad themes around which future action and resources need to be coordinated. These themes are briefly amplified below:-

- *Review of Need¹* – There is a need to systematically review all assets on the basis of their 'need' and to provide a challenge as to why the Council holds each individual asset. This will allow a classification on the basis of 'retain' or 'release' with further categories of action defined for both outcomes. This will lead to the identification of broad programmes of action, including that related to property disposals and the generation of capital receipts.

- *Review of Performance*¹ – for the retained assets there is also a need to review in a systematic way the performance of individual assets in terms of their cost, utilisation and liabilities (from maintenance or statutory compliance). This will inform programmes of work to minimise/ avoid revenue expenditure or to intensify use. Assets which can support shared use may lead to offsetting cost savings (from letting out space). Ultimately consideration of asset performance may also lead to a review of need.

¹Note: *Assets need to be reviewed on an individual and whole service basis but consideration also needs to be given to a locality-based, multi-service (and multi-agency) service delivery model for the operational portfolio as this may provide the optimum way of responding to objectives around efficiency (cost reduction & capital release), community outreach and equity.*

- *Managing Properties in Use* – The Council needs confidence that all legal obligations relating to the property it owns are complied with. This an area of risk for the Council. For retained assets it will be important to introduce a stringent inspection routine for statutory compliance and to ensure that scarce funding budgets for maintenance are allocated on the basis of clear priorities established from robust stock condition data.
- *Developing an Opportunity Portfolio* – In order to establish and grow an opportunity portfolio the Council will need clarity over, and commitment to, the rationale and objectives for the portfolio. Individual assets will need to be identified on their long term potential to create value (through development) and a common understanding needed about how to exploit that value, the Council's attitude to risk and its ability to 'release and reinvest' rather than 'making do' with the portfolio it has.
- *Greening the Portfolio* – In order to meet the Council's commitment to reduce its carbon footprint it will be necessary to promote sustainability in the portfolio. Buildings are an important contributory factor to the Councils CO₂ emissions and issues such as the quantum of assets, their design, potential re-provision, retro-fitting and energy use all need to be considered.

3.3 Making it Happen - A Framework for Action

Looking forward there are a number of actions required to respond to the challenges identified above. An action plan is presented below linked to the key themes identified through the strategy. The resource implications and timing of these actions are not identified in any detail. Given the Council's resource constraints it will need to determine the relative priority of each action, the risk of not undertaking it and potential scale of benefits which will be delivered. The identified actions are in addition to existing day to day asset management activities.

Framework for Action

Actions	Key Strategy Themes					
<i>Actions identified are strategic initiatives only & are in addition to the normal day to day activities</i>	Segmenting portfolio	Review of Need	Review of Performance	Managing Properties in use	Developing an Opportunity Portfolio	Greening the Portfolio
Define 'holding rationale', objectives & key PIs for each portfolio	■				■	
Clarify roles of Property & Services (Corporate Landlord Model)	■	■	■	■	■	■
Initial categorisation of all assets to a portfolio	■				■	
Develop & agree a property review methodology		■	■			
Develop 'asset challenge' criteria		■	■			
Establish an asset review panel (to secure service engagement)		■	■			
Define property disposals list (profile of receipts & timing)		■				
Consider locality-based, multi-service delivery model		■	■			
Initiate a stock condition survey to identify backlog (& priorities)				■		
Undertake priority statutory compliance & backlog work				■		
Develop planned maintenance programme from stock survey data				■		
Review existing sites to identify those with development potential					■	
Re-designate sites as part of the opportunity portfolio					■	
Define potential development options (use / time / feasibility)					■	
Supporting Actions (Identified through 'health check')						
Establish Strategic Property Board	■	■	■	■	■	■
Define plan & project management for implementing Concerto	■	■	■	■	■	■
Review property data & accelerate implementation of Concerto	■	■	■	■	■	■

3.4 Critical Success Factors

The actions identified through the preceding section are ambitious but deliverable. However together they represent a new and bold direction for property as a strategic resource. In order to be implemented successfully there are some critical underpinning factors. These are:

