

Chief Executive, Town Hall, Upper Street, London N1 2UD

Report of: Executive Member for Finance & Performance

Meeting of:	Date:	Ward(s):
Executive	19 March 2020	All

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SUBJECT: Corporate Asset Strategy

1. Synopsis

- 1.1 In addition to its substantial housing stock and related assets, the Council owns 270 children's centres, nurseries, youth hubs, schools, adventure playgrounds, libraries, day centres, & supported living accommodation, as well as community facilities, depots, administrative buildings, and commercial properties. This physical asset base of buildings, land and infrastructure is a vital tool for enabling the delivery of high-quality services to residents as well as supporting the delivery of key strategic outcomes.
- 1.2 The Council also plays a key civic leadership and place shaping role, working with partners to maximise the totality of physical assets across the borough to help make Islington a fairer place.
- 1.3 This report proposes the adoption of a corporate asset strategy to ensure the Council maximises benefits for residents from its existing asset base as well as enhancing this base over time. The strategy would ensure a joined-up approach across all assets, housing and non-housing, and establish a long-term plan to allow the Council to continue investing in creating a sustainable asset base.

2. Recommendations:

- 2.1 To note work undertaken in the last six months to identify ways to strengthen the Council's approach to the management of its non-housing property and asset base
- 2.2 To note that a corporate asset strategy would help ensure a joined-up approach across the Council's total asset base, and would not impact plans to accelerate the Council's house building programme
- 2.3 To approve the development of a 10-year corporate asset strategy, to be finalised and published in late 2020
- 2.4 To agree that the strategy will incorporate:
 - a) a core strategy designed to build assets that enable Islington to become a fairer place and provide a key enabler for the Fairer Together & Inclusive Economy programmes, as well as delivering modern workspaces and maximising the return from the Council's commercial assets
 - b) the creation of a Council-wide and joined-up asset governance framework, comprising new Corporate Asset Development and Major Projects Delivery Boards, an enhanced New Homes Board, and an aligned and strengthened Borough Investment Panel
 - c) the creation of a new operating model to deliver a stronger core, comprising a new senior leadership role, consolidation and strengthening of resources into a new Corporate Landlord function, and a joint working approach with housing capital delivery functions
 - d) an asset management plan to support delivery of a modern, fit for purpose estate, underpinned by investment in a new asset management system, comprehensive condition and land use/lease data, and an initial capital investment to tackle the repairs backlog and complete part-funded schemes
 - e) the design and implementation of a rolling asset review process, designed to ensure that the Council's buildings and other physical assets are utilised to deliver effective, value for money services as well as maximising social and commercial value
 - f) a corporate category management approach in relation to the procurement of property and construction related professional services and contractors, to maximise value for money and social value, and to manage Brexit related risks
 - g) a comprehensive 10-year capital programme, underpinned by a long term investment strategy and robust treasury management approach.
- 2.5 To agree that the Transformation Reserve will be used to fund the implementation of the strategy as well as initial funding for the new Chief Officer post, pending the development of a long-term funding solution, at an estimated cost of £750,000.

3. Background

3.1 Property Strategy Review

The Council's previous property and estates strategy expired in March 2019. Members and officers have recognised for some time that this strategy, and supporting governance and operational arrangements, were not fit for purpose and did not match the Council's ambitions for making more effective use of its considerable asset base. A review commenced during 2019, supported external consultancy advice, and the outcomes of the discovery phase were reported to Corporate Management Board in September 2019.

3.2 The review concluded that the absence of an effective, joined-up corporate property strategy and supporting delivery plan is significantly hindering the Council's ability to make most effective use of its estate and maximise its value. Key weaknesses in property data, property performance and financial management, governance and business case development, information systems, and technical capacity were identified. The review concluded that these weaknesses had resulted in a focus on tactical and reactive responses, rather than a forward looking, strategic function.

