

LONDON BOROUGH OF TOWER HAMLETS

**ASSET STRATEGY:
SCOPING, PRINCIPLES AND PRIORITIES PAPER
2015-2020**

CONTENTS

SECTION 1

- 1.0 INTRODUCTION, CONTEXT AND DRIVERS
- 2.0 BACKGROUND AND PROGRESS TO DATE
- 3.0 THE OVERRIDING NEED FOR RATIONALISATION AND EFFICIENCY
- 4.0 SUMMARY OF THE PORTFOLIO
- 5.0 THE COUNCIL'S ADMINISTRATIVE HEAD QUARTERS
- 6.0 FUTURE OPERATIONAL REQUIREMENTS AND LINKS WITH OPERATIONAL STRATEGIES AND PLANS

SECTION 2

- 7.0 OVERARCHING STRATEGIC PRINCIPLES
- 8.0 ACTION PLAN
- 9.0 RESOURCING IMPLICATIONS
- 10.0 NEXT STEPS
- 11.0 APPROACH TO IMPLEMENTATION AND HIGH LEVEL PROGRAMME
- 12.0 RISKS, POTENTIAL OBSTACLES TO DELIVERY AND INTERDEPENDENCIES
- 13.0 OUTCOMES

SECTION 1

1.0 INTRODUCTION, CONTEXT AND DRIVERS

The Asset Strategy Scoping, Principles and Priorities paper for Tower Hamlets for 2015-2020 sets out how the Council intends to develop the strategy for determining its ongoing and future property needs, and move from the current position to a more fit for purpose streamlined estate efficiently and effectively. The Council has long established objectives for its land and buildings, which are:

- To support and enhance service delivery, ensure user satisfaction and meet broader Council objectives.
- To ensure the Council meets all its statutory obligations and that buildings are fit for purpose, in terms of location and condition.
- To ensure value for money in the management, maintenance and use of land and buildings, specifically:
 - We will own and occupy fewer buildings.
 - We will reduce the running costs of our buildings.
 - We will maximise overall returns from income producing properties.
 - We will increase the occupancy levels of our buildings and maximise opportunities for co-location of services (including partners).
 - We will challenge the business case for retaining properties and sell surplus properties in a timely and efficient manner.
- That the procurement of works for buildings ensures sustainable design and that buildings are maintained and managed in a way that maximises their energy efficiency.

The Council's property requirements are driven by a range of both external and internal influences, as set out below:

1.1 LOCAL ECONOMY, POPULATION PROFILE AND GROWTH PROJECTIONS

Tower Hamlets is the sixth smallest London borough by area, but London's fastest growing area, having increased in population by 30% over the last 10 years. Tower Hamlets is the 4th most densely populated borough in London and the 7th most deprived out of 326 authorities nationally.

Economy¹

Tower Hamlets has seen exceptional economic and employment growth over the last twenty years and is now home to 5% of London's employment on just over 1% of the Capital's land area. There are 3 jobs in Tower Hamlets for every 2 residents of working age in the borough – an "excess" of 60,000 representing the fifth highest "job density" in London, with only the central London boroughs of the City, Westminster, Camden and Islington ahead.

Employment is concentrated in two areas that together provide 60% of the borough's employment: Canary Wharf which has acted as the prime engine of employment growth, giving rise to a current total of 80,000 jobs, constituting some two-fifths of the borough's employment, and the City Fringe especially in Spitalfields and Aldgate which now provides some 15% of the borough's jobs.

¹ Tower Hamlets Local Economic Assessment – Economy and Enterprise

Only 15% of jobs in the borough are taken by local residents – 85% are filled by those commuting in. A third of those commuting in are employed in financial services enterprises.

Only one-third of working residents are employed in the borough with the majority commuting out, mainly to central London. This level of commuting exchange is typical for a central London borough and indicates that Tower Hamlets is part of the central London labour market, with Canary Wharf and the City Fringe functioning as part of London's Central Business District.

The prominence of financial and business services sectors within Tower Hamlets means that the relative size of other sectors is diminished but these still account for 40% of employment critical to the resilience of the borough's economy and the diversity of employment opportunity it provides.

Employment in the Hotels and Restaurants sector has increased, driven by growth in Canary Wharf and the City Fringe.

Wholesale and Retail activities provide 7% of employment, construction provides just 2% but has expanded over the past decade. "Creative Industries" are also a significant source of employment in the borough, providing 25,000 jobs with some concentration in the City Fringe.

Manufacturing has declined markedly with Newspaper publishing accounting for half this sector. Public sector employment provides a sixth of the borough's jobs. Collectively the public sector has grown by two-fifths over the past 10 years but now faces a period of acute retrenchment.

Future Economic Prospects

After over a decade of uninterrupted economic growth to 2007, the UK economy is now emerging from the longest and deepest recession for a generation.

A key uncertainty going forward is the strength and sustainability of domestic private sector demand, particularly as planned cuts in public expenditure and jobs are felt.

During the recession the London economy performed better than expected with limited retrenchment in employment in financial and business services, either in London or in Tower Hamlets. Since 2012, London has seen unprecedented growth in house prices and residential development, fuelling high land values, and in many places a lack of affordability that is not being met by adequate provision of affordable housing. This is placing pressure on land for disposals, and increasing the opportunity cost of land used for the provision of Council services.

In parallel with the strength in the housing market is the ongoing demands on the public sector for austerity measures, requiring significant cuts to be made over the next term of national government and possibly beyond, to address the deficit that arose from the banking crisis of 2008.

In other sectors, continued decline in manufacturing and wholesale and distribution activities are projected. In the medium-term, forecasts are much more positive with predictions of future employment growth in the borough of between 25% and 50% over the next twenty years. However, resident-based employment is only anticipated to increase by 19% (on the lower projection of 25%) – so, the borough's employment opportunities are forecast to grow more quickly than the ability of local residents to access them.

Population and growth:

The number of households in Tower Hamlets has grown by 29% since the 2001 census (22,727 extra households). This was the highest growth seen within London.

The Working age of residents in the Borough (aged 16 to 64) make up 74.1% of the population which is higher than the London average. Tower Hamlets has a low proportion of residents aged over 65 at 6.1% of the population, compared to the London average of 11.1% and 16.3% nationally. The Borough has the lowest median age in the Country at 29.

As the population of the Borough continues to grow, this will drive the demand for housing and housing sites and put pressure on Council front line services at a time when all departments have to make revenue savings.

High level implications for the Council's services

Both the growth in financial and business services and the population expansion have implications for the Council's services, and therefore its future property needs. These will be explored through detailed service planning that will inform the strategic property needs of the Council. The strong economy in Canary Wharf and the City Fringe, and the growing pressure on housing sites across the Borough is driving up rents and land values. This is a double edged sword, as high values can be achieved for land or property disposals, but the provision of affordable homes and service premises such as schools becomes more costly. The growing house prices and rental demand also means that affordable housing options such as shared ownership and affordable rent are not, in many cases, at a low enough level of affordability to address the need.

The nature of the population growth concentrated in younger working age groups also indicates the need to ensure adequate provision of nursery education, school places and associated youth facilities to accommodate the birth rate. Whilst this is not above average for the age groups involved, it is geographically high as a result of the concentration of younger aged people in the Borough.

The population growth and associated analysis of housing indicates a latent demand for additional affordable homes in the Borough, and for the provision of family accommodation to provide a balanced housing supply. High land values will set a challenging context for delivery, and will put pressure on the retention of Council owned land for future provision in a time when property rationalisation is needed to support the delivery of savings and to help close the gap in the Council's finances.

A more detailed assessment of the demographic needs of Tower Hamlets residents can be found in the Joint Strategic Needs Assessment Summary document (Updated 2014) via the following link: http://www.towerhamlets.gov.uk/lgsi/701-750/732_jsna.aspx

1.2 LOCAL PRIORITIES

The Council's priorities are communicated through a number of documents, including the Strategic Plan, and the Community Plan. The key elements of these priorities are summarised below:

Tower Hamlets Strategic Plan 2015 /16

The 2015 / 2016 Tower Hamlets Strategic Plan sets out the Council's priorities. Its focus is on providing services for young people; support to the vulnerable; community safety and improving the condition and supply of affordable housing. The plan is set against a context of a prolonged period of real term reduction in public spending and the need for the Council to find additional savings whilst protecting the quality of front line services.

The Strategic Plan contains a series of pledges which are articulated through the Five Community Plan Themes:

- A Great Place to Live
- A Prosperous Community

- A Safe and Cohesive Community
- A Healthy and Supportive Community
- One Tower Hamlets

Implementation

The key activities and initiatives are proposed in the 2015/16 Strategic Plan. These are supported by the Strategic Plan Action Plan which sets out more detail on these activities, including specific milestones planned for 2015/16. These are summarised below:

A Great Place to Live

In 2015/16 the Council will:

- endeavour to maximise the number of new affordable homes delivered,
- increase the number of existing homes that meet the Decent Homes Standard, and
- tackle fuel poverty.

The Council will also continue to focus on securing transparent service charges for leaseholders and ensuring that Registered Providers deliver on their service agreements.