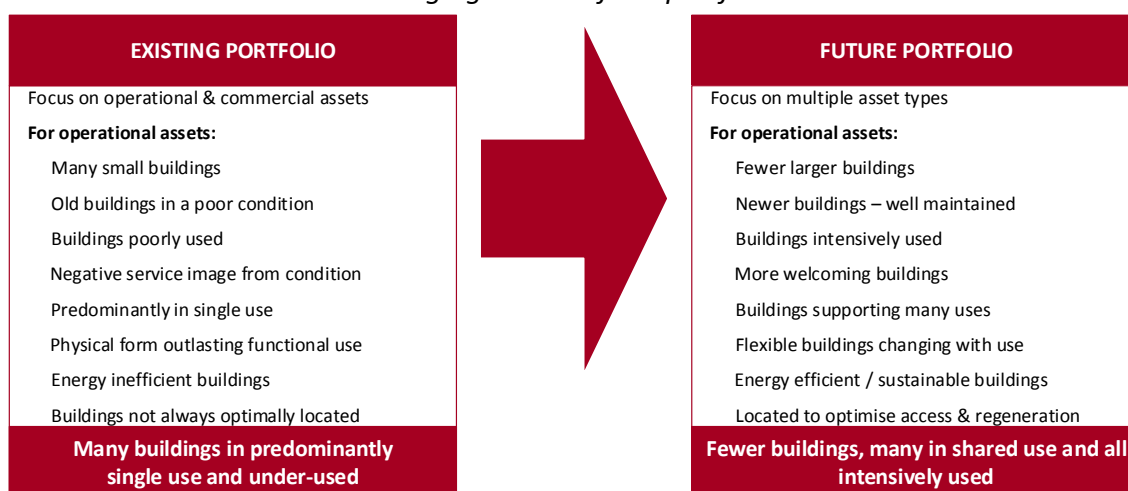
- *Commitment & leadership* – senior member and officer ‘buy-in’ and commitment will be an essential pre-requisite to provide direction and support for the strategy and the concepts of segmenting the portfolio and taking a twin-tracked approach to efficiency and opportunity.
- *Core strategic property team* – the need to expand and build capacity of the corporate strategic property service (DRES) needs to be recognised by the Council. This has to happen ensuring that the team has an adequate mix of experience and skills in order to take on the more strategic elements of portfolio management to enable property to more effectively support wider growth and regeneration objectives. Alongside this sufficient capacity also needs to be reflected in Legal Services.
- *Cultural & attitude change* – There is a need to adopt a longer term view of property, being more entrepreneurial in outlook, overcoming service silo mentality, embracing more collaborative working with partners and proactively ‘challenging’ accepted Council orthodoxies around property.
- *Recognition of challenge* – the challenge of implementing the strategy should not be underestimated. Property is a complex resource which is slow to change and trying to introduce pace, innovation and scale in its management can be difficult. A degree of realism needs to be present while the implementation phase is in its infancy.
- *Proper governance* – the key recommendations arising from the ‘health check’ on the property service need to be implemented as these can provide a good basis of governance to support the strategy. Perhaps, the most single, important element of these recommendations is the need for a Strategic Property Board (or equivalent) but developing a simple but comprehensive ‘Property Handbook’ of policies and procedures could be useful.
- *Portfolio Intelligence* – Good quality data underpins strategic action in the portfolio through providing the intelligence to identify opportunities. Without

this there is a risk of the Council taking sub-optimal decisions on the portfolio.

3.5 Outcomes for the Portfolio

Over time the strategic direction defined through this strategy will support a change in the size and nature of the portfolio to one which has a different balance between operational and opportunity assets and between cash consuming and cash generating assets. The operational portfolio which supports service delivery may have fewer properties, but in a better condition, well located and in some cases supporting multiple uses.

Changing nature of the portfolio



4 Property Policies & Programmes

4.1 Acquisition & Disposal Policies

This asset strategy has articulated a twin-tracked approach around efficiency and opportunity. In terms of efficiency the Council will need to generate capital receipts from the disposal of its surplus assets in its operational portfolio and in terms of opportunity the Council may need to acquire assets to support growth and regeneration. It may become increasingly important to focus on the Council's 'opportunity' portfolio and to grow this through strategic acquisitions to generate improved rental income or to secure sites for future development. This will require capital which can be utilised to respond quickly to market opportunities within a clear governance framework and with the benefit of defined acquisition procedures. It may similarly be important to change the composition of the operational portfolio as

this needs to be rationalised as many assets are not 'fit for purpose'; in a poor physical condition or costly to use. Whilst this may not necessarily see a growth in the size of the operational portfolio it is likely to see new acquisitions allied with the disposal of existing properties to change the overall nature of the portfolio. Appendix C sets out a *draft* Acquisition Strategy covering the rationale for acquisitions, acquisition criteria and the outline of governance arrangements.

