

Strategic Asset Management Plan

2024-29



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Introduction

Local authorities hold large portfolios of assets made up of buildings and land. Tower Hamlets is no different. We own or operate a total of 1155 assets with a book value of c. £1.3bn*.

How we use our assets is critical in delivering our strategic priorities and is even more crucial against a backdrop of reduced resources and increased demand amongst residents with diverse needs.

To achieve this and adopt a more co-ordinated approach in how we maximise the use of our assets, the council is adopting a Strategic Asset Management Plan (SAMP) which:

- Sets the operating context and demand on the council's assets
- Summarises how the council's property portfolio is arranged
- Reviews strategic needs and services' plans with respect to property
- Formulates some priorities to guide our future decisions
- Develops high-level actions to guide the first year of the strategy period

Supporting the SAMP is a range of actions, under the headings 'What We Will Do'. These will form the basis of a living action plan to be used and adapted to manage our asset management programmes of work on a regular basis.

*As of 1 April 2021. Excluding council dwellings, infrastructure assets, vehicles, plant, furniture and equipment. Source: Annual Financial Report 2021/22

Scope of this document

The assets within the scope of this document are council-owned land and buildings, excluding residential dwellings, infrastructure assets, vehicles, plant, furniture and equipment.

Also included are assets which have been deemed surplus to our requirements.



Our land and buildings

Tower Hamlets views property assets as first and foremost an enabling resource, in the same way that our financial assets or our workforce enable us to achieve outcomes for our residents.

Assets in the form of land and buildings support our services, and take several forms, including:

- Customer-facing buildings where staff and residents interact
- Administrative space to enable staff to complete essential supporting tasks
- Buildings leased to third parties to generate a commercial income or to support groups in the community
- Surplus land or buildings held to enable regeneration or housing development

The council's portfolio book value is over £1.3bn. This is the amount that is included within the authority's accounts and is not necessarily the amount we would receive if we sold all our assets. Nevertheless, it demonstrates what a considerable resource our land and buildings are, and why they need to be carefully managed.

There is a wide range of assets in our current portfolio. It includes offices, schools, leisure centres, Idea Stores, depots, parks and open spaces, assets leased to community organisations and assets leased to generate a commercial income.

We don't hold assets for the sake of holding them: they need to have a purpose. The reasons for holding our assets will vary and, as a result, we may need to measure their performance in different ways. Performance of each asset must therefore be linked to the strategic purpose for holding it.

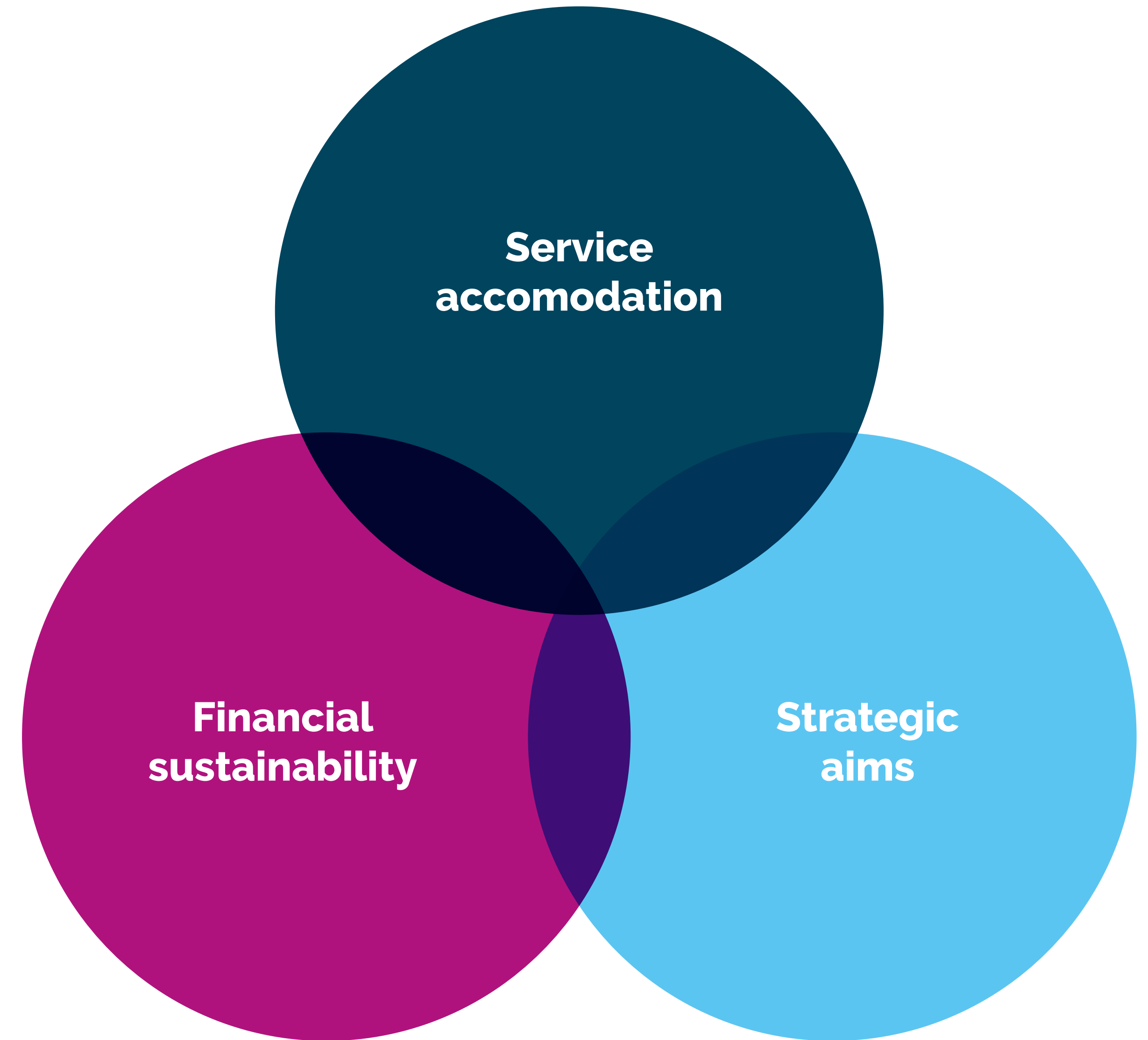


Roles of property

There are several general roles which property assets play:

1. To accommodate council services and meet day-to-day customer needs
2. To promote the council's longer-term strategic aims (such as economic or community development)
3. To underpin the council's financial sustainability

Many properties will play several roles and the emphasis will tend to reflect the property portfolio to which they belong.



Our main property portfolios



Operational estate

The operational estate is a diverse portfolio of properties whose primary purpose is to support the delivery of council services. Parts of some buildings may also be hired out to generate income.

In addition, these buildings need to be run in a cost-effective way to ensure value for money.

Performance measures:

- Suitability
- Utilisation rates
- Running costs
- Maintenance backlog
- Hire income (where relevant)



Commercial estate

This estate consists largely of retail units built into housing developments, as well as other commercial uses e.g. offices and multi-use schemes. These properties provide income to support the council's housing stock and council services more generally.

As well as rental income, the properties allow the council to promote economic development in town centres, providing local amenities for residents and accommodation for businesses.

Performance measures:

- Rental income
- Void rates



Community portfolio

The community portfolio consists of buildings historically occupied by community groups, faith groups or playgroups, as well as 5 directly-managed and hireable Community Hubs.

The main purpose of these buildings is to provide accommodation to the Voluntary & Community Sector and secure Community Benefit.

Performance measures:

- Community benefit
- Running costs to the council

Portfolio by usage type

The table on this page shows a breakdown of our land and buildings and includes both operational and non-operational property.

Operational property is used for the delivery of council services, whether customer-facing or administrative. This would also include property occupied by providers contracted to deliver a service on our behalf, as well as schools

Non-operational property is typically leased to third parties for mutual benefit for the council and tenant, whether in the commercial or community sector. This category would also include surplus and vacant buildings/land.