The council will maintain its leading role on significant regeneration developments, including plans for Blackwall Reach and in Whitechapel. Improving the public realm and promoting heritage will remain a key focus.

The council will also take further steps to enhance its library and lifelong learning service, as well as its leisure facilities.

A key priority is to respond effectively to continuing housing and welfare reform, including homelessness prevention, seeking to mitigate the impact on residents.

A Prosperous Community

The Council aims to create a Tower Hamlets in which everyone has the aspiration and opportunity to achieve their full potential.

Tower Hamlets aims to maintain its excellent performance in school improvement. The council will continue to invest in supporting young people across all ages and embed the provisions of the Children and Families Act 2014.

Fostering enterprise and employment is a key priority. The Council will continue to drive local economic growth by working effectively with business, including small and medium enterprises. Supporting more local people into jobs through effective employment services is also essential.

The council will maintain its support to residents as welfare reform continues, including the introduction of Universal Credit. An extensive information programme, supported by employability and other assistance, will remain important throughout 2015/16.

Safe and Cohesive Community

Ensuring that everyone feels safe and confident in their homes and on the streets of Tower Hamlets remains a key priority. There will be a continued focus on crime and anti-social behaviour, with effective and visible enforcement. The council will continue to invest in Police Officers and uniformed THEOs.

Tower Hamlets also recognises the need to go beyond simply tackling crime and ASB to also address people's fear of crime and perceptions of personal safety through better information, community engagement and an improved local environment.

Tower Hamlets is rightly proud of its diversity. The council remains committed to bringing all of its communities together to foster understanding and support cohesion. Supporting events which celebrate the diversity of the borough and its people play an important role in this respect.

A Healthy and Supportive Community

The Council's aim is to support residents to live healthier, more independent lives and reduce the risk of harm and neglect to vulnerable children and adults. Within this theme, a key emphasis is on promoting healthy lifestyles and ensuring fewer residents require long-term care for avoidable health needs.

The council is also committed to protecting the interests of residents in the context of significant health reforms. The successful transfer of public health responsibilities to the council has provided a solid foundation on which to build.

The council is committed to ensuring that Tower Hamlets is one of the top performing councils in the country with responsibility for social services. A key priority will be implementing the Care Act and using this to help improve services. Supporting the most vulnerable residents is important to us; Tower Hamlets continues to be the only borough in England that still provides free universal homecare. However, as part of the 2016/17 budget setting process, the council is currently considering the introduction of a charging policy so that people who can afford to pay are charged for the adults' social care services that are currently provided free of charge.

One Tower Hamlets

Underpinning the Community Plan vision is the aspiration to build One Tower Hamlets – a borough where everyone feels they have an equal stake and status.

The council is committed to reducing inequalities, fostering cohesion and supporting strong community leadership. The over-arching aim of One Tower Hamlets takes on added importance in the context of considerable budget reductions. As part of this, the Council will continue our work with partners to help address the recommendations arising from the Fairness Commission.

This theme also reflects the key projects being delivering to make the council more lean, flexible and citizen-centred. Over the next year, the Council intends to better use its assets, work smarter and buy better.

A key focus will be delivering the council's Best Value Strategy and Action Plan, following the inspection of the council that was undertaken in 2014/15 and the subsequent Directions from the Secretary of State for Communities and Local Government.

It is the delivery of these strategic priorities through the services plans for implementation that drive the Council's asset requirements. The identification of those requirements through property review processes will form a core part of the ongoing development of the Council's Asset Strategy

Raising Performance and Maximising Efficiency

This is central to all service development activities. Inefficient performance in any part of the Authority is unsustainable. The need to fundamentally question traditional approaches and

service delivery models is clear. All parts of the authority will be required to address performance improvement as a core element of service and cross-service planning. There will also be an increased focus on efficiencies to be driven by the Smarter Working programme and from partnership working. The focus on efficiency and Smarter Working is set out in the People Strategy 2012-2015.

Delivering on major projects

There is an increasing number of major capital schemes taking place across the Borough. These include the need for the Council's future Town Hall accommodation to be addressed, the expansion programme for schools, the refurbishment of Poplar Baths, the regeneration of the Ocean Estate and Blackwall Reach. They are all critical to the future quality of life and prosperity of the Borough and are central to realising the priorities of the administration. The efficient delivery of such major projects is essential in a time when cost control is paramount to the protection of wider service delivery.

Tower Hamlets Community Plan

Development and renewal plays an important part in helping the Council realise its Community Plan aspirations and has a key strategic role in transforming the Borough in the long term.

The Community Plan has been developed alongside the borough's Local Development Framework (LDF) Core Strategy. The LDF and its Core Strategy are important tools that will direct changes in the borough to support social aspirations and deliver the Community Plan priorities. These priorities will inform the development of the Local Plan. The Community Plan priorities are underpinned by the One Tower Hamlets vision, and in summary are as follows:

- Empowering residents and building resilience
 - Addressing loneliness and isolation
 - Delivery of the Tower Hamlets Digital Inclusion Strategy
 - Developing a strategy to enhance community engagement
 - Enabling applications for funding to reduce energy use and carbon emissions
- Promoting healthier lives
 - A campaign to get Tower Hamlets more active
 - Establishing a campaign for healthy food
- Increasing Employment
 - Delivering an integrated employment service utilising Ideas Stores to pilot a first contact system
 - Developing a new approach to a more affordable local child care offer
- Responding to population growth
 - Developing a new Local Plan to manage current and future growth and development
 - Reviewing cohesion to include new and smaller communities

- Implementing regeneration projects that bridge communities and promote cohesion
- Understanding changing communities through a renewed approach to data use.

Many of these priorities have either a direct or indirect relationship with the Council's asset base and land holdings, either as a resource to enable the building of schools and housing to meet population growth, or as a factor of production in the efficient delivery of wider Council services such as leisure and community cohesion.

1.3 FINANCIAL CONTEXT AND CHALLENGE – THE NEED TO MAKE SAVINGS

The 2013 Spending Round announced on 26th June 2013 set out expenditure limits for individual Government departments for 2015-2016. This confirmed that the Government's austerity programme is set to continue for the foreseeable future, and this was further confirmed in the Autumn Statement in December 2014. The government elected in May 2015 confirmed its intention to accelerate deficit reduction plans.

Tower Hamlets relies heavily on government funding. The cut in revenue support grant results in a 28.9% loss compared to 27.6% nationally. Revenue Support Grant has fallen from approximately £146m in 2013/2014 to less than £85m in 2015/2016, less than £70m in 2016/2017, and below £50m in 2017/2018. Further cuts are anticipated as a result of the government's announcement of a £12bn reduction in welfare benefits, and a £200m in-year cut to public health budgets.

This represents an enormous financial challenge to the Council that will require root and branch review of services and costs to achieve the level of savings required. Property represents both a significant investment to the Council in terms of capital employed, and a significant revenue cost year on year. Every pound spent on property is a pound that cannot be spent on front line service delivery. In many cases property is essential to enabling service delivery, but its efficiency and effectiveness needs to form part of the wider financial challenge to ensure that waste is eradicated wherever possible, and the cost of property is recognised and justified.

Further detail on the extent of the financial challenge facing the Council, and the financial pressures to be addressed are set out at section 3.0 below.

2.0 BACKGROUND AND PROGRESS TO DATE

The emphasis on improving asset management has been a priority for the Council now for a number of years. Asset management documentation has been developed to date as follows:

- Asset Management Plan 2008/9-2010/11
- CIPFA Report on property function development December 2010
- Proposed Capital Programme 2011/12 – 2014/15
- Asset Strategy 2011, action plan and related Cabinet paper
- Mayors Advisory Board paper on asset disposals 2011
- Protocol on the disposal of surplus property
- Business case for proposed reorganisation of Asset Management, FM, Capital Delivery (Including BATs) and Business Support January 2012
- Asset Management Health Check 2013
- Development of the Corporate Landlord Model for asset management 2013

2.1 PREVIOUS AMP AND ASSET STRATEGY

The previous plans and strategies responded both to central government best practice guidance, and the need for the Council to have adequate information on its portfolio and appropriate systems in place to address compliance with statutory and regulatory

requirements in respect of repair, health and safety and compliance. They also set out processes for property review.

Property review progress and outcomes to date

Property review processes to date have led to a number of actions including the following:

- Paired Lap review of operational property and other public sector property.
- Review of condition surveys and implement of a rolling programme
- IPF review of asset management

These reviews were undertaken in the context of their time, and were less focussed on securing financial efficiencies and more on the management and structure of the asset management function and delivery, and the availability of adequate information. The outcomes were therefore more about the importance of property information for service planning and decision making, than about the need for rationalisation.

There was also a less corporate approach to asset management operating in Tower Hamlets at the time, which led to a number of properties being taken out of scope of the review processes which weakened their overall ability to demonstrate positive outcomes. This led to the need for the Asset Management Health Check in 2012 and a more corporate approach to asset management, in line with the One Tower Hamlets theme.