4.2 Property Review

The Council is reviewing its property portfolio. This is based on a methodology that 'challenges' the need for, and performance (cost, utilisation, suitability & liabilities) of individual assets set within the context of service strategies and the financial resources of the Council. The council has developed an overall methodology for this review with the intention of categorising assets on the basis of required action. Given budget pressures on the capital programme this review process needs to be accelerated so that opportunities for capital release are identified.

Available base information will be analysed to review individual assets with a simple categorisation process adopted to identify future action. At the preliminary stage only high-level data will be taken into consideration to keep initial analysis simple, with the analysis being undertaken in consultation with Service Heads / managers to ensure their priorities are also taken into account. From this initial categorisation more detailed work will be undertaken in order to develop specific actions and any associated cost implications or savings. An overview of the review criteria is shown in Appendix D. It is recommended that an Asset Review Panel is established in order to ensure consistent service input into the review process and to consider cross-service rationalisation opportunities that might exist.

4.3 Disposals Policy & Programme

The Council will have a significant disposals programme over the short to medium term in order to support the Council's capital programme. Sites will be identified for disposals through the review process or declared surplus by Services. A site will be deemed potentially surplus to requirements if either/or:

- It no longer makes a contribution to the efficient and effective delivery of Council Services
- It has no potential for future strategic or redevelopment purposes by the Council
- It is in poor repair and cannot be rendered fit for purpose at reasonable expense

- An alternative available site has been identified which would achieve a more cost effective service delivery
- Its disposal would help facilitate the achievement of the Council's corporate objectives
- It has a history of under-use and poor performance
- It demonstrates a poor financial return on investment value

Disposals will be undertaken in line with the Council's agreed disposal procedures and in simple terms are to be done on the following basis:

- In accordance with S123 of the Local Government Act 1972, as amended by the General Consents Order 2003, all sites will be sold for the best consideration reasonably obtainable.
- The method of disposal to be the most appropriate in accordance following discussion and agreement with the Assistant Director Regeneration.
- Sites to have a degree of planning certainty which may extend to outline planning permission or a planning/design brief if appropriate.
- Terms and conditions to be in accordance with best commercial practice.

4.4 Maintenance Strategy

Assets need to be assessed in terms of the maintenance required to keep them functioning safely. For some building components cyclical checking and maintenance is a statutory requirement and for many components the manufacturers guarantee requires periodic maintenance to be undertaken. Underinvestment in Planned Preventative Maintenance (PPM) leads to early component failure and increased capital expenditure in the longer term.

The legacy of underinvestment in the Council's corporate managed buildings has resulted in little or no actual planned maintenance being undertaken, leading to urgent capital investment needs as building components fail early due to a lack of maintenance. The position is exacerbated by a lack of knowledge on the condition of buildings which means no logical planned maintenance programme can be implemented without extensive surveys in the first instance.

The Council has developed a maintenance strategy to address these needs. The key areas of focus through the strategy are to: make the case for greater spend, emphasise the importance of good corporate records on buildings, plant & equipment and the need for up to date stock condition surveys. The condition survey

should cover a detailed proposed programme of work over a 30 year period which is necessary to inform a PPM moving forwards. This PPM should contain a detailed 5 year plan for the estate plus a longer, less detailed plan, looking out 10 & 20 years; with the 5 year plan seeking capital approval through Cabinet.

An initial budget allocation of £200,000 has been made in 2018/9 for survey works, a further allocation of another £200,000 is estimated to be required in order to complete the surveys in line with the aims of the maintenance strategy.