TYPE	AMOUNT
Administrative Buildings	7
Adult Education	1
Barrow Store	63
Business Park	2
Car Park	3
Car Pound	1
Cemetery	1
Children's Centre	20
Children's Home	1

TYPE	AMOUNT
City Farm	2
Climbing Centre	1
Commercial - Non-shop	4
Community Building - Community Hall	3
Community Building - TRA	1
Community Centre	73
Community Garden	1
Drug Treatment Centre	1
Depot	8
Depot & Offices	3
Education	16
Equipment Store	1
Gallery and Studios	1
Health Centre	4
Hotel	2
Idea Store	5
Infant School	6
Junior School	3
Leisure Centre	7
Library	3
Local Housing Office	2
Market	5
Mixed Use	3
Mortuary	2
Mosque	5
Nursery School	10
Offices	19

TYPE	AMOUNT
One Stop Shop	2
Open Space	159
Parents Advice Centre	1
Park Building	56
Playgroup	7
Primary School	95
Print Room	1
Public Convenience	3
Public House	11
Pupil Referral Unit	3
Residential Homes and Day Centres	9
School Keepers House	25
Secondary School	82
Shop	312
Shop - PH Leaseback	16
Shop - Trustees Mile End	8
Special Needs School	14
Sports Hall	1
Stadium	1
Storage	2
Storage Yard	7
Telecomms	7
THH Caretakers	3
Traveller Site	21
VACANT	4
VACANT - for redevelopment	4
Youth Centre	8

Context summary

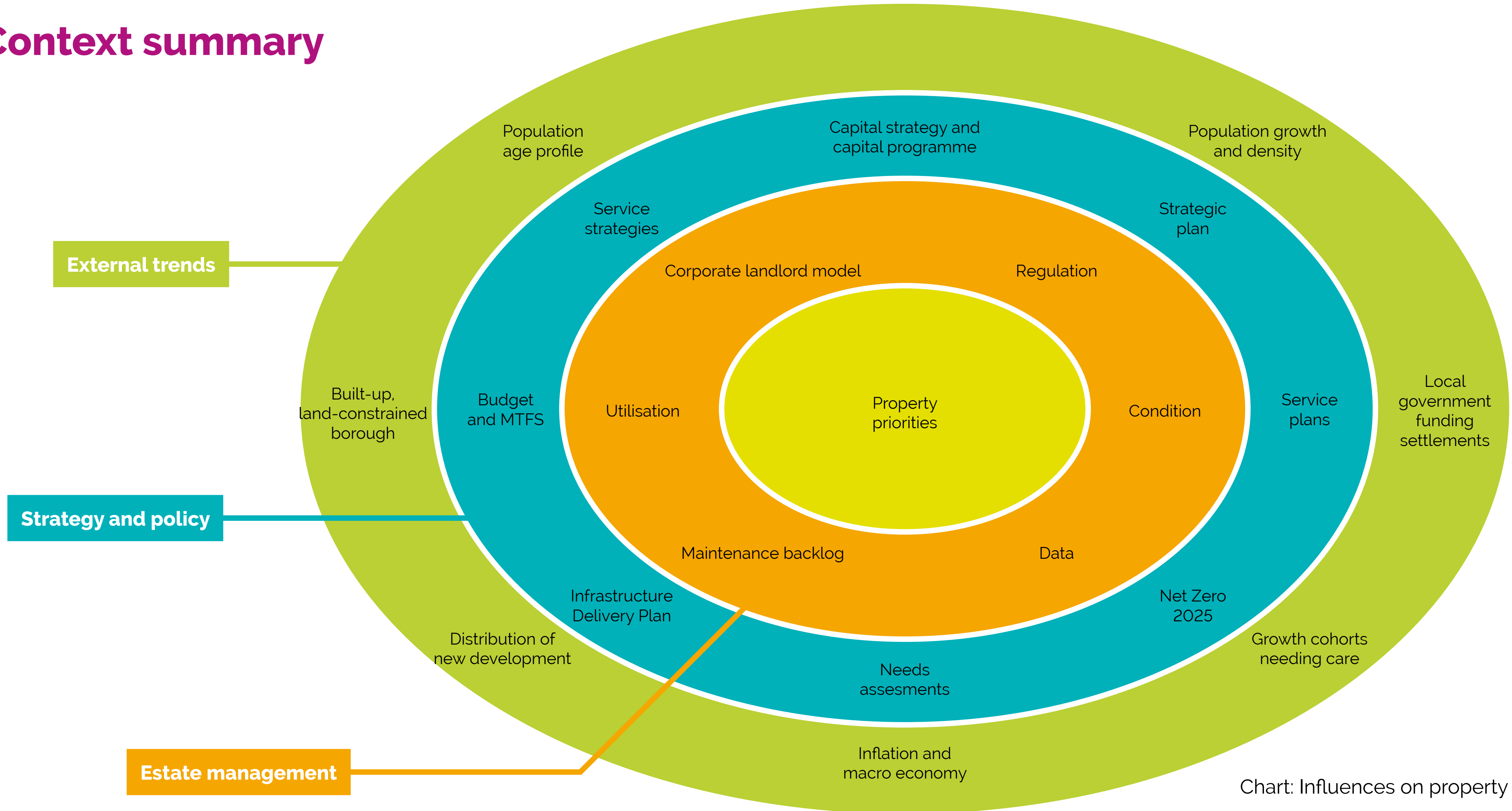


Chart: Influences on property priorities

Context: external trends

Population facts

The 2021 census for England and Wales recorded Tower Hamlets as having:

- The fastest-growing population between 2011 and 2021, at 22.1%, growing by 56,200 to reach 310,300
- The most densely-populated local authority, at over 15,000 residents per sq. km.
- The youngest population, with a median age of 30
- A population projected to reach 383,469 by 2038.

Most of the new growth will take place in the east and south-east of the borough, where most new housing is expected.

Changing population profile

The age profile of Tower Hamlets is slowly changing. Between 2011 and 2021:

- The number of children and young people continued to grow, from 62,106 to 72,600
- The 65+ population grew modestly from 15,570 to 17,300

Looking ahead:

- The birth rate is slowing
- The number of young people with SEND is increasing
- The 65+ and 85+ groups are set to increase, albeit from a low level

Inflation

The shocks of Covid and high inflation have had an impact on both our residents' needs (see later) and council finances.

Construction and maintenance costs have been caught up in an inflationary dynamic, which will have a direct impact on our Capital Programme and repairs and maintenance costs. In the short-term, we expect contractual inflation and, given the many calls on our capital funding, may need to reprofile or reprioritise some of our projects.

High energy costs also make the council's buildings more expensive to run, especially the energy-inefficient ones.

Context: strategy and policy

Strategic Plan

The Strategic Plan is the council's corporate business plan and translates the administration's pledges into a high-level policy framework and delivery plan to guide the council's work over the four-year period.

Key priorities with relevance to assets include:

- **Insourcing projects** – such as leisure services, where planning for investment will need to take place
- **Service expansion** – such as youth services, with planning for additional property investment to take place
- **New services** – such as the Community Language Service, which may have property implications
- **Supporting the acquisition of buildings for community use** – where we have committed to identifying property for others
- **Housing** – while residential dwellings are outside the scope of this document, it is an overriding priority of the council and therefore in some cases our existing land and buildings may be earmarked for housing development.



Budget and MTFS

In February 2024, the council adopted its budget and MTFS. This set out the main budgets for revenue and capital expenditure for the years 2024-27, including expenditure on youth services, leisure services and the waste emergency, among others.

At the same time, the MTFS identifies c. £42m of recurring revenue savings to be delivered over the 2024-27 period.

Almost half of the identified new savings are categorised as 'income generation', reflecting a council-wide focus on optimising returns on all our assets.