Health Check

The Health check identified that some areas of significant improvement had been made, including:

- Introduction of the CAPS System
- Improved property protocols in place for managing transaction
- Integration of FM and Asset Management
- Integration of the Capital Delivery Team, with council-wide responsibilities into Asset Management

It also identified a number of challenges:

- Negative impact of an ongoing culture of silo working
- Resistance to property disposals
- Lack of consistency and accountability for compliance
- The need to develop stronger relationships between Asset Management and Service areas
- Recognising and resourcing asset management as a Council wide function – not restricted to HRA shops and council-owned Community Buildings
- The need for overt senior management buy-in to and championing of property review processes

One of the key outcomes of the Asset Management Health Check was corporate agreement to the move to a Corporate Landlord Model for Asset Management.

Progress towards a Corporate Landlord Model for Asset Management

The instigation of the Corporate Landlord Model for Asset Management has established a more centralised corporate approach to the way in which the Council manages its property assets. Fundamentally it recognises that all assets belong to the Council, not to the individual service areas that occupy or use them. It aligns with the One Tower hamlets approach to corporate governance and effective cross service working.

The principles are that the technical and strategic elements of the management of the Council's portfolio are addressed by the Asset Management team, rather than by individual service areas. This is similar to the way in which Technical and strategic Legal and IT

management is organised. This ensures a consistent approach to compliance and provides the necessary specialist input into property related processes. It frees service area capacity to concentrate on service delivery rather than property issues.

The Corporate approach will also help in the longer term to identify opportunities for greater property efficiency where there may be areas of underuse that can be matched with areas of growth and demand, both across services in the Council and with partners such as the NHS, third sector, fire and rescue and the Police.

The implementation of the Corporate Landlord Model began in early 2013 and significant progress has been made, including:

- Operating model now in place
 - Day to day management of buildings managed by FM
 - 3rd party occupation and transactions managed by Asset Management Team
 - Repairs & Maintenance (Planned and reactive), compliance and capital projects now managed by Capital Delivery team
- Transformation Phase completed in summer 2014
 - Transfer of all budgets related to operational model
 - Transfer of relevant staff to the centralised Corporate Landlord

The significant progress made in improving the way in which the Council manages its assets establishes the foundation for the development of a corporate property strategy. To date, the majority of the emphasis has been on securing better property management systems, information and financial/regulatory controls.

The aim of the strategy is to ensure that the Council has the right estate for the delivery of its service, managed in the right way, and enabling change to take place where assets are unsuitable for long term service use or inefficient for sustainable retention.

A significant part of the change to the way in which the premises are managed is the centralisation of the Facilities Management service for all Council managed buildings, not just the key administrative buildings. This will involve consolidation of staff, where FM functions are currently covered within the service, and more corporate procurement and/or direct delivery of services such as cleaning, catering etc. A more centralised approach will also enable better monitoring and the establishment of common standards across the built estate. This will contribute to the corporate understanding of the comparative efficiency and cost effectiveness of buildings across the portfolio as a whole.

As with the principle of the move to the Corporate Landlord Model, this will involve clear communication of roles and responsibilities, the development of agreed service levels and a change in the culture of the way in which service and premises management has been carried out historically. It is expected that the move to a more corporate approach to FM will support the work required to develop and deliver the Asset Strategy.

3 THE OVERRIDING NEED FOR RATIONALISATION AND EFFICIENCY

The Updated Medium Term Financial Plan

The draft Medium Term Financial Plan (MTFP) that was considered by the Mayor in Cabinet in July 2015 assumes the use of general reserves over the review period 2015-2016 to 2017-2018 of £24.7m.

Following a balanced budget in 2015-2016, the draft MTFP indicates a budget shortfall of £23.9m in 2016-17, with further savings of £30m to be achieved in 2017-18 and £18m in 2018-19, before the use of reserves.

Budget Reduction Opportunities for 2016-2017 Onwards

The Corporate Management Team are devising a strategy to manage the budget gap from 2016-2017 onwards. CMT has instigated a programme of work to review and consider future budget reduction opportunities. The focus of this work involves the following principles:

- Working up a set of proposals which build on the Lean, Flexible and Citizen Centred principles of the existing savings programme to increase efficiency by rationalisation and alignment of services and functions and further improving and consolidating procurement
- Service by service challenge to ensure that each service is delivering or contributing to priority outcomes as effectively as possible; and
- Establishment of an approach to focus on longer term transformation opportunities designed to enable the Council to deliver key priorities for local people with a reduced budget.

To date, the work has involved a range of consultation events and workshops that have provided an insight into the views of local people and their priorities for good housing, high quality public realm, community safety, employment and cost of living issues. Top priorities for protection from savings were:

- Services for vulnerable older people and children
- Affordable housing
- Services supporting people into work
- Services to tackle crime and anti-social behaviour

The top areas identified for savings are

- Better joint working and shared services with other councils
- Delivering services online.

Other areas that received support include:

- Internal service amalgamation
- Commissioning from the private sector
- Reducing administration costs through better use of ICT
- Increased charges for planning, commercial waste, parking permits and fines
- Individuals taking more responsibility, e.g. re healthy living

A number of workstreams are being developed to enable a more structured approach to transformation to enable the required savings to be delivered, including:

- Better targeting of resources – the right people at the right time
- Re-designing services for better outcomes
- Empowering communities and citizens
- Harnessing economic growth
- Organisational economies – streamlining, rationalisation, new delivery channels including online

CMT

CMT's objectives are maintaining priorities and delivering for local people, maintaining commitment to One Tower Hamlets and reducing inequality, with reduced funding. Within this broad framework, CMT is progressing the following work streams:

- *Understanding and projecting the local population* – understanding what services residents will require going forward, how and whether demographic change will impact on need and expectations.

- *Harnessing economic growth* – assessing the contribution that economic growth within the borough might make towards offsetting the savings target, particularly in the light of business rate retention, Council Tax growth, the New Homes Bonus and Community Infrastructure Levy – plus the potential for increased private sector funding or upfront investment to fund social outcomes.
- *Prevention and Meeting Needs* - considering how new targeted investment in key preventative services could reduce the need for intensive, more expensive care and support.
- *Resident-centred Service Re-design* – considering how to re-design and streamline services for residents.
- *New Delivery Models* – focussing on *what* the Council will deliver, seeking to identify alternative, more cost-effective ways of delivering services, where clear savings can be made without undermining the ability to deliver core outcome objectives.
- *Asset Management* – progressing current work on the corporate landlord model, driving out duplication and increasing efficiencies through an updated asset management strategy: clarifying the buildings required, costs and opportunities for more efficient use, or disposal.
- *Workforce efficiency* – assessing how best to deploy the valuable workforce. This includes the potential to offer more flexible working including opportunities for voluntary redundancy, early retirement, flexible retirement with reduced working hours in the last years of employment, different hours and opportunities to develop careers more easily through greater generic working and competency based recruitment and promotion, in line with the People Strategy.

Budget pressures

There are a number of other factors which could significantly impact on the Medium Term Financial Plan in 2016/17 and beyond. These include:

Negative variables:

- Demographic growth, particularly concerning pupil numbers, social care requirements and waste management
- Ongoing costs to the council of the welfare reform programme, particularly homelessness services
- Potential increases in the Bank of England base rate/cost of borrowing

Potential positive variables:

- Continued growth in the boroughs domestic and business tax base
- Devolution of powers and resources, and combining funding with partners

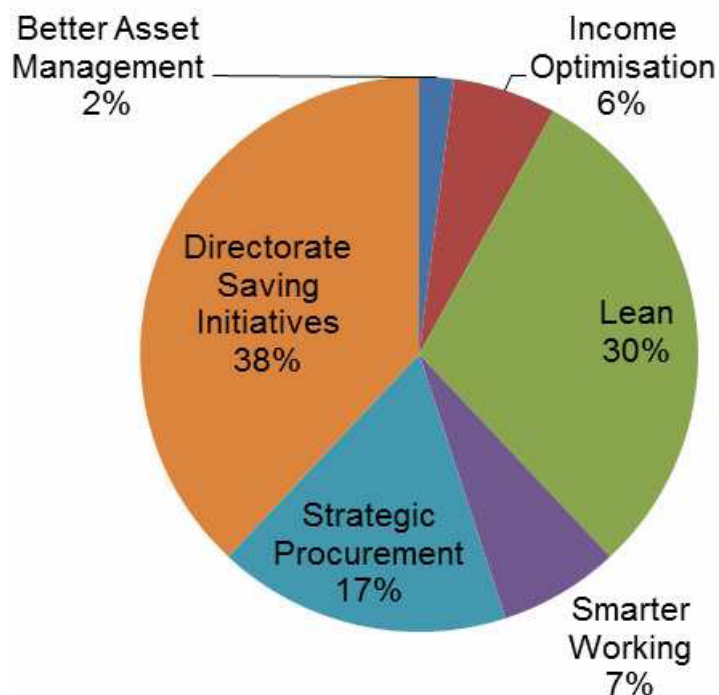
Unpredictable variables, which could be negative or positive

- Funding distribution between local authorities
- Economic variables such as inflation and pay awards

It is clear from the financial context set out above that there is a fundamental need for challenge across all service areas to secure the level of savings that need to be achieved to address the Council's financial constraints. The continued requirement for austerity and the severe financial cuts being imposed across the public sector mean that there is now a more pressing need for the retention of buildings to be challenged. This has had a significant influence on the development of this Asset Strategy, which targets the delivery of savings and the generation of capital through the rationalisation of the estate.