4.5 Statutory Compliance

Minimising the Council's exposure to risk is an important cross-directorate theme across the Council. There are a number of statutory obligations and related risks affecting the Council's use and occupation of land and buildings and these need to be recognised and become a focus of priority within the Council. The main requirements, key achievements and actions within these are identified below:

Equalities Act	▪ Equalities Access Audits completed
Fire Risk Assessment	▪ Currently completed on an ad-hoc basis ▪ Only main corporate sites are completed
Asbestos Management	▪ Asbestos policy developed but, under review ▪ Currently out for tender with ongoing plan
Legionella Management	▪ Currently no planned works ▪ WRA's completed ad-hoc ▪ Numerous outstanding remedial work ▪ No water management regime in place ▪ Current council guidance inadequate
Property Risk Management	▪ Currently no risk register within RBG ▪ Currently no policy
Electrical Systems	▪ RBG Procedure in place but, requires review ▪ Corporate properties under review ▪ Legacy of remedial works invalidating tests ▪ PAT testing regularly completed ▪ Lightning protection incomplete ▪ Lack of testing/maintenance of UPS systems ▪ Severe lack of emergency lighting compliance

5 Performance & Monitoring

5.1 Key Achievements

The Council has demonstrated its commitment to asset management through a range of initiatives since a reorganisation in late 2016. The work has been led and undertaken by the Directorate of Regeneration, Enterprise & Skills. Whilst not an exhaustive list the achievements are identified below to illustrate the range of work done. These have been undertaken in challenging circumstances, where ensuring continuity of service itself represented an achievement.

- Exceeding targets to acquire street properties, **utilising right to buy receipts** that would otherwise have been remitted to government. (E.g. achieving quarterly spend in excess of £7m against a target of circa £5m).
- Concluding **CPO negotiations** with Crossrail in SE18 to facilitate Crossrail.
- **Acquiring leases and other interests** over land to complete the Thames Path Cycle/foot way between Woolwich and the Thames Barrier.
- **Supporting estate regeneration** through voluntary negotiation of the acquisition of 40 residential dwellings across three estates in Woolwich – crossing the half way stage on “buy backs”.
- **Acquiring 5 listed buildings** on the Royal Arsenal and supporting their conversion for cultural/performing arts uses.
- Supporting Children’s Services School **academy transfer conversion** of fifteen primary schools and a number of secondary schools - by negotiating & granting 125 year leases to the relevant academy trust.
- **Maintaining occupancy rates** in excess of 90% across the commercial estate, comprising secondary retail and industrial units.
- Successfully **defending the Council’s position** and achieving a revised rent of £56,655 on a disputed rent review, thereby avoiding the uncertainty associated with arbitration and establishing sound comparable evidence to support forthcoming negotiations on other units within the same estate.
- Providing **valuations for balance sheet purposes** and of council dwellings subject to ‘right to buy’ applications.
- Responding to **backlog maintenance and compliance** issues arising as a consequence of operating within a severely budget constrained planning and financial environment.
- Development good practice **programme and project management** governance to deal with an ambitious and expanding capital programme.

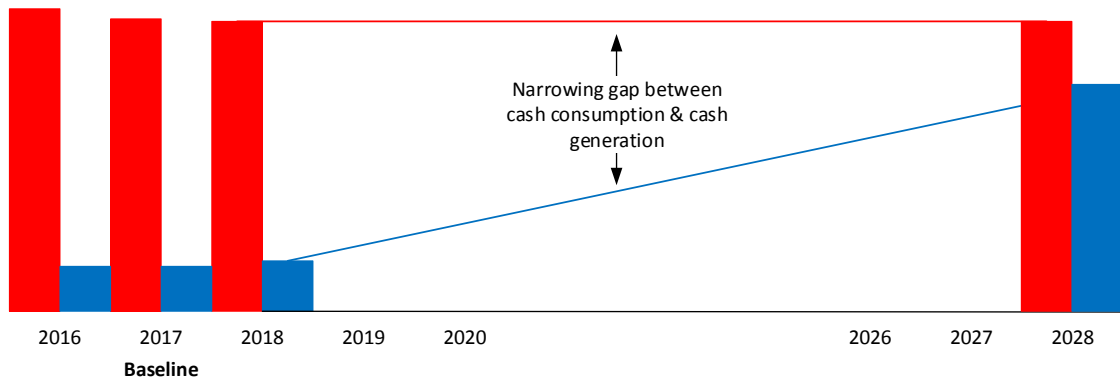
5.2 Measuring Success of the Strategy

Measuring performance of property is problematic as it is a multi-faceted resource (from its physical, financial, legal & functional perspectives), is used for different purposes and tends to change slowly with a long time required to measure significant changes. In terms of measuring the success of this strategy a small number of overarching measures have been identified for the portfolio as a whole and the key sub-portfolios. These are defined in the table below and represent a simple, but embryonic, 'scorecard' for the strategy. The suggested indicators may need to be refined and agreed prior to full implementation of the strategy.