Context: strategy and policy

Capital Strategy and Capital Programme

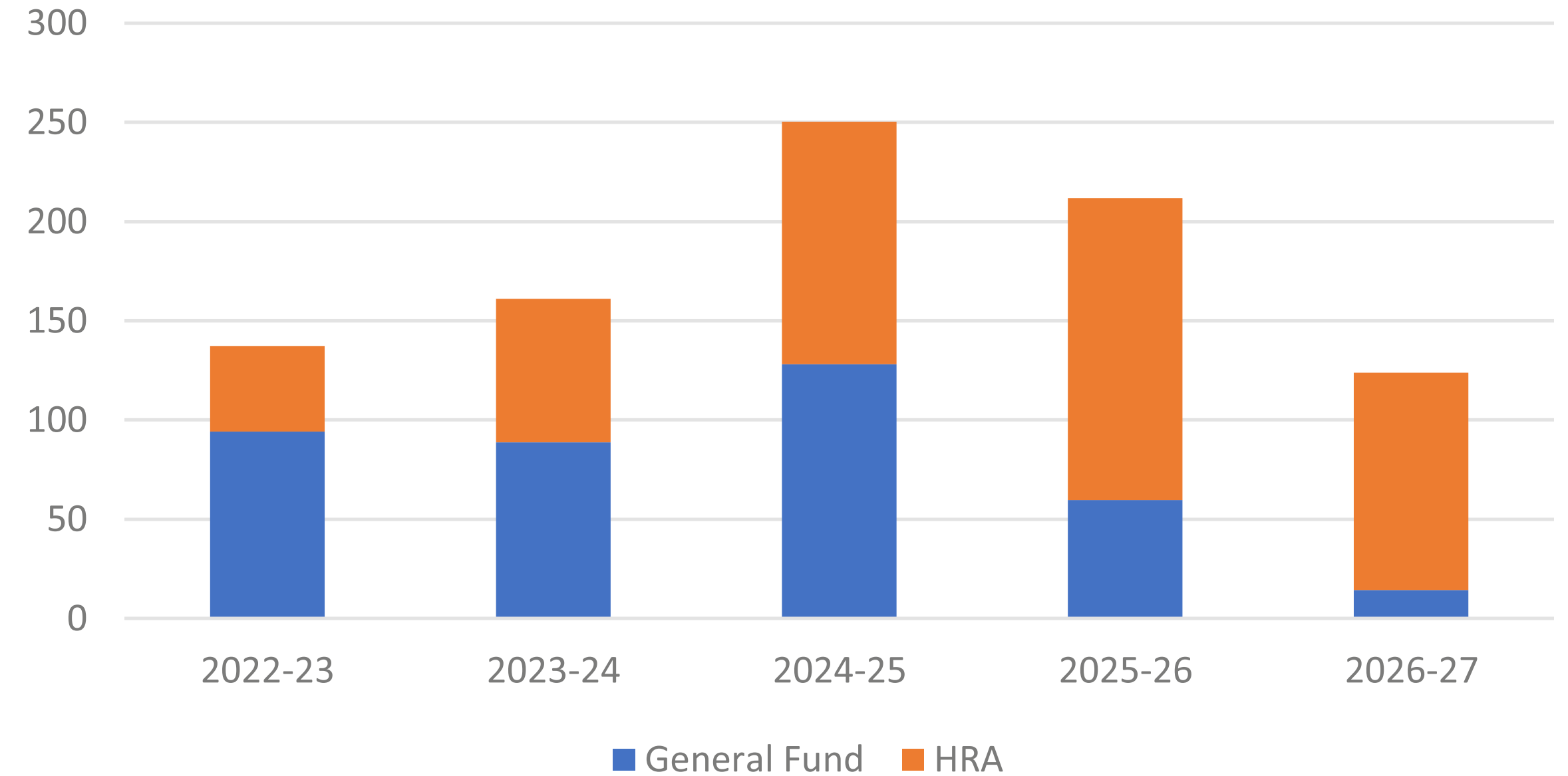
The Capital Strategy provides an overview of how capital expenditure is financed. In the context of this document, this could include the construction of new assets or investment in existing assets.

Capital expenditure is planned to increase up to 2025 (see chart). This expenditure includes General Fund projects such as a new leisure centre and HRA-funded new housing development.

A new Capital Programme was adopted in February 2024, which included:

- A General Fund (GF) 2024-27 capital programme of £202m
- General Fund Annual Rolling Programmes for 2023-27 of £53m. These ensure the council's assets are maintained to avoid deterioration, address ongoing health and safety requirements and to meet statutory duties.

Graph: Estimates of Capital Expenditure (£ millions)



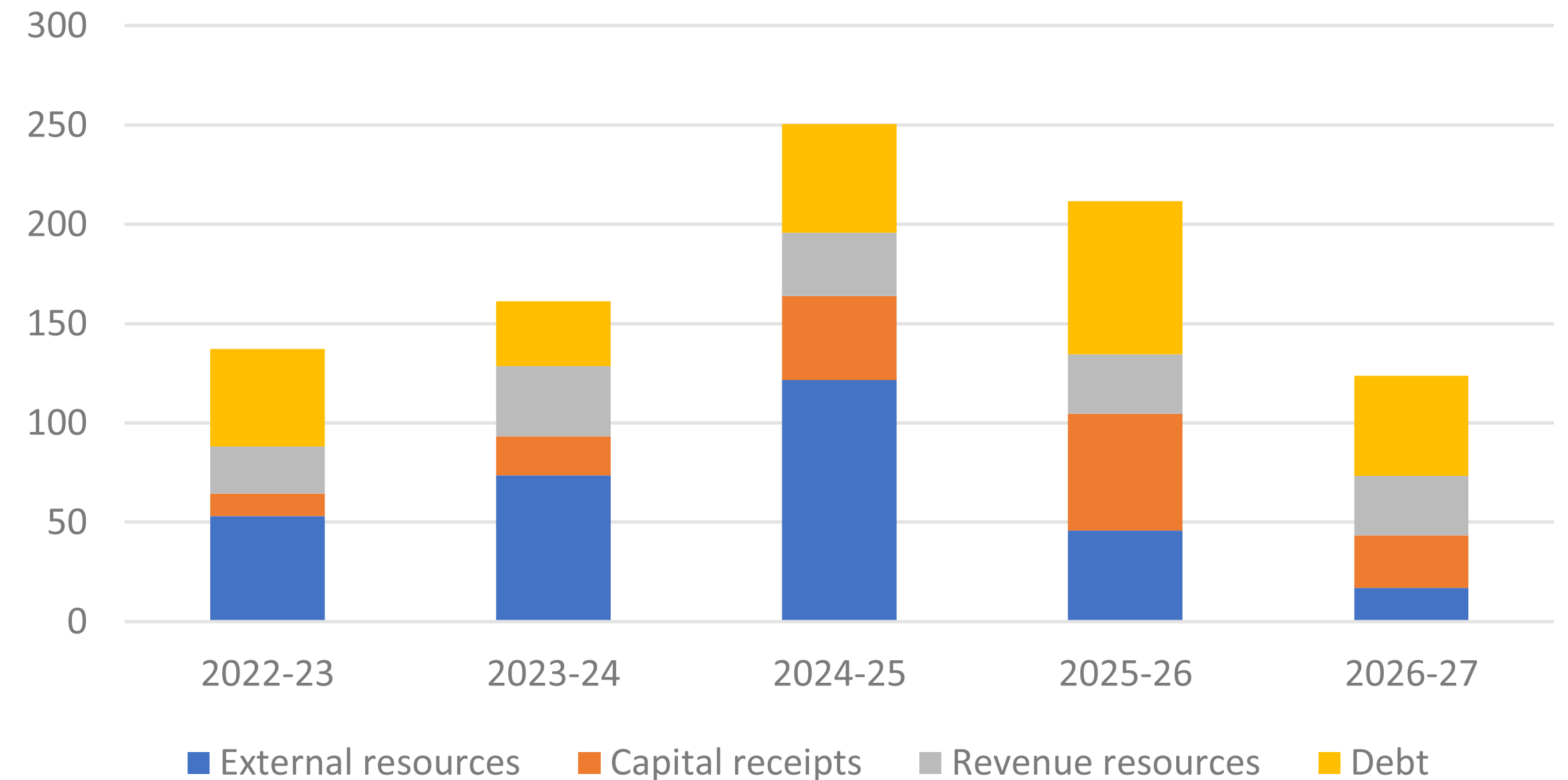
Context: strategy and policy

The Capital Strategy outlines how the Capital Programme will be financed over the course of the MTFs. This will involve an increased, though sustainable, level of borrowing over the period. Another element of financing which has relevance to property is capital receipts.