An implication of rationalisation is the need for investment in the retained/future portfolio to ensure that this is fit for purpose, and can enable service delivery to continue through a period of change with minimal adverse impact. The aim is to end up with an estate that more effectively enables quality service delivery, whilst minimising the overall cost to the authority.

Since 2010/2011, savings have been made in the following proportions:



This indicates that the savings from better asset management are as yet relatively low. The aim of the property strategy is to ensure that a rigorous approach to challenging the need for property can be implemented, to maximise savings from this area going forward.

4 SUMMARY OF THE PORTFOLIO

The Council's property portfolio of made up of the following element:

- The Operational Estate – land and buildings owned/occupied by the Council (and its service providers) for the purpose of providing services for residents and businesses in the borough
- The shops portfolio – held to generate income to support the Housing Revenue Account (HRA), and to maintain local shopping facilities for residents
- Council-owned Community Buildings – Buildings available for use in the community to further the achievement of corporate objectives such as community cohesion and well-being
- Surplus and vacant property – land and buildings that have been identified as no longer needed or suitable for ongoing service delivery, or which have been vacated. These are available for re-use, redevelopment or disposal as appropriate

In terms of financial value as at 31st March 2015 the position is as follows:

- Total Value of land and buildings (excluding HRA) as at 31.3.2015 circa £1 billion
- Council dwellings circa £ 975 million
- HRA non-housing assets circa £62 million
- Community Assets circa £54 million
- HRA non-dwelling income circa £3.5 million

The Operational assets represent circa 20 times the value of HRA non-housing plus Community assets. This represents a significant amount of capital employed in land and buildings.

In terms of revenue costs, the total annual expenditure per annum on the Council's portfolio amounts to in the order of £19 million. Excluding the Council dwellings, this represents only 1.7% of the estimated capital value which is very low, and only around half of the 3-4% expenditure recommended by the RICS for the maintenance of buildings that are in a good state of repair.

Condition surveys have now been completed for the Council's land and buildings, which have identified an investment need.

Examples of the types of property owned by the Council include:

- Schools, nurseries, care takers houses
- Youth facilities
- Parks and open spaces, and buildings in parks
- Libraries and ideas stores
- Community centres
- Care homes and day care centres
- Council Offices
- shops
- Miscellaneous buildings such as museums, arts centres, depots, public conveniences, mortuary, laundry and waste facilities etc.

In total, the Council owns, occupies or maintains some 860 premises, all of which are located within the Borough.

5 THE COUNCIL'S ADMINISTRATIVE HEAD QUARTERS

A key element of the Capital Programme and a driver of the revised Asset Strategy is the need to address the relocation of the Town Hall. The current Town Hall is leased by the Council and costs around £6m a year in rent and service charges. The lease will expire in June 2020. There is considerable evidence that the landlord will want to redevelop the building for residential use. This means that the Council is likely to have no choice other than to relocate come September 2019.

In December Cabinet 2013 the Council adopted the Whitechapel Vision Supplementary Planning Document, which identified the old Royal London Site as ideally suited for the development of a new Civic Centre. This site has now been purchased from NHS Barts. If the option to relocate to this location is confirmed, this will enable the Council to capitalise on the arrival of Crossrail in 2018, bring the new Civic Centre in the heart of the borough and create a catalyst for the regeneration of Whitechapel area.

The proposed Civic Centre development is an Invest to Save opportunity for the Council which will create an asset owned by the Council and residents of Tower Hamlets, able to serve the borough for many years to come.

The project has the support of the Greater London Authority (GLA).

Current position

The Council currently accommodates 2900 administrative staff across 4 sites:

- Mulberry Place
- Jack Dash House
- Gladstone Place
- Albert Jacobs House

The majority of the staff (some 2380) is accommodated at Mulberry Place. The Council has only 5 years to re-accommodate its administrative headquarters from this location.

An Outline Business Case for the consolidation of the Council's administrative offices and depots was completed in June 2013 by professional property advisers GVA, and updated in 2015. This considered a range of options for the Council's future office accommodation, and depot provision, based (in summary) on the following objectives:

- Assess the options for a multi-purpose state of the art Town Hall
- Rationalise the dispersed office premises
- Maximise financial savings from more efficient use of relevant assets
- To release land to help meet local housing needs and support affordability

Following further feasibility work, an options analysis was undertaken which concluded that:

- Relocation of the Town Hall to a new facility in Whitechapel has the potential to generate savings in the order of £91.3 million in cumulative revenue savings at year 25 of the project, and will provide the Council with a valuable long term asset for the future.
- There is a clear qualitative need to improve the Council's office accommodation
- There is a clear reputational need for better more centrally located offices
- Jack Dash House and Albert Jacobs House offer potential for redevelopment for residential purposes
- Gladstone Place should be retained to continue to accommodate the Ideas store and office accommodation, reducing the cost of Town Hall re-provision at Whitechapel

There is now a pressing need for progress to be made with the relocation of the Town Hall, in order to ensure continuity of service provision from 2020 onwards. Progress has been made through securing the purchase of the Whitechapel site.

In order to meet the 2019 deadline, allowing time for decant and allowing for business continuity planning, it is now a matter of urgency that this project is moved to the delivery stage. A five year time horizon for planning, procuring, building and decanting into a new headquarters is challenging and will require dedicated resourcing. Any delay to progress will risk deliverability in the time horizon required, which itself represents a considerable risk to the ability of the Council to operate effectively if its existing lease is not extended, and a considerable financial risk if the only option is a short term extension to the lease for which the landlord will seek considerable recompense for any delay to the proposed redevelopment of the site. A key property priority is therefore to progress the delivery of the new Town Hall.

6 FUTURE IMPLICATIONS FOR THE PORTFOLIO AND LINKS WITH OPERATIONAL STRATEGIES AND PLANS

This scoping document has been developed following consultation with key service representatives to understand their drivers and aspirations for future service delivery in the context of the Council's financial constraints. All service areas are aware of the need to make significant savings, and that the portfolios out of which their services are delivered will be

challenged to enable the rationalisation and improved financial efficiency needed to protect wider service delivery.

That said, it also recognises that the demand on services is growing as the population of the Borough increases. There will therefore be areas, particularly where a service meets a statutory requirement, where there will need to be ongoing planning for growth.

This document also reflects the range of corporate strategies directing the future approach to service delivery across the Council, such as the People Strategy where issues such as Smarter Working will impact on future property requirements, and the emerging IT strategy where greater use of advancing technologies will change the way on which services are accessed and delivered. These are reflected across individual service area assessments and will be taken into consideration in the implementation of the identified work streams.

Key elements of specific service planning requirements for property are set out below by directorate:

Education Social Care & Wellbeing

Education

The Council has a statutory duty to provide sufficient school places for the local population. The school age population in Tower Hamlets is increasing and is projected to continue to do so. Between 2013/14 and 2023/24 a 34% increase is projected in the total school roll of children aged 4-16. This is anticipated to require the provision of circa 7,500 additional primary places and 4,500 additional secondary places. This equates to a need for additional primary capacity of circa 9 Forms of Entry (FE) by 2018/19, rising to 19FE by 2023/24, and an additional secondary capacity of circa 8FE by 2019/20 rising to 21FE in 2023/24.

The implications of this for the Asset Strategy are that this need will have to be taken into account in property review processes, to establish options for addressing the required expansion from within existing land holdings.

This will also need to be reflected in long term infrastructure planning, and in opportunities for partnership working with other public and private sector organisations. As a statutory service, the delivery of the additional school places must represent a high priority for the use of Community Infrastructure Levy/s106 funding where DfE grant and the Council's capital programme cannot meet the full financial need.

The need for additional school places to meet the needs of the rising local population is forecast to continue for the foreseeable future.

A number of school sites have been expanded to create extra capacity to meet the rising need. Site allocations have been secured for 6 possible new primary schools and 2 secondary schools. There is outline planning approval for one primary school and one secondary school on the allocated sites. The timing for delivery of the remaining developments is however outside the Council's control. In addition, the Council has negotiated the provision of primary school accommodation in major housing developments where there is no site allocation.

Where an existing school site may become vacant (for example, if a school is relocated to an alternative site), it can be considered for alternative education use to help meet the needs of the rising local population. There are limitations on the use of such sites for non-education purposes.

A number of free schools have opened from 2011 to 2015, outside the LA's own programme of providing places. Further free school capacity has been agreed but awaits confirmed opening dates.

The ability to meet the need for additional school places will be kept under review annually, and will be reflected in ongoing infrastructure planning and in the implementation of the Asset Strategy.