Overall Success Measures			
Overall Portfolio			
<ul style="list-style-type: none"> Net cost of the portfolio (overall running costs less the income generated from property) Net cost of portfolio as a percentage of gross annual spend of the Council 			
Operational	Community	Commercial	Opportunity
<ul style="list-style-type: none"> Overall fitness for purpose Urgent & essential repairs as % of backlog Cost per M2 	<ul style="list-style-type: none"> Urgent & essential repairs as % of backlog 	<ul style="list-style-type: none"> Overall rate of return Occupancy rates 	<ul style="list-style-type: none"> Financial value Social, economic & environmental value

The DRES property function has a range of performance measures for property activities and for different aspects of the portfolio (e.g. utilisation in office buildings). These will have to be maintained as part of 'business as usual', refined in use and reported as required.

Over time implementing the strategy should see a change between the cash consuming and cash generating elements of the portfolio so that the 'cost gap' moves towards a neutral position. Ultimately a long term aspiration should be to make the property resource a cash neutral. This is shown in illustrative form below.



5.3 Review Arrangements

This strategy articulates a revised direction for managing the portfolio the overall success of which can only be measured over a relatively long term. Its implementation through the defined Framework for Action (see Section 3.3) is more immediate with a mix of short and longer term actions. It is recommend that a Strategic Property Board assumes oversight for implementation of the strategy with progress on the identified actions reported through to monthly meetings (recommended frequency) with performance measures developed from the ideas presented in the strategy and reported annually to the Board.

Appendix A – Portfolio Segmentation (Rationale & Objectives)

Category	Portfolio				
	Direct	Operational Indirect (Administrative)	Community	Commercial	Opportunity
Rationale for Portfolio category	Assets required to support service delivery directly to the residents of Greenwich – client facing & location critical	Assets required to indirectly support service (Back office – location neutral)	Assets for which the Council has a role in terms of stewardship so that they are available for residents to use & enjoy	Assets held in order to generate income to support the revenue budget (even if acquired for an initial different purpose)	Assets held because they have long term latent value that can be realised to support growth / regeneration objectives
Type	Cash consuming		Cash generating		
Key Management Objectives	Functional suitability Running cost Condition	Running cost Utilisation Functional suitability	Maintenance costs Operating costs Access	Occupancy Rate of return Portfolio mix	Development potential Planning constraints Lead time
	<p>Notes: Whilst held primarily for financial return, there may be a secondary wider socio-economic benefit from holding these assets.</p>				

Appendix B – Summary of Asset Management Policies & Procedures

	Portfolio				
	Operational	Administrative	Community	Commercial	Opportunity
<p>The strategies identified below provide a simple list of documents that may exist for overall management of the portfolio. Those identified with * are current or in the course of preparation in RBG.</p>					
Current Strategies					
Asset Strategy* (this document)	■	■	■	■	■
Maintenance Strategy*	■	■	■	■	
Workplace Strategy		■			
Policies & Procedures					
Acquisition policy	■	■	■	■	■
Disposal policy*	■	■	■	■	■
Asbestos policy	■	■	■	■	
Community asset transfer policy	■			■	
Capital prioritisation process	■	■	■	■	■
Energy policy	■	■			
Property performance reports	■	■	■	■	■
Review methodology*	■	■	■	■	■
Asset review 'challenge' criteria*	■	■	■	■	■

Appendix C – Draft Acquisition Strategy

The Council has extensive statutory powers under the Local Government Act 2003 and the Localism Act 2011 allowing local authorities to carry out, for commercial purposes, anything they are authorised to do for the purposes of their ordinary functions. On this basis land and property can be acquired, developed or sold. The Council has established policies and procedures in place for its estate management activities which include selective disposal of assets. These do not however include a specific policy governing strategic land acquisition or development activities, where there are wider community and economic benefits that can be achieved by the Council actively investing and/or carrying out direct development of land within its existing ownership, whether for onward sale or income generation. This Draft Acquisition Strategy seeks to formulate principles that will govern selective acquisition of property assets within Greenwich in line with the approach to segmenting the portfolio and the concepts of ‘efficiency’ and ‘opportunity’ being articulated through this strategy.