The previous MTFs outlined 6 additional 'priority projects' which are being funded and progressed over the Strategy's lifetime:

- **Institute for Academic Excellence** – a new selective 6th form which will aim to increase access to 'top third' universities
- **Children's Residential Care Provision** – a new in-borough children's home for children with medium-high needs
- **Adults Housing With Care** – specialist housing for those with extra care needs
- **Drug and Alcohol Recovery** – a specialist recovery service for those in BAME communities
- **Bangladeshi Women's Centre** – a dedicated resource centre with a culturally sensitive approach to the needs of Bangladeshi women
- **Somali Resource Hub** – a resource hub for the borough's growing Somali community

Graph: Capital financing (£ millions)



Context: strategy and policy

Needs assessments for property infrastructure

The council's Infrastructure Delivery Plan (IDP) sets out our estimated need for economic and social infrastructure (including council-owned property assets) over the Local Plan period (2023-38).

The IDP identifies the total need for approximately £2bn of additional such infrastructure over the 15-year period (although not all of this will need to be council-funded).

Key council property-related considerations include:

- Declining general need for primary and secondary school places (though forecasts can be volatile)
- Increase in demand for SEND and alternative provision
- Need for more extra-care housing schemes in the borough
- Forecast deficits in provision in leisure, Idea Stores and open space as the population grows

Further details can be found in Priority 1.

Net Zero council target

The council has committed to achieving Net Zero carbon emissions from its direct operations by 2025, much of which will come from buildings.

This will require the assessment of our buildings and identification of funding to upgrade the buildings to reduce their emissions (see Priority 4).



Context: estate management

Condition of our estate

Like many authorities, we hold a very diverse property estate which ranges across the spectrum of age, condition, intensity of use, efficiency etc.

As with all portfolios, there are outliers which present ongoing challenges relating to their age, condition and suitability.

In all cases, however, we aim to keep our buildings at a minimum standard of safe and compliant.

Further details can be found in priority 3 below.



Our property priorities

Below, we summarise our main priorities for property over the next 5 years, as well as the main considerations and evidence to be considered.

Responding to changing property need

- Population changes
- Local policy framework
- Capital Programme
- Service assessments of future needs

Managing our estate as a corporate landlord

- Importance of corporate decision making
- Building condition
- Regulatory compliance

Supporting the council's financial sustainability

- Economic Context
- Budget and MTFS - savings
- Utilisation, cost, income

Responding to the Net Zero challenge

- Net zero carbon borough 2025
- Retrofitting our estate





Priority 1:

**Responding to changing
property need**

Strategic property needs

Considering the context discussed (population, strategic plan and Capital Programme), services continually review and project their property needs.

Service Plans and Strategies

Sitting beneath the Strategic Plan, local service plans and strategies enable individual services to identify their future activity.

Of relevance in terms of property will be pressures for expansion or consolidation – but may also involve projects to upgrade the building condition or make buildings more suitable for evolving user needs.

N.B. general repairs and maintenance is covered at greater length in priority 3.

Service Needs

As part of this section, the key property-related needs of services were reviewed using several sources:

- The service strategies (where available)
- Direct engagement with services
- Review of internal decision papers
- Review of public decisions (e.g. Cabinet)
- Review of Local Plan and its evidence base (including Infrastructure Delivery Plan)

What follows is the main needs of those services which have major property requirements.

A more detailed account can be found in **Appendix B**.



Strategic property needs

Education

Demand for school places can be challenging to predict and projections are liable to change, sometimes dramatically. Despite planned housing growth in some areas, we know that:

- The boroughwide birth rate is slowing
- 'Yield' from new housing developments is lower than anticipated
- Patterns of migration can be unpredictable
- This has fed through into a declining demand for school places – primary places in the first instance but predicted to feed through to secondary places over this decade.

The implication of this at a boroughwide level is the need to coordinate with schools on the challenges of consolidation, while ensuring we maintain a degree of flexibility and tolerance in the school system.

While it is expected that new housing developments in the south and south-east of the borough will be a driver of localised demand, we will need to keep projections under continual review to ensure sites are allocated to the right uses and to avoid over- or under-supply.

In special needs and alternative provision, there is a clear pattern of rising demand, which has been visible over the last decade.

While predictions in this area are subject to much uncertainty, the number of pupils in need of a special school place could increase by 255 (equivalent to 2 or 3 special schools) up to 2028/29.

Again, the implication is the need for close coordination with schools and with colleagues in Planning to ensure the sites are in place to deliver expansions or new schools as required.

Adults Care

As noted in the External Trends section, the 65+ and 85+ cohorts are growing and projected to increase over the next decade (by 65% and 55% respectively).

In addition, the populations of adults living with a learning disability or mental health problem are also predicted to increase sharply as the rising numbers of young people with such needs transition to adulthood.

The implications for such growth are:

- A minimum of 3 additional extra-care housing schemes (240 flats) in the borough
- An additional nursing home facility with between 25-30 additional beds
- Additional requirements for supported living for those with a learning disability or mental health condition

While these new provisions will not necessarily have to be funded or built by the council, it is nevertheless important to be aware from the perspective of asset planning.

The Housing With Care Strategy (forthcoming, 2024) will set out our needs in full in this area.

Strategic property needs

Community facilities

The council maintains 43 community centres occupied by community groups, faith groups or playgroups, as well as 5 directly-managed and hireable Community Hubs.

Our community buildings support the aims of our Voluntary and Community Sector (VCS) Strategy, in particular 'improving access to statutory sector buildings for the VCS'.

Looking ahead, we will be commissioning a community centres needs assessment study to update our understanding of the local need.

Work is also underway in this area to deliver specific pledges to local community groups.

Office accommodation

Following a successful move in early 2023, the council's principal administrative office is the new Town Hall in Whitechapel.

The current accommodation provides more than enough long-term space for all our administrative needs.

In late 2023, the council undertook a study to understand how the building is being utilised and will shortly propose options for optimising future use (see Priority 2).



Strategic property needs

Main depot facility

The Blackwall Depot facility is the council's main depot for waste, recycling, cleansing, passenger transport, fleet management and winter maintenance. It is considered not fit for purpose to meet all future needs, including statutory environmental requirements and operational efficiencies.

Options are currently under review for the redevelopment or relocation of the site, with the aim to develop or acquire a fit for purpose depot along with office accommodation and staff welfare facilities.

Youth services

Youth Service need is difficult to assess precisely but given Tower Hamlets has the youngest population in England and high levels of deprivation, it is likely to be substantial.

The council relaunched its youth offer in 2023 under the name Young Tower Hamlets. The new package of investment included £3m in capital funding to refurbish all 7 of our youth centres.

Leisure services

The council has, in line with many other London boroughs, a recognised deficit of swimming pools and sports halls owing to a combination of a high and growing population and the many competing demands on land-use.



Our six operational leisure centres are being brought under in-house management in May 2024 (St. George's Leisure Centre closed in 2019 and GLL handed over responsibility shortly after that time).

More than half of these leisure centres are over 40 years old, which can make them more expensive and challenging to keep in good repair. There is a backlog of condition issues estimated in 2019 at £11.3m needing to be funded over the next decade. £3m was allocated across 4 years from 2024/25.

A round of condition surveys were due to complete in late 2023 and are likely to identify a similar amount of works once again. The Culture division have also commissioned Sports England Facilities Planning Model audits of our pools and hall facilities to quantify the scale of the deficit, along with a borough-wide leisure needs assessment, all of which will inform asset planning and a refreshed Sports and Leisure Strategy.