Other social care and wellbeing needs

Needs in respect of adult and child related social care are yet to be identified and will be the subject of future service reviews. These reviews will then inform the future property needs of the service, and will be reflected in the review work streams arising from this strategy. The area of Adult Social Care is however identified as an area where growth is anticipated particularly following the introduction of the Care Act 2014.

Communities, Localities and Culture

The Communities Localities and Culture Directorate comprises five main service areas; Community Safety, Public Realm, Local Strategic Partnership, Cultural Services and Environmental Control. In terms of use of assets, the principle areas where land and buildings are used and occupied for service delivery include:

- Parks and open space, including parks buildings
- Sporting and Leisure facilities and other leisure/cultural provision
- Ideas stores
- Youth facilities
- Waste, grounds maintenance & transport
- Community safety and environmental control facilities

Aspirations for ongoing service delivery feature in the strategic plan and are based on service plans developed to identify the extent of provision that would ideally be provided to meet the expanding demand for such services from a growing population, and to build on the positive outcomes that are being delivered and which themselves act as a preventative measure which saves costs in other areas.

Parks and open spaces

There is a recognised shortage of public open space in Tower Hamlets, which is a densely populated and densely developed borough. The need for additional parks and open spaces is largely driven by the growth in population and the associated growth in housing, and will be addressed as far as is possible through the planning process via planning obligations and requirements identified within the Infrastructure Delivery Plan.

Many of the parks include buildings, which require ongoing maintenance and management. Buildings in parks are being actively managed to maximise income generation potential and minimise the financial liability these can represent to the Council. There is also work being done to identify areas of potential development value which could generate receipts or contribute to wider regeneration opportunities, and to identify areas where the outcomes delivered could be achieved by sharing other existing facilities.

This approach will be reinforced by this strategy, and will include similar review requirements for arts facilities and public art, including exploring opportunities for sponsorship.

Sporting and leisure facilities

The Leisure Strategy prepared in 2009 and subsequent needs assessment highlights an existing shortfall of leisure provision in the borough and identifies a need to 2020 for the following:

- 3-4 additional sports halls
- 1-2 additional swimming pools
- Health and Fitness – need for two minor facilities in the centre and south of the Borough

No capital has been allocated to meeting this need. Funding will therefore have to be identified from other sources. These could include s.106/CIL contributions, partnering with private facilities or alternative forms of private sponsorship. This need is identified within the Infrastructure Delivery Plan but by necessity will not have as high a priority for funding as statutory requirements.

The strategy is therefore to work with the Council's current leisure partner (Greenwich Leisure) to establish whether there are any opportunities for addressing future need through partnership with existing providers, such as private sector health and fitness provision, to further assess opportunities arising from the Olympic Legacy, to assess usage and explore the impact of changes to charging regimes and to continue to work with education colleagues to maximise the potential benefit that can be derived from school related facilities. The strategic aim is to maximise provision for minimum or no impact on the Council's revenue budget.

Ideas stores/libraries

Tower Hamlets Ideas Stores are widely recognised as an example of excellent practice in the development of library and related public facilities aimed at increasing access to educational support and knowledge. They have been very successful in increasing usage and access to a range of library and information related services, as well as acting as a form of community hub in the areas in which they are located. The Ideas Stores Strategy prepared in 2009 identifies the need for a further 3 ideas stores at:

- Bromley By Bow – linked to proposed private sector development
- Cross Harbour
- Wood Wharf

The strategy is also being developed to explore the opportunity to provide Ideas Stores "local", possibly in conjunction with other existing facilities such as leisure centres, to extend the benefits derived.

The ability to deliver new Ideas Stores is to a considerable extent dependant on funding coming forward from private sector development, through existing s.106 agreements, and possibly in the longer term through CIL. There is no other capital identified or earmarked for their delivery.

The service is aware that there are a number of buildings currently providing services that are not fit for purpose, (such as the Shadwell centre, Bancroft Library, Bethnal Green Library, and Cubitt Town Library) that could be reviewed to establish whether greater benefit could be achieved more cost effectively through investment in their improvement or alternatively re-provision in a more suitable form.

It is also recognised that the existing ideas Stores could be further developed to capitalise on their popularity and footfall by offering a wider range of transactional services, such as employment advice, skills matching, and One Stop Shop service access. This is an area of development that will evolve in tandem with the development of digital access to services. It is through this approach that the Ideas Stores can support the provision of local access to services whilst enabling savings to be made elsewhere through the re-provision of now outmoded access points into these facilities.

The strategy is therefore for Ideas Stores and other related library/service access facilities to be reviewed to establish how these can be developed to accommodate more services and become an even greater local focus for service delivery, whether other projects such as the development of the New Town Hall offer scope for rationalisation, and how facilities that are currently unfit for purpose can be replaced to generate revenue savings and improved service delivery. As for leisure buildings, the aspiration has to be improvement with no net impact on the Council's revenue position, and the delivery of efficiency savings.

Youth facilities

The Youth Service was brought back into direct Council control in October 2012 when the previous outsourced contracts to 5 organisations came to an end. The service operates out of around 40 venues in the borough, of which only around 10 are Council owned premises. The majority of the venues are third sector, RSL or faith related facilities

The Council's facilities are not evenly spread across the borough, with greater representation in the west than in the east. Staff are located across the service and are linked to specific facilities. The take up of youth services in Tower Hamlets is high, with over 70% of the estimated youth population accessing the service. The growth in population is anticipated to give rise to an increase in demand to 2030, followed by some decline. The service is recognised as a successful way of minimising and preventing the growth of antisocial behaviour in the borough, which represents a cost benefit to the Council.

The process of transition from an externalised service to a council run service has involved the slow transition back of the buildings. The November 2012 business plan for the service identifies a need for some 43 facilities each of which will offer a minimum of four 3 hour sessions per week. This indicates that significant potential capacity could be available within the buildings outside of the times in youth service use, which is largely during the evening. The Asset Strategy going forward is therefore to identify when and where there is capacity for the buildings to offer dual use, and how this can enable rationalisation of other poor facilities, and maximise income generation. Examples include use of the Columbia Road facility in the daytime as a pupil referral unit. As the provision of the youth service is mainly an evening activity, a range of daytime uses can be explored, possibly offering opportunities to decant other services out of inappropriate buildings to enable disposal.

Where there is a shortage of facilities, the principle will be that opportunities for addressing the shortage will prioritise the use of existing buildings and facilities, and minimise any impact on revenue. Dual use of school facilities will be considered, however in the past this has not necessarily provide to be cost effective or popular with local people.

As for other services, there is no identified funding for new facilities, and no additional revenue capacity to meet costs of facilities that may be provided through private sector developments.

Waste, grounds maintenance & transport

Addressing the waste, grounds maintenance and transport needs of the borough involves the management and accommodation of a significant fleet of vehicles, equipment and staff.

The transport and highways area is accommodated through a service contract which includes the provision of depot facilities. Grounds maintenance depots are accommodated at Victoria and Poplar parks within the open space boundaries.

The remainder of the waste depot requirements are met through 3 facilities, at Watts Grove, Commercial Road and Blackwall respectively. These have been the subject of a comprehensive review during 2012/13, assessing opportunities both within and outside the Borough. Based on cost benefit analysis this has resulted in vacation of the Watts Grove Depot which is being developed by the Council to contribute to meeting housing needs.

The service has been redistributed between the two remaining depots, together with existing facilities at Toby Lane.

A risk to the service is the need for the planning consent for ongoing depot use at Commercial Road to be extended beyond 2015/16. The service need will continue for the foreseeable future, so the strategy for the assets is to explore whether there is an opportunity for dual use of the sites through redevelopment, with depot accommodation at ground level and possibly residential uses developed above.

Innovations in the approach to waste collection are also being developed as part of the planning process, where for larger development proposals waste management is addressed both practically and if appropriate as part of related planning agreements.

The Municipal Waste Cleansing Contract has been extended by 18 months, and will now expire on 3th September 2018, as approved by Cabinet on 28th July 2015.

Community safety and environmental control

The area of community safety and environmental control encompasses a wide range of service areas, including the following:

- Responsive uniformed services (enforcement staff, parking wardens, Environmental Health etc)
- Markets
- Mortuary
- Dog Pound
- Laundry
- Health and Safety
- Licensing
- Drug and Alcohol team

Many of the services have a requirement for local representation across the borough, but many also include office staff who could be accommodated anywhere, with access to modern communication equipment in line with the emerging IT strategy.

The premises occupied by these services include a wide range of facilities across the Borough, many of which have arisen as a result of historic Council use and ownership rather than as a result of planning for effective and efficient service delivery.

In some cases, the historical need to be located close to the point of service delivery is changing, such as in Markets for example where market vouchers could once only be purchased from the local market office. Such services can now be accessed electronically, or could be available in other local facilities such as Ideas Stores.

Enforcement services are currently located across a number of buildings throughout the borough. There is considered to be a service advantage to centralisation, as this would improve communication and enable a more flexible approach to staff cover in line with the principles set out in the People Strategy. 24 hour access and nearby car parking would be essential. Access to all neighbourhoods can be achieved easily by vehicle and other means of transport. Part of the strategy is therefore to review the potential for co-location and cost savings/service efficiency benefits. The opportunities for better integrated co-location with the Police also need to be explored both in terms of rationalisation of assets and service delivery benefits.