The Rationale for Acquisitions

Increasingly councils are moving to a ‘self-funding model’ with government changes around reduction in grant funding and future retention of business rates. This will require councils to be more innovative and commercial in how they generate funds to support local services and provides a strong impetus for the council to grow the income it secures from property – both through improved management and acquisitions to enhance the portfolio. Having an acquisition strategy enables the Council to pursue assets identified and also to respond to unexpected market opportunities that arise from time to time. There is similarly a need to enhance the Council’s holding of strategic assets which can be used to support growth and regeneration. This will be necessary to respond to population increase, housing pressures and to create employment opportunities.

Whilst the Council will continue to selectively dispose of underused or surplus assets, and to re-invest capital receipts into its capital development programme, there may need to be a greater balance of sales against new investment to regenerate communities and to secure land holdings for current and future generations. With emphasis increasingly likely to be placed on growing the opportunity portfolio it will still be vital that the Council retains an operational portfolio to support service delivery. This will require a change in portfolio composition so that through selective acquisitions and disposals the portfolio can be changed to ensure it meets service needs; is functionally suitable for its purposes and is cost effective for the Council.

A clear framework for decision making will allow the Council to:-

- Change the operational portfolio to ensure it is ‘fit for purpose’ and cost effective to use and maintain
- Identify new assets to generate long term income streams for the Council
- Provide improved financial security and certainty in support of the revenue budget
- Acquire sites to support land assembly and strategic developments (such as housing)
- Support Council priorities around growth and sustainable prosperity for all

The Criteria for Acquisitions

The Council will only acquire assets where it meets **defined criteria**. Whilst there are some over-arching criteria there will also be criteria which may vary across the four portfolios. The Council will acquire assets where it can demonstrate:

Portfolio	Criteria
All	<ul style="list-style-type: none"> ▪ There is an approved budget allocation for the acquisition <li style="text-align: center;">Or ▪ The Council’s invest to save criteria are met <li style="text-align: center;">And ▪ There is a robust business case which identifies any inherent risks from the acquisition
Operational	<ul style="list-style-type: none"> ▪ There is a specific service need ▪ There is an opportunity to improve service delivery ▪ There is an ability to provide a shared service use that will release other assets for alternative use or disposal ▪ The acquisition meets current or future service needs of the Council
Community	<ul style="list-style-type: none"> ▪ It meets identified priorities in an approved Council strategy
Commercial	<p>Land and / or buildings where:</p> <ul style="list-style-type: none"> ▪ A sound income return can be generated ▪ There is an opportunity to add value to existing assets ▪ Contribution to maintenance of a balanced portfolio (to minimise income risk) ▪ The income generated is greater than the Council’s costs of borrowing
Opportunity	<ul style="list-style-type: none"> ▪ Sites which have potential to support development & regeneration ▪ Sites which can act as a catalyst for regeneration which will benefit the health, housing, education or business economy of Greenwich ▪ Sites which are likely to have a strategic benefit that may provide future opportunity and bring wealth to Greenwich ▪ Where the investment in land and buildings is used as a part of a wider treasury management function for the allocation of capital to provide an investment/revenue return to support the Council’s revenue budget.

An Outline of Governance Arrangements for Acquisitions

A set of clear, simple governance arrangements which ensure consistency with the Council's financial regulations and the appraisal of a robust business case are in place. All acquisitions will be undertaken using the Council's existing protocols; but there may also be specific instances where the Council has to act in a speedy and confidential manner because of market circumstances and the need for commercial confidence. This is possible currently but the arrangements may need to be reviewed to ensure that they allow the Council to participate in the market to acquire assets in a timely, competitive and confidential way. An outline approach for this is given below. The Council will acquire assets where it can demonstrate that the criteria above are met.

The process for acquisitions will cover the stages outlined below:

1. All acquisitions will be assessed through a robust business case and with particular reference to the costs, benefits, impacts and risks of the property and how it relates to the Council's corporate objectives.
2. In all cases an independent valuation will be obtained by a member of Royal Institution of Chartered Surveyors to ensure that the transaction represents good value.
3. Identification of key criteria to allow confidentiality and exemption from the 'key forward decision' procedures where appropriate.
4. Acquisitions and disposals will, under the Councils' Rules of Financial Governance require consultation with and agreement of the Section 151 Officer. In all cases they will be supported by a financial appraisal providing the financial / budgetary implications.

It is recommended that the procedures for acquisitions are kept under review and adjusted to allow the Council to operate in the property market in a manner consistent with other commercial property investors (with speed and confidentiality).

Appendix D – Asset Review Criteria