As part of the council's investment in leisure, plans for a rebuilt leisure centre on the St George's site are also underway. This site is planned to include housing, providing state-of-the-art facilities for the borough's residents. Completion is planned for 2026.

Strategic property needs

Idea Stores and libraries

The demand for Idea Store, libraries and archives services is also projected to outstrip supply over the next 15 years, owing to population growth.

In the short-term we are refurbishing or redeveloping elements of all 5 of our Idea Stores and the Local History Library to make them fit for the future.

In the longer-term there may be the possibility for new Idea Store provision at Crossharbour – dependent on development.

An Idea Stores review is underway, focusing on maximising these assets and feeding into the Idea Stores Strategy refresh (due in 2024).



Parks and Open Spaces

Owing to its intensely built-up nature and growing population, Tower Hamlets has a longstanding and somewhat unavoidable deficit of open space provision.

Most publicly accessible open space now comes about as a byproduct of the planning process rather than acquisition of land by the council.

In accordance with the need for savings we will be ensuring that we optimise the income generating potential of our outdoor spaces.

In November 2023, the Cabinet approved an additional £5.2m to be spent on the Parks and Open Spaces Capital Programme.

Many of the existing parks include park buildings of varying uses, which require ongoing maintenance and management. These buildings are being actively managed to maximise income.

Strategic property needs

Commercial portfolio

As well as holding property for direct social and community benefit, the council maintains a portfolio of commercial properties, with an income target of c. £5m.

These properties are held for the purpose of local economic development and to provide income either for services and facilities for the council's housing tenants, or for council services more generally. For more on income optimisation, see priority 2.



Growth and economic development

The portfolio of commercial units plays a role in the promotion of local economic and social development by providing shopping and employment facilities for local people and accommodation for local businesses.

The council is undertaking additional work in the following areas with relevance to these properties:

- **Social value** – working to embed the principles of Social Value across a number of areas of council activity, including potentially the letting of property.
- **Affordable workspace** – the Local Plan has proposed a model with the council holding a head-lease for new 'large' spaces secured through major developments. The responsibilities of the council as head lessee under such a model will need to be explored. Unlike the majority of the commercial units, these affordable workspaces will not be run for income maximisation purposes and will offer below-market rent to tenants.
- **Meanwhile use** – the council can use vacant commercial units for 'meanwhile use' (temporary occupation until the space is turned to a longer-term lease). This approach to temporary letting has been trialled and there may be lessons to be learned to improve the process as we go forward.

Long-term infrastructure needs

Our projected long-term infrastructure needs (to 2038) outstrip our projected available funding by over £200m. In light of this, the council may need to consider creative approaches to delivering these long-term needs, with implications for council-owned (or part-owned) assets.

Co-location

This involves utilising the same assets jointly by both the council and other public sector or third sector organisations.

One Public Estate is a national initiative which aims to support co-location through unlocking efficiencies, generating savings and freeing up underutilised assets.

Increased use of grant funding

While the council uses grants widely, there may be scope for engaging more with public and private funding organisations to build a comprehensive forward view of the grant funding landscape.

Leveraging income from assets

This involves maximising income from our existing assets and using the income to fund future infrastructure. More detail on asset maximisation can be found in priority 2.

Invest to save

These are projects that involve allocating financial resources to infrastructure that has the potential to deliver financial returns or operational efficiencies over time.

Private financing

This could involve pooling resources for mutual benefit through public-private partnerships (PPPs) or seeking other sources of private finance such as pension funds.

Delivery capacity

Finally, it is important that we review our capacity to deliver the required infrastructure. This involves having the necessary skills, governance structures and leadership to plan and deliver for the long term.

What we will do

- To keep the population projections under consideration when developing the Capital Programme

To consider the implications of the Strategic Plan in terms of:

- Matching capital delivery support to requirements
 - Need for new increased facilities management support to insourced, expanded or new services
 - Asset Management support for acquiring, leasing or valuing buildings
 - The potential for our existing portfolio to support property-intensive strategic priorities – in particular, delivery of new affordable housing
-
- In addition to the agreed Capital Programme, work with services to deliver the administration's six priority projects.
 - To work with services through the Asset Management & Capital Delivery governance structure to ensure their property needs are met as far as is possible.
 - To engage in project boards where major reconfigurations of services are taking place
 - Work with colleagues in Growth & Economic Development around council commitments to social value, affordable workspace and meanwhile use.
 - Explore creative and innovative approaches to delivering long-term infrastructure, as well as our organisational capacity to deliver.



Priority 2:

Supporting the council's financial sustainability

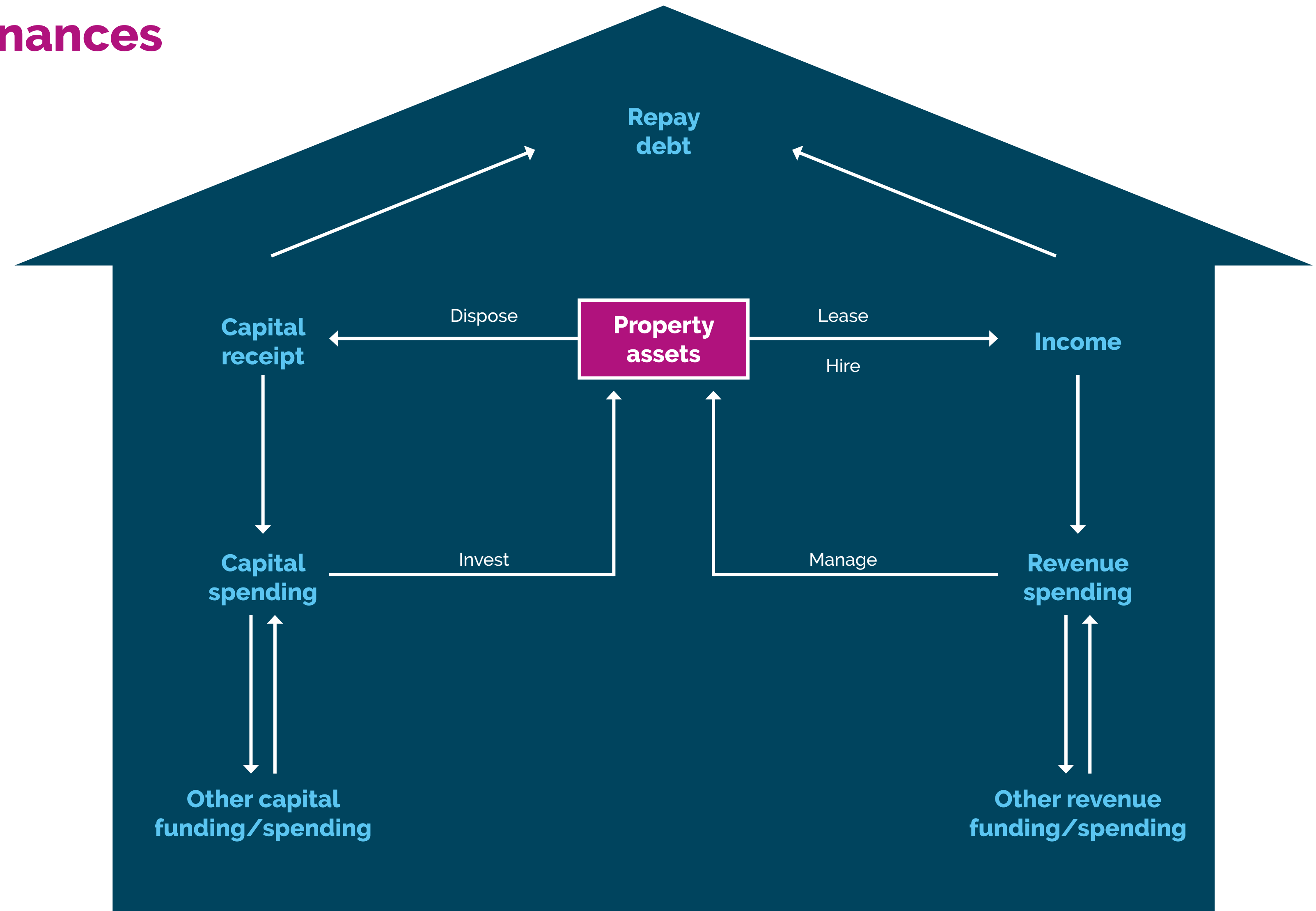
Assets supporting our finances

Property assets play a key role in underpinning the council's finances.