With regard to back office staff, the strategy for review is to identify those who do not need to be located close to the point of service delivery, and include them in the accommodation plan for re-provision of the Town Hall, by either accommodating them within the proposed new building at Whitechapel, or within John Onslow House above the Roman Road Ideas Store at Gladstone Place which is identified for longer term retention. Consideration does however need to be given to the nature of the service to ensure that its operation does not negatively impact on other users of the administrative buildings.

Services such as the laundry, originally part of a charitable provision for addressing incontinence, are likely to come under scrutiny as part of the challenge of specialist services.

The Drugs and Alcohol Team offers treatment and rehabilitation services across the borough. The majority of the service is commissioned through the third sector, with the in-house team

based in Marlborough Place. These staff could form part of the accommodation plan for the new Town Hall.

Other buildings used by the service are linked to the service agreements, in many cases in third party owned hostels or health facilities. Some are leased in by the Council and others are controlled by service providers. This can represent a threat when services are re-tendered. There is therefore a preference for the Council to control the premises where possible, and to licence back the accommodation as part of any service contract.

Strategically, premises are needed in the locality in which the service is being offered, and co-location can be challenging due to the nature of the user and the perception of others and residents to the impact that it may have on local residents. There is therefore a need to ensure that adequate provision can be maintained, as securing new premises can be difficult.

There is perceived to be a service benefit in exploring opportunities for co-location with sexual health facilities and mental health services. Reviewing opportunities for increased joint facilities with the NHS will therefore be an important part of future accommodation planning.

Development and Renewal (D&R) including relationship with Tower Hamlets Homes, Resources Directorate, and Chief Executives Directorate

The majority of staff within these directorates are office related staff whose role is related to the management and governance of the Council and its holdings, rather than delivering direct services to the local population. The main asset implication is therefore the need for ongoing office accommodation to house the services they provide, such as Legal, IT, HR, Finance and payroll, Asset Management, Procurement, Governance etc. This will form part of the new Town Hall project.

There is also a responsibility within the Asset Management function for the management of the non-housing non-operational assets held under the Housing Revenue Account. These include the council-owned community buildings portfolio, and the non-operational shops portfolio. Other classes of assets to be considered include the Housing operational non-residential assets, such as offices occupied by housing, leased in facilities; and assets identified for disposal.

Council-owned Community Buildings

There is a significant portfolio of Council owned community premises across the borough, believed to be circa 88 in number. These serve an important purpose in offering space to community organisations for a wide range of activities, and are an essential contributor to community cohesion.

There is however no common register of such spaces across organisations in the Borough, so similar spaces provided by faith organisations, RSL's and other charitable groups are not fully taken into account in assessing local need. There is therefore anticipated to be a degree of duplication of provision.

There is currently no clear strategy for future provision, and a tendency for additional supply to be secured through planning processes linked to new private sector development in isolation of any assessment of need. Whilst in most cases this addresses the capital cost of provision, it does not address the revenue liability that this generates. In some cases this can be very high, particularly where service charges have to be paid to support the management and maintenance of the wider development of which the facility forms a part.

Many of the buildings and the arrangements under which they are used and occupied are historic, and have become practice by default rather than as part of a conscious policy aimed at transparency and equality of access to all. This has led to a lack of common occupational agreements and payment requirements. In many cases no rent has been collected or paid at

all for use of the building, which inhibits investment and has led to erosion in the quality of many of the facilities.

There is a General Fund budget in place for addressing issues of compliance and wants of repair, but this amounts to less than £4,000 per unit per annum, and is inadequate to maintain the portfolio to a reasonable standard. As the majority of the buildings are held under the Housing Revenue Account (HRA), any income generated goes to the HRA and is not therefore available to support the sustainability of the premises. The impact of using the income for this purpose would be that this would increase the costs of housing provision. This arrangement is historic, and appears to be something of an anomaly.

Significant work has been done to date to develop discussion papers seeking to establish a Community Buildings Charging and Lettings Policy. This draft document does not yet have any formal status. The approach set out in the document is common with that promoted by the Community and Voluntary Service (CVS). The aim is to have a clear, fair transparent approach that will apply equally to all users of a similar nature, and will seek to sustain the long term provision of the facility. If organisations have financial difficulties in meeting rent and service charges, then there can be a transparent approach to grant funding to support essential services.

The strategy for community assets therefore involves a number of strands:

- Review of holding and governance, including approach to funding compliance and maintenance, and opportunities for transfer to THH or as part of Community Asset Transfer
- Review of basis of occupancy and use, suitability, efficiency and effectiveness of existing buildings
- Review of wider provision across all service providers against need
- Implementation of the Community Buildings Charging and Lettings Policy
- Review of planning policy requirements and adoption of the principle that no new premises will be taken in kind where a revenue cost is then incurred. The benefit may be greater if financial contributions in lieu of new buildings can be secured towards the improvement of existing facilities rather than growing a portfolio that will be unsustainable from a revenue perspective.
- Consideration of the implications of the Community Right to Bid <http://mycommunityrights.org.uk/community-right-to-bid/>

Non-operational shops

The Council owns in the order of 260 shops (including a small minority of other commercial properties such as public houses) which are currently rented out to private occupiers to generate an income to support the HRA. These are managed by the Asset Management Team in the D&R directorate. This portfolio currently generates revenue of some £2 million plus per annum which is growing by an estimated 3% per annum. Other than where premises have been identified for redevelopment, there are very few vacant units and a steady demand from local businesses to occupy them. An example of this part of the portfolio is the retail units at Watney market.

The management of the HRA shop units has historically been a significant part of the work of the Asset Management function of the Council on behalf of its Housing client. With the implementation of the Corporate Landlord Model, and the need for increased efficiency within the greater operational estate, the balance of priority for resourcing is now changing.

Like the community facilities, the shops have traditionally been let at differing (often subsidised) levels of rent across the portfolio on a basis that does not fully reflect their potential commercial value. The historic reasoning behind this was the need to maintain a locally accessible shopping offer for residents across all areas of the Borough. The changing nature of the Borough and the evidence of strong demand now brings into question the

justification for any ongoing element of subsidy in the rental level charged. Any subsidy effectively represents a cost to the HRA paid for in higher residential rent charges.

There is also a need for transparency on lettings and the application of a policy to maximise the local benefit of a diverse tenant mix

There is therefore a need to review the rents charged against open market rents, establish a new lettings protocol and explore the options for the ongoing technical management process, which could be market tested for cost/resource efficiency. There may also be benefit in challenging the validity of retaining these properties. As they form part of the HRA, it could be argued that further consideration should be given to their transfer to Tower Hamlets Homes.

Other Housing related assets

The Council also holds a number of housing properties that are currently leased out for long periods to third party housing providers. The council also holds some blocks where the majority of the units are now vacant.

With regard to the former category, leased out blocks, there are historic arrangements in place whereby some of these buildings, (such as Chater House) are leased out to a Registered Provider, but the Council retains the repairing liability. This represents a drain on resources with little or no control. There is therefore a need for these to be reviewed and a policy decision made to improve value for money either through disposal of the freehold and transfer of all remaining liability, or grant of a new longer lease again with transfer of all remaining liability.

With regard to the blocks where the majority of units are vacant, the development potential or capital /income generation potential needs to be explored. Where there are isolated units occupied within a block, the value for money of implementing the Decent Homes Standard improvements needs to be considered as part of the review. It may be more beneficial to relocate the remaining tenants or to sell the block and lease back the occupied units on an agreement ensuring that any wider improvements also apply to the Council owned parts. The aim of this part of the strategy is to maximise disposal proceeds, minimise ongoing liabilities that do not represent value for money, whilst protecting the individuals.

Property identified for disposal

Historically once a property is identified for disposal its management transfers to the Asset Management Team. Under the Corporate landlord Model, the need for such transfer will be negated. Properties are identified for disposal when they are surplus to operational requirements. At this point their direct benefit to the Council has ceased, and they represent a liability. Once sold, the proceeds of sale then provide capital or in some cases revenue to support the delivery of services and address the Council's financial constraints.

Historically a number of properties have been identified for disposal, but in some cases actual sale has been hindered by a perceived value to the community in holding on to obsolete and no longer functioning premises. This has led to some significant periods of holding and the incurring of substantial ongoing costs associated with ownership representing a net drain on resources. The Council's changed financial position indicates that going forward there needs to be a process of monitoring the time taken between a property being declared surplus and disposal taking place. There also needs to be clear transparency on the cost of any decision to continue to hold a surplus property.