Key processes include:

- Investment
- Management (day-to-day)
- Leasing
- Hiring out
- Disposal
- Supporting non-property capital and revenue budgets
- Debt repayment

Optimising our assets involves ensuring these processes are working as effectively as they could be.



Optimising our assets

Considering the need for savings and capital investment described earlier, the council is evaluating options for:

- Increasing income
- Reducing expenditure
- Releasing surplus capital
- Funding capital investment



Income generation and commercialisation

The council recognises that every pound not collected in potential income is a pound lost for the use of services which our residents need.

Income generation involves reviewing the full range of opportunities to raise income from our land and building assets. These opportunities could include:

- Hiring out of spaces within our new Town Hall for events (under consideration)
- Reviewing hiring charges for our existing spaces
- Leasing parts of our Town Hall office space to third parties (under consideration)
- Leasing out underutilised or vacant buildings
- Amending the Major Events Policy for Victoria Park to permit more and higher capacity events to take place (adopted at December 2023 Cabinet)

Rent reviews and lease renewals

As a matter of good practice, it is important that we review the rent levels for our income-generating properties in a timely manner, when lease terms allow, in order to maximise benefit for our housing tenants and residents more broadly.

We also need to consider our approach to leases which have expired or are coming up to expiry. These should be either renewed or re-let in a timely manner.

Optimising our assets

When re-letting property, while we are not legally obliged to accept the highest offer in every case, overall income maximisation is clearly the predominant consideration.

Finally, we need to review our approach to outstanding, historic peppercorn rents in the community buildings sector.

Running costs

The council aims to minimise the overall running costs of its buildings while recognising the need for investment in property it intends to retain for the long term.

Part of this process will involve challenging the use of properties which are clear outliers (see graph on the next page) in terms of running costs and which therefore represent a significant drain on revenue.

These may also be properties which are energy inefficient and represent a disproportionate quantity of our carbon emissions (see priority 4).

In these circumstances, officers may need to review the business case for retention of these assets and recommend options for refurbishment, redevelopment or disposal.

Utilisation and efficiency

It's key that the utilisation of our property is optimised to its fullest possible extent in order to achieve value for money.

This involves the ongoing corporate monitoring of our operational buildings to measure the level of occupancy. It will also involve the implementation of space management policies which ensure corporate oversight when significant changes are proposed to the occupation of our buildings.

Following the recent move to the new Town Hall, the council has been reviewing the utilisation of this building and will take the results forward into a decision on letting and hiring opportunities within parts of the building.

Optimising our assets

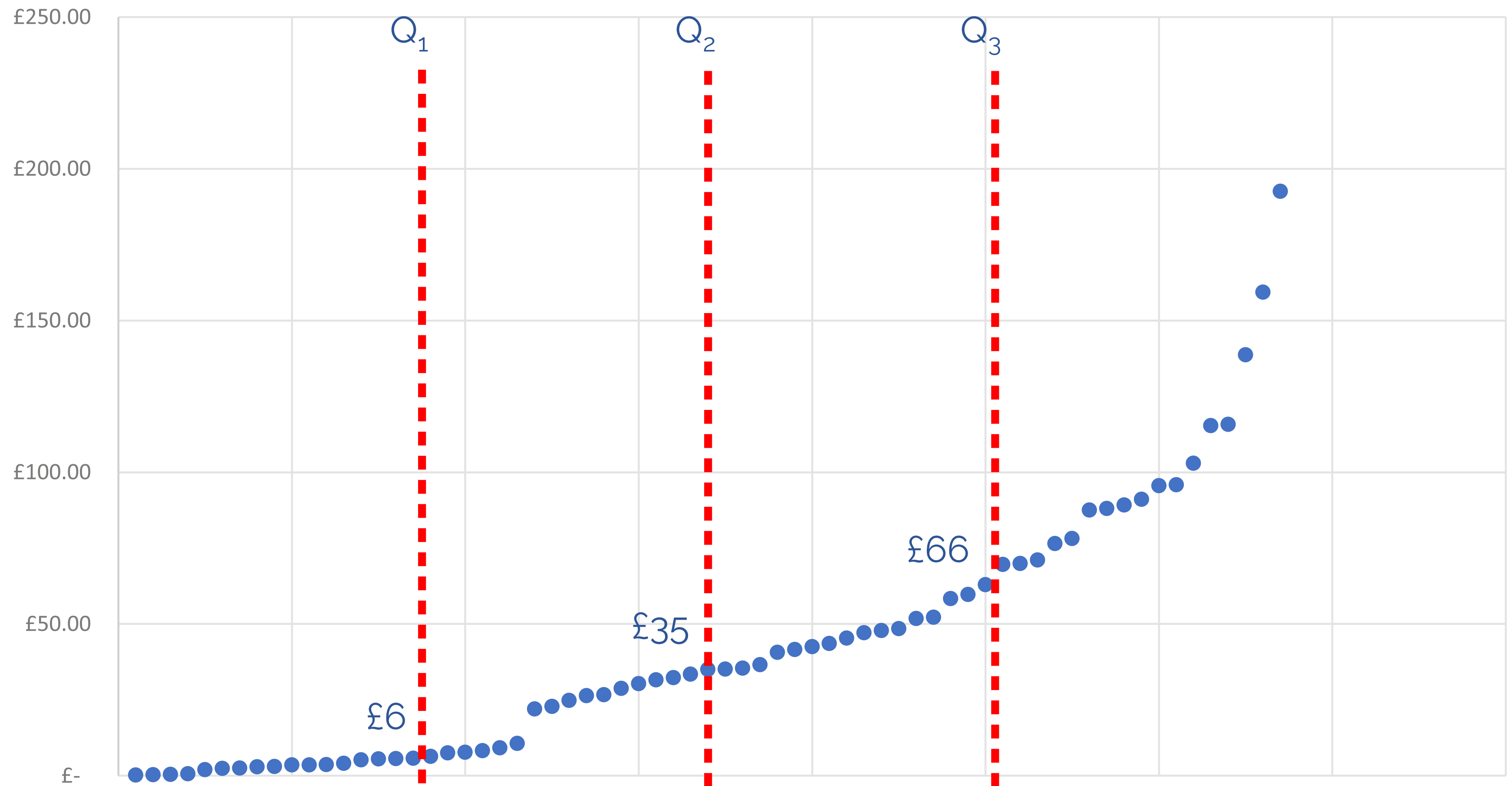
The chart opposite shows a selection of 67 of our managed buildings for which adequate costs data was available.

The median annual running cost (excluding rates) was £35/m².

Most buildings had a running cost below £50/m².

The highest cost was £192/m².

Annual running cost per m² (excluding rates) (averaged over last 3 years)



Optimising our assets

Retention and disposal

In the first instance, the council is focused on retaining and maximising the potential of the existing council-owned property portfolio, whether these are operational or non-operational properties.

In some cases, a property may be declared surplus and a proposal submitted for disposal on the open market (subject to mayoral approval). "Disposal" in this context denotes the sale of the freehold or the grant of a long lease of more than 25 years.