The current list of properties identified as surplus to operational requirements includes:

Site Name	Potential future cost savings over 25 years	Potential capital receipt
Land at Jack Dash House E14	£ 2,192,000.00	Circa £47 million
Land at 1-3 Tent St, Bethnal Green, E1	N/A	
11-31 Toynbee Street and 67-69 Commercial Street, Aldgate, E1	N/A	
Toynbee Hall Land Swap, Aldgate, London E1	N/A	
3-11, Vallance Road, Whitechapel, London E1	N/A	
Sites and Land at Poplar Riverside	N/A	
Jubilee St, Stepney, London, E1 3EH	N/A	
31 Turner St, London E1	N/A	
Cheviot House, 227 – 233 Commercial Road, London E1 2BU	£ 2,335,500.00	
Site at 60 Southern Grove, Mile End, London E3 4PN	N/A	
Former LEB Site, 255 Cambridge Heath Road, Bethnal Green, London E2 0QH	£ 288,500.00	
Blue Anchor Public House	N/A	
329 Morville St – ex Tredegar Boiler House	N/A	
73 Strahan Road	N/A	
Total	£ 4,816,000.00	

This indicates a total financial impact of circa £51.8 million from existing planned disposals when future investment requirements are taken into account. There is therefore potential for considerable additional savings and receipt generation if further property can be identified as surplus.

SECTION 2

7 OVERARCHING STRATEGIC PRINCIPLES

The principles of how the Council's land and building assets will be managed going forward have been established through the development and now ongoing implementation of the Corporate Landlord Model.

The development of this document therefore reflects that position, and seeks to determine how the Council's assets (rather than their management) will be the subject of challenge and scrutiny to deliver the Council's stated objectives for its land and buildings. A particular area of focus, as part of the wider Council need to make significant savings, is the actions required to demonstrate fitness for purpose and value for money.

The high level assessment of individual service based property needs and challenges going forward have highlighted the need for the development of some overarching strategic principles to inform and refine the strategy, and enable the development and delivery of a more detailed Asset Management Plan. The principles proposed for adoption are as follows:

- Relocation of the Council's HQ premises will be agreed as a priority project and resourced appropriately
- The Council will not take on any more land and buildings (unless statutorily required to do so) unless the revenue costs of doing so are covered, or are cost neutral to the Council
- All operational and non-operational property controlled and managed directly by the Council will be the subject of a high level value for money review. This will take into account:
 - Comparative revenue costs per M2
 - Opportunity cost that the site represents (i.e. what it could generate as a capital receipt if sold) on a per M2 basis
- Specific property reviews will be carried out with a view to identifying the following:
 - Poor performing buildings from a service perspective, taking into account financial performance
 - Properties that will become surplus to operational requirements in the next 5 years
 - Options for improving sustainability and value for money
 - Options for co-location with internal and external partners
 - Options for contributing to addressing housing and other statutory need
 - Non-property options for securing service outcomes
- The Council accepts and recognises the need for rationalisation of the estate and greater asset management efficiency, and where a property is agreed for disposal the target for completion will be six months from securing vacant possession. Delivery against this target will be monitored and reported to Corporate Asset Management Board and then to Cabinet on a quarterly basis
- A prioritised list of projects for funding through CIL will be identified and agreed
- A Community Buildings Charging and Lettings Policy will be developed for adoption and application across all council-owned community buildings
- The principle of charging a commercial rent for Council owned shop units will be established and adopted

- Consideration will be given to co-location, where appropriate, to ensure the maximisation of asset use along with the provision of much needed infrastructure.

8 ACTION PLAN

Development of the strategic principles will be through a range of actions that will each be established as a formal project. The programme of projects will then be reported to the CAMG on a monthly basis, with exceptional reporting of issues to Corporate Asset Management Board

The following key actions have been identified. The first step towards implementation will be the development of a scoping paper for each project.

8.1 ADMINISTRATIVE OFFICE PROVISION - PRIORITY 1

This project will deliver the new Town Hall, and will involve initial representation from all service areas to establish the staff and services to be accommodated, and how these will impact on the rest of the portfolio. As identified in section 6.0 above, there are significant numbers of back office staff across a wide range of service areas that could be centralised whilst maintaining the local presence required for effective service delivery in line with the localism agenda. This will help to enable Smarter Working and better communication and integration in line with the People Strategy.

Existing services within the vicinity of the proposed relocation site will also need to be challenged to establish whether greater efficiency can be achieved by including them in the new facility, and disposing of existing sites. The project will very broadly involve the following:

- Establishing the services to be accommodated
- Establishing the staff numbers to be accommodated taking into account the impact of Smarter Working, other new ways of working and the impact of ICT accessibility to services
- Developing an output specification and programme
- Procuring a construction partner
- Delivery
- Decant

This is likely to involve significant staff resources and the procurement of a range of technical support and advice. The timetable from now until 2020, when the existing lease on Mulberry House expires, is already a challenging one. For this reason, this is a high priority for action and commitment, as any delay is likely to incur substantial additional cost and risk in securing an extension to the existing lease, or alternatively temporary premises.

8.2 HIGH LEVEL OPERATIONAL PROPERTY REVIEW – of all Council controlled operational assets – PRIORITY 1

The aim of the high level review of operational property is to identify those elements of the Council's estate which represent the poorest performers, initially in terms of cost to the Council. Once they have been identified, they will be prioritised for immediate scrutiny as part of the service related review processes, as their retention will need to be justified if they represent a significant ongoing financial burden to the Council.

The high level review will involve the following broad elements:

- Identification and development of key metrics – as a minimum one key running cost, such as energy costs, and the Opportunity Cost that the premises represents (high level indication of open market value or asset value)
- Assessment of these metrics on a per M2 basis for each asset/site
- Assessment of average

- Identification of top 20% of poorest performing buildings and what percentage of total property revenue costs/ total opportunity cost these represent
- Prioritisation of these premises for more detailed review with a view to disposal/replacement unless fully justified

The aim is to develop a transparent approach to demonstrating the cost of poor premises, and to focus challenge to the areas of greatest potential early gain. This is a high priority as there is an urgent need to make savings over the next 3 financial years.

8.3 CORPORATE REVIEW OF GOVERNANCE RELATING TO HRA HELD PROPERTY - PRIORITY 1

The strategy highlights that a significant proportion of the assets held by the Council, in particular the community assets and the non-operational shops portfolio are held by the HRA but represent a financial burden to the general fund. This is an area to be challenged before the individual portfolio review processes are taken forward, as it may impact on the options for future retention and management going forward. Whilst the outcome of this review cannot be anticipated, the process will help to clarify the financial position and ensure that the implications of this for both housing and other services are fully understood and recognised.

8.4 COUNCIL-OWNED COMMUNITY BUILDINGS OPTIONS – PRIORITY 1

This is an ongoing detailed review of the provision of council-owned community buildings across the Borough, mapping council-owned facilities against non-council owned facilities, and then assessing the following in relation to those in the Council's control:

- Current Use and occupancy
- Maintenance need for the next 5 years and cost implications
- Potential for alternative use
 - Contribution to housing objectives?
 - Opportunity cost (from high level review)
- Community need
- Options for alternative provision/co-location to meet need
- Options for improving usage and income generation (in accordance with newly agreed policy framework as set out at section 7)
- Potential for Community Asset Transfer
- Risk/likelihood of Community Right to Bid

8.5 DETAILED REVIEW OF TOP 20% POOREST PERFORMING PROPERTIES – PRIORITY 2

This will involve every service that uses properties identified in the high level financial review of operational property. The aim is to challenge the poorest performing properties from a service perspective to assess the true opportunity for disposal of the building and re-provision of the service to protect outcomes. It will also identify those poor performing properties where investment is justified to enable continued service use. It is anticipated that investment will only be appropriate where the premises are essential for ongoing service use and to the delivery of outcomes and where there are demonstrated to be no deliverable alternatives that offer better value for money.

These reviews will be detailed and specific to these particular premises and will involve both service and asset management representatives, who will assess the following:

- Current Use and occupancy
- Running costs
- Maintenance need for the next 5 years and cost implications
- Potential for alternative use
 - Contribution to housing objectives?

- Contribution to addressing educational needs?
- Opportunity cost (from high level review)
- Community need
- Options for alternative provision/co-location of service to meet need
- Options for improving usage securing investment
- Conclusions and recommendations for action

These reviews are prioritised over the general service related reviews as there is greater short term gain to be made from addressing the poorest performing properties first. This will also help to reinforce the impact of the retention of poor property on the Council's overall financial position

8.6 SERVICE BASED REVIEWS OF PREMISES TO ESTABLISH SUITABILITY, SUFFICIENCY AND OPPORTUNITIES FOR BETTER USE AND RATIONALISATION – PRIORITY 2

This will require each service to look at the rest of the property they use with a view to assessing what works and what does not, and how efficiency can be improved. A programme of reviews will be established through the Capital and Asset Management Group in agreement with service representatives, and involving representatives of other services to enable effective challenge and to identify opportunities for co-location of services, shared space, synergies such as those identified at section 6 above (e.g. relocation of transactional services to Ideas Stores, day time use of youth facilities etc.)

These reviews will be directly linked to service planning.

Areas of review have been prioritised as follows:

- Depots, waste and transport related facilities, including service delivery and procurement options, and how these impact on the asset base
- Ideas stores, building on the strategy currently being developed
- Leisure facilities and options for future management arrangements
- Youth facilities – where not considered as part of the community buildings review
- Adult Social care facilities
- Parks Buildings
- Arts facilities and public art
- Non- housing/non-directly managed housing controlled buildings
- Caretakers houses
- Any other premises not covered above

The aim of these reviews will be to identify the following:

- Unsuitable buildings that can be programmed to become surplus to requirements, and the timetable for availability
- Opportunities to relocate services into partner buildings, or co-locate partner operations into Council buildings to improve efficiency and reduce costs
- Other income generating opportunities
- Co-location of Council services and rationalisation of any surplus generated
- The impact of alternative ways of working and delivering services
- Priorities for investment and consolidation
- Priorities and options for disposal

As for the reviews identified above, these will take into account the following:

- Current Use and occupancy
- Running costs
- Maintenance need for the next 5 years and cost implications
- Potential for alternative use
 - Contribution to housing objectives?

- Contribution to addressing educational needs?
- Opportunity cost (from high level review)
- Community need
- Options for alternative provision/co-location of service to meet need
- Options for improving usage and /or securing investment (including sponsorship)
- Conclusions and recommendations for action

8.7 HRA SHOPS REVIEW – PRIORITY 3

The initial assessment will be to consider management options and their impact on value for money and the availability of resources to support the delivery of the wider Asset Strategy. This will include an assessment of how they should be managed, by whom and how the work is commissioned. This will depend on the outcome of 8.3 above.

As these are income generating properties options for commercial management should be considered, particularly as part of the process of implementing a policy for market rental levels and transparency of opportunity.

Other considerations will include:

- Current Use and occupancy
- Income generation and potential for improvement if let at market rent
- Maintenance need for the next 5 years and cost implications
- Potential for alternative use
 - Contribution to housing objectives?
 - Opportunity cost
- Relative priority for action within the portfolio
- Prioritised plan of action

8.8 ACQUISITIONS –DETERMINED BY THE OUTCOME OF EARLIER REVIEWS

Reviewing the Council's land and buildings asset base in a comprehensive way as proposed in this strategy may well give rise to the need to acquire assets where replacement of existing buildings is a cost effective outcome of the review process.

Each review will be to identify any recommended need for acquisitions so that the resources can be made available to address the requirement in a timely manner with as little disruption to service delivery as possible.

There may also be a requirement for land and buildings to be purchased to address statutory areas of growth, such as the need to provide adequate school places to meet identified future needs. The need for acquisitions will be addressed and reviewed as part of the reporting process for each review via the existing Asset Management Governance arrangements in place and through the development and implementation of the Corporate Landlord Model of Asset Management.

9 RESOURCING IMPLICATIONS

The implementation of the Asset Strategy for Tower Hamlets has resourcing implications across the Asset Management Function and across all service areas.

The Town Hall project and High Level review of operational property will both require fully resourced project teams to deliver effective outcomes and to minimise longer term cost and risk. The majority of the resources for these elements are anticipated to come from within the Asset Management Team, with support from the services to enable timescales to be met where service specific input is required, together with adequate funding for required expert technical input.

For a project of the scale and nature of the Town Hall development, typical resourcing costs including a full consultant and design team, detailed specification development and full EU procurement could amount to between £5m and £8 million. Expenditure at the design stage will however be recouped through greater certainty of total costs and therefore savings at the delivery stage.

The review of the disposal process will largely be a matter for the Asset Management function, and will require a dedicated project for a relatively short period of time, supported by ongoing monitoring.

The community facilities review and the HRA shops review will again principally require resource input from D&R, and will also require commitment from housing and other colleagues.

The detailed service reviews will require a greater level of resourcing from services as well as direct involvement from the Asset Management Team.

In order to succeed, timely resourcing will be required and the delivery of an Asset Strategy will have to be fully recognised as a Corporate priority. This will require Member and senior officer level commitment and support to the Strategy, and regular monitoring at a senior level. This will also link in to the Council's wider efficiency drive. If the delivery of the strategy is insufficiently championed or resourced then there will be a significant risk that the outcomes will not be delivered.

10 NEXT STEPS

The next steps will be for the Strategy to be developed through the preparation of Scoping Papers for each project identified, setting out in more detail the approach to the work to be done, and the programmes for delivery.

The actions, in particular the property review processes, will enable the Council's Strategic property requirements to be refined, and will inform the development of a detailed Asset Management Plan setting out the changes to be made to the portfolio on a property by property basis.

11 APPROACH TO IMPLEMENTATION AND HIGH LEVEL PROGRAMME

Delivery will be driven and managed by the Asset Management Team in conjunction with all service areas. The programme of projects will be managed through the existing Asset Management Governance framework, reporting to the Capital and Asset Management Group, and ultimately to the Director of Resources and CMT.

The high level programme for implementation is broadly as follows:

PRIORITY 1 PROJECTS Inception and implement within 3 months, duration variable	PRIORITY 2 PROJECTS Inception within 6 months for implementation within 9 months, duration variable	PRIORITY 3 PROJECTS, Inception within 12 months for implementation within 18 months, subject to dependency on outcomes of earlier projects	ONGOING PROGRAMME OF WORKS arising from outcomes of projects, for implementation over the next 5 years according to property realistic timetables
<ul style="list-style-type: none"> • Adoption and implementation of strategic principles as at 7.0 • New Town Hall project as at 8.1 • High level operational property review as at 8.2 • Governance review of HRA non-housing property as at 8.3 • Council-owned Community Buildings Options (ongoing) as at 8.4 	<ul style="list-style-type: none"> • Detailed review of 20% worst performing properties identified from High Level Operational Property Review as at 8.5 • Service based reviews as set out at 8.6 	<ul style="list-style-type: none"> • Review of HRA shops as set out at 8.7 	<ul style="list-style-type: none"> • Development of a detailed Asset Management Plan setting out: <ul style="list-style-type: none"> ○ Relocation of services as appropriate ○ Disposal of surplus property identified ○ Investment in property to be retained for the long term ○ Investment in retained property to reduce running costs ○ Acquisitions

12 RISKS, POTENTIAL OBSTACLES TO DELIVERY AND INTERDEPENDENCIES

The delivery of the identified strategic projects forms part of the wider context of savings across the Council, and will by necessity reflect the way in which the Council changes to deliver more with less over time. In the absence of an identified Target Operating Model for the Council it will be challenging to anticipate and plan for future property needs. This may lead to lack of clarity on corporate priorities which could divert resources away from the principles of securing a lean efficient sustainable value for money estate that enables the delivery of Council services. Having a clear direction on the Council's future approach to service delivery would significantly reduce this risk, and would also engender a greater degree of collective corporate buy-in to the inevitable changes that need to take place. This represents the single largest risk to delivery.

Related risks and challenges include:

- Lack of senior level leadership and priority for the Asset Strategy. Without a consistent and clear message from Member and Senior Officer level that the rationalisation of the service portfolio is a high priority there is a risk that insufficient support will be forthcoming across all service areas.
- Insufficient resourcing of the asset management function, and in particular key projects such as the New Town Hall
- Lack of clear priority for and commitment to property disposals which will be required to fund major projects
- Delays to decision making, particularly in regard to the New Town Hall project and the need for a comprehensive and inclusive approach to property review

Securing maximum effectiveness is also reliant to some extent on the areas of interdependency that will impact on the ability to deliver positive outcomes. Interdependencies include:

- The ICT strategy – the use of modern methods of communication will impact on the way in which Council services are accessed and delivered, and therefore on the future need for property
- The People Strategy – in particular the development and implementation of new and more innovative ways of working, which will impact on the way Council buildings are used
- The outcomes of the savings strategy, and the impact this will have on the way in which the Council operates, and the services it provides
- The Medium Term Financial Plan and the ongoing financial constraints affecting the Council

It is essential that there is integration and alignment between these key areas of change and the development of appropriate outcomes from the actions identified in this Asset Strategy scoping document.

13 ANTICIPATED OUTCOMES

The focus of this document is to improve financial efficiency and drive savings from unsuitable and inefficient property that does not support positive outcomes from service delivery. The review process is targeted at identifying buildings which perform poorly so change can be made. The anticipated outcomes from this process include the following:

- Intensification of use in buildings to be retained for the long term – Measurable in occupancy per M2
- Greater co-location of services, and greater integration with partner organisations Measurable in terms of quantity of shared floor space
- Reduction in the baseline level of floor space occupied by the Council – Measurable in terms of total floor space
- Disposal of poor and inefficient property - Measurable in terms of number of interests disposed of and capital receipts delivered
- Retention of suitable buildings - Measurable by specific decisions being made to retain and invest
- Replacement of buildings where appropriate (e.g. new Town Hall) and the creation of long term assets for the Council that offer future financial control and flexibility
- Reductions in running costs of retained property – Measurable by running costs per M2
- Improvements in income generation – Measurable by total income per M2 from income generating assets
- Better use of planning benefit – no new buildings without revenue support
- Transparency and consistency in the management of Community and non-operational property, to maximise income and support social outcomes
- The development of property information that will enable targets to be set for:
 - Improvements to average running costs
 - Annual revenue savings
 - Capital receipts that can be generated
- A sustainable and affordable estate that supports service delivery