Relevant considerations for officers when proposing property for disposal include, but are not limited to:

- Current and potential utilisation of the space
- Condition of the building / maintenance backlog
- Investment required to bring the property up to standards required to reach our net zero target
- Potential for income generation, if retained
- Suitability of building for future service delivery.
- Suitability for use as part of housing development or regeneration scheme
- Potential for any capital receipt to be re-invested in other key priorities



What we will do

- Respond to inflation in materials and labour costs, reprioritising or reprofiling where necessary
- Monitor energy costs and review options to contain these
- Support the delivery of savings identified in the 2023/24 and 2024/25 budgets.
- Monitor occupancy and utilisation to ensure buildings are being used to their maximum efficiency
- Challenge the use and justification for retention of assets
- Review assets with services to identify which are surplus to requirements
- Procure a contract for external support with rent reviews and lease renewals
- Ensure we maximise income collected, reduce rent arrears and void periods
- Maintain the principle of setting market rents as the predominant consideration in the commercial portfolio
- Conduct a review of VCS Premises Policies and Procedures, including aspects such as:
 - Level of Community Rent
 - Working of the Community Benefit Rent Reduction scheme
 - Historic peppercorn rent arrangements
- Ensure we plan well in advance of vacating a building to avoid long void periods in our operational properties

An architectural rendering of a modern, multi-story building with a courtyard. The building features a mix of brick and grey panels, with large windows and balconies. A central courtyard contains a green sports court where several people are playing. The courtyard is surrounded by trees and a paved walkway. The sky is clear and blue.

Priority 3:
**Managing our estate as
a corporate landlord**



Managing our estate

Corporate landlord model

The way we manage our assets is important. We need to ensure that our land and buildings are managed as corporate resources, the right stakeholders are involved, and decisions are made in the context of the council's priorities and objectives.

The concept of a corporate landlord model is that the ownership of an asset and the responsibility for its management and maintenance is transferred from service areas into the corporate centre. The service area then becomes a corporate tenant, and their priority is to plan and deliver their service to the best of their ability.

The corporate landlord is responsible for the following functions:

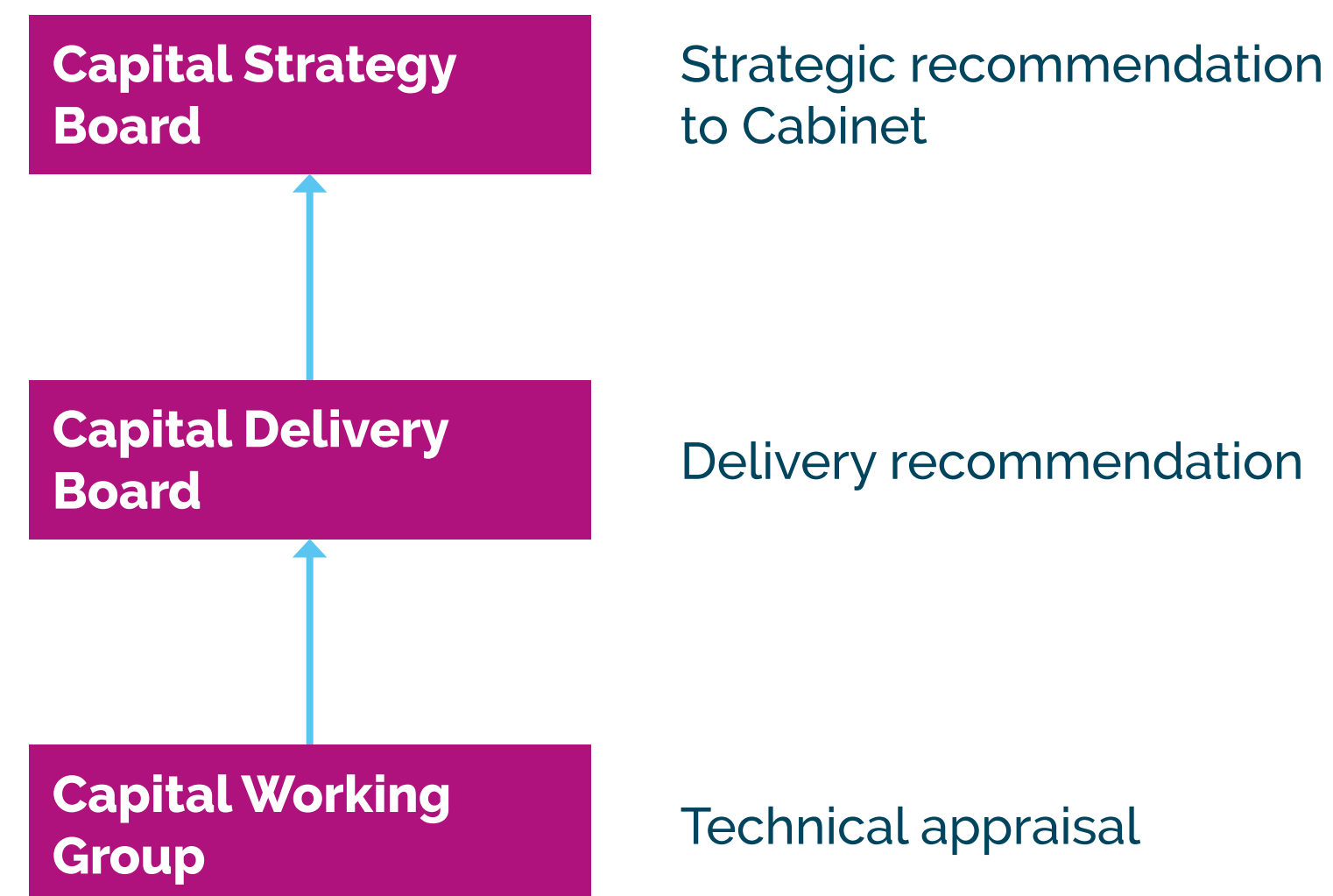
- Strategic asset management planning
- Capital programme – client, contract and project management
- Statutory compliance of buildings
- Hard facilities management – reactive, statutory and planned preventative maintenance; procurement and project management of building works
- Soft facilities management – cleaning, catering, security, caretaking, utilities
- Planning and maximising the safe mode of occupation of our buildings in line with the accommodation and space management policy
- Estates and valuation services
- Management of the commercial portfolio

Above all, the model should coordinate decision making so that decisions align with our strategic priorities.

Maintaining our estate

Governance process

Management of the estate is embedded into 'business-as-usual' within facilities and asset management. There is a separate structure for governing the capital programme:



Data management

The Corporate Landlord also collects data to manage the portfolio effectively:

- Location and unique asset identifiers
- Tenure and legal impediments
- Lease arrangements
- Physical characteristics (e.g. size, age construction, type)
- Fitness for purpose (e.g. condition, suitability, capacity, accessibility)
- Performance information (e.g. utilisation, running costs, carbon emissions)
- Environmental constraints (e.g. listed building status)
- Opportunity cost (e.g. land value for alternative uses, social value to the business or the community)

Maintaining our estate

Like many other councils, Tower Hamlets has experienced significant government funding reductions, and we need to make careful choices in where we prioritise the money we spend. This is especially true in relation to property.

Corporate estate

The Property division take full responsibility for the maintenance of 226 corporate estate assets. It is vitally important that these assets are maintained to ensure a safe and appropriate environment to deliver services, support service users and the workforce. We maintain the corporate estate to ensure it is safe and compliant, although this does not always address fundamental underlying challenges and consequently may result in occasional closures to deal with repairs.

The approach taken to maintenance has been to ensure the estate meets the various requirements of statutory and regulatory compliance in terms of health and safety.

The consequences of this over the years has meant that many elements of buildings have been repaired where possible but not replaced as they reach the end of their life. As these elements continue to age, parts of the estate are now in a position where various components are now beyond economic repair and are causing a drain on existing financial resources.

In the year 2022/23 the corporate estate cost c £5.9m in day-to-day expenditure (excluding staffing costs, rent, rates and service charges). Energy, cleaning and repairs and maintenance represented the largest items of expenditure.

In addition to this revenue funding, there is also £2m available annually for capital investment as part of our rolling programmes.

Condition surveys help us to build a better understanding of items of repair and help the council identify and prioritise its resources. We aim to carry out these surveys over a five-year cycle.

The council is working to develop a revised rolling programme of condition surveys to better inform its investment and provide a greater clarity for forecasting future spend.

Maintaining our estate

Education Estate

Each Local Authority-maintained school receives funding as part of their core budget which is intended to contribute to maintenance activity.

Each school is expected to directly fund their own planned preventative maintenance and capital improvement activity. However, schools have an opportunity to bid for council funding to support works exceeding £10k.

The council receives an annual ring-fenced School Condition Allocation (SCA) from the DfE, which is then adopted into the Capital Programme's rolling Programmes.

The most recent Capital Programme allocated c. £3m per annum to address the necessary condition and improvement activity to keep our schools safe and operational. The total funding for the programme for the years 2023-26 is £9m.


Given this limited budget, priority is given to maintained schools with the most severe condition need or significant improvement need to deliver education to an acceptable standard. Investment in our estate is expected to increase as assets age and elements reach end of life.

With increasing revenue pressures across the council and significant alternative calls on the available capital financing, it is becoming increasingly challenging for the council to provide the additional funding required to keep ahead of the curve in ensuring our schools remain safe and operational.



What we will do

- Uphold clear corporate decision making and challenge on all property matters, led by the Property and Major Programmes division, supported by robust internal processes
- Aim to achieve an effective balance between corporate and service priorities
- Ensure that property information is accurate, current and comprehensive
- Develop mechanisms to ensure asset considerations are properly embedded in council-wide decision-making. This could include adopting a business partnering approach or adding an additional 'asset consideration' section on key-decision making templates.
- Ensure that all properties are – as a minimum – safe for the people who use them and compliant with statutory regulations (including fire safety).
- Undertake condition surveys, where funding becomes available, to ascertain the full picture of any maintenance backlog
- Prioritise works to assets which if not undertaken may impact on critical services delivered by the council
- Review the implementation of the corporate landlord model particularly in respect of data, governance and Asset Review.



Priority 4:
**Responding to the
Net Zero challenge**

Local policy

Net zero carbon council

The council has an ambitious target to become a net zero council by 2025, implying a significant reduction in carbon emissions from our buildings, external uses (street lighting) and transport fuel.

Carbon emissions from our buildings form the majority of the council's total operational emissions and therefore how we manage, maintain, refurbish, redevelop, or dispose of our buildings has great significance to the achievement of the council's net zero aims.

The council owns a number of buildings of significant age which were designed to be used with heating and plumbing systems which have long become obsolete. In addition to their energy inefficiency, some of these buildings represent a significant revenue drain in terms of repairs and energy costs.

In such instances therefore, the net zero and value-for-money agendas reinforce each other and may point towards either redevelopment or disposal of our buildings, although this will have to be assessed on a case-by-case basis.

Through the Public Sector Retrofit scheme, the council has replaced gas boilers with air source heat pumps in four council buildings to provide decarbonised heating. Solar panel installation is planned at 10 of our council buildings.



A Cleaner and Greener Future for Tower Hamlets

In February 2023 the council launched a Net Zero Buildings Action Group. The purpose of this group is to bring together all stakeholders across the council to agree an approach to retrofitting our buildings.

Looking ahead, the focus will be on:

- Surveys of our buildings
- Capital financing for the retrofitting of our buildings (est. cost £563M)

What we will do

- Ensure that assets' Net Zero impacts are considered as part of all review processes and put in place mitigation where possible
- Conduct site-specific surveys across our estate against a Net Zero benchmark, where revenue funding allows this – starting with 11 of our more highly-emitting buildings
- Retrofit our properties with solar panels, green heating systems and adequate insulation where sufficient funding has been identified
- In some cases, where the investment required outweighs the long-term benefit to the council, we may propose disposal
- Ensure newly-commissioned council buildings are built to be highly energy efficient and use a heat pump as the primary heat source
- Ensure we take into account climate risks such as overheating and flooding in existing and new buildings
- Explore a power purchasing agreement scheme so our electricity is from renewable sources
- Consider whether disposals could fund a re-investment programme for the buildings we retain

Reviewing our assets

Asset Challenge

Asset Challenge is an ongoing process whereby the justification for our assets is reviewed against a common set of criteria.

The ultimate aims of Asset Challenge are to reduce costs, identify assets that should be retained for use and/or invested in, identify those that are surplus to requirements and can be considered for disposal or repurposing.

Criteria include:

- Building condition
- Energy efficiency
- Accessibility/location
- Running costs
- Sufficiency
- Suitability

Criteria will vary depending on the fundamental purpose of the asset – commercial assets will need to be measured against different benchmarks than operational property.

A range of outcome options arise from an asset challenge exercise, including:

- Retain and continue business-as-usual
- Retain and improve usage
- Make major capital investment
- Repurpose for a different use (e.g. housing)
- Declare surplus and dispose on the open market or transfer to a third sector partner

The tables on the following pages (drawn from CIPFA best practice guidance) outline the criteria to be considered and the suggested outcomes which arise from this process.

Reviewing our operational assets

Front-line service usage / public access	Suitability / Sufficiency			Sensitivity – Civic / Community importance	Tenure / Restrictions on use	Value	Condition			Overall
	Access / location	Ways of working / operating Model	Utilisation / Space				Running Costs	Capital investment requirements	Ability to be Carbon Neutral	
Not used for front-line service	Not in right location / not accessible	Does not suit ways of working / operating model	Poor utilisation or too little space	No sensitivity or likely objection to disposal	No restrictions or issues that would prevent disposal	High value	Very high running costs	Major capital investment required	Unlikely to ever be carbon neutral	Strong evidence for either repurposing or disposal
Some front-line service use and/ or public access	Some issues with location / accessibility	Reasonable for ways of working / operating model	Reasonable utilisation and sufficient space	No sensitivity but no real challenge to disposal	Minor issues that may delay a disposal	Some value but would not achieve a significant capital receipt	Above average running costs	Some investment required but not significant	Significant investment required to be carbon neutral	Some merit in considering repurposing or disposal
Fully used for front-line service with public access	In right location and easily accessible	Good for current ways of working / operating model	Good utilisation and space sufficient for all requirements	Potential of significant challenge or objection to a disposal	Significant issues that may prevent or delay a disposal e.g. 3rd party leases in place	Low or very little value e.g. due to very poor condition	Low or below average running costs	In good condition, only minor maintenance required	Very energy efficient and/ or only minor investment required	Evidence suggests retention with current operating model (potentially with some investment)

Reviewing our commercial assets

Held purely for yield or for wider socioeconomic benefits, including in or out of area	Suitability – Access/ location for tenants	Suitability – Ways of Working for tenants	Utilisation – including if currently void or doubts about renewal	Sensitivity – Civil importance/ attitude to any repurposing/ disposal	Tenure/Value – Commercial model	Return on investment, based on rental income and carrying value and/or market value	Condition – Annual running costs	Condition – capital programme costs	Sustainability – Ability to achieve Net Zero – which impacts on ability to rent out	Market appetite to purchase	Ability to repurpose to operational property	Overall
Held purely for yield and out of area	Not in the right location / not accessible	Does not suit ways of working	Poor utilisation / currently or significant voids / doubts about renewals	No sensitivity to a disposal	No reason why cannot be disposed of. Also, high value	Poor return on investment – sub borrowing costs	High annual running costs	Major capital investment required to improve condition	Unlikely to achieve Net Zero	Strong market appetite to take on, resulting in good return for the Council	Are opportunities to repurpose (hence transfer to op. property)	Strong evidence for disposal/ repurposing
Held partly for yield, partly S-E benefits, and in area	Some issues with location / accessibility	Reasonable for ways of working	Reasonable utilisation and voids	Some sensitivity but not a major issue	Some minor reasons why cannot dispose of	OK return on investment, but uncertainties	Somewhat high running costs	Some capital investment required	Significant work required to achieve Net Zero	Some appetite to take on, resulting in OK return or slight loss	Limited opportunities to repurpose	Some evidence for disposal/ repurposing
Held for socioeconomic benefits and in area	In the right location / good accessibility	Good / best practice for current ways of working	Good utilisation, no real voids	Potential challenge if looked to dispose of	Significant reason why cannot dispose of – e.g. existing commitments	Good return on investment	Low/average running costs	Good condition	Limited work to achieve Net Zero	No appetite to take on or a significant loss to the Council	No opportunities to repurpose	Retain (potentially with some investment)