3.3 Work to develop a response to the review has been ongoing since September 2019, and this report builds on that activity to set out the proposed way forward. The Council's ambition is to establish:

- a) a model of service and strategic outcome delivery that considers the Council's assets as key delivery enablers, and ensures the asset base is fully aligned to making Islington a fairer place
- b) a long-term approach to unlock maximum value from the Council's asset base for residents, staff, partners & local businesses
- c) transparent and joined-up decision-making to underpin and assure more effective utilisation of the asset base
- d) an approach that ensures the linked ambition to turbo charge the Council's house building capacity is supported and potentially enhanced
- e) a public commitment to invest in a community asset base as part of the Council's civic leadership role

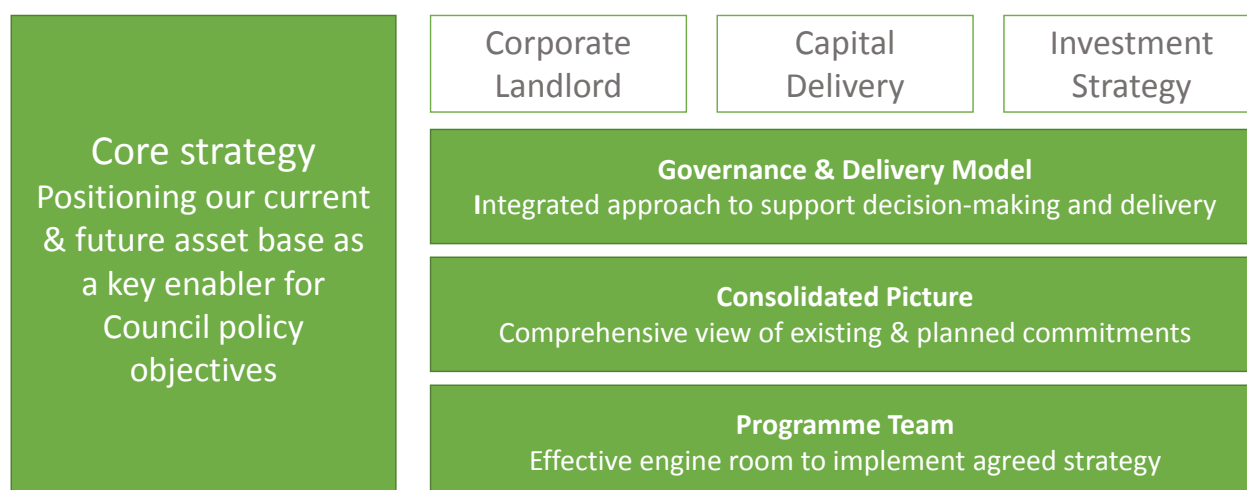
3.4 To deliver on this ambition, several key building blocks will need to be put in place:

- a) a unified governance framework to provide consistency & transparency and to maximise social and commercial value
- b) an effective operating model with a sufficiently strong core to drive the strategy forward as well as co-ordinate and support effort that is better undertaken at a local level
- c) fully understanding, quantifying, and tackling, the repairs & modernisation backlog, with an initial focus on buildings and other assets whose poor condition is materially impacting on service delivery

- d) long term capital investment strategy that balances ambition with risk, affordability and return
- e) credible implementation plan, with a phased approach that helps build sustainable foundations.

3.5 Implementation Framework

To deliver on the stated ambition and to ensure key building blocks are established, the following framework is proposed for managing the implementation.



3.6 The framework comprises four elements:

- a core strategy that provides an ‘overarching narrative’, and positions the Council’s current and future asset base as a key enabler for both day to day service delivery and the achievement of longer term policy outcomes
- a new operating model to integrate asset governance & decision-making and strengthen and focus delivery
- a consolidated and robust picture of the current asset base, with new systems, processes and investments to ensure the Council’s begins to tackle the repairs and modernisation backlog, helping to prioritise as required, as well as helping our voluntary sector and local business tenants maximise value
- a comprehensive implementation plan and supporting programme team, providing an effective engine room to embed the new strategy and make a strong start.

The framework is intended to encompass key components – corporate landlord function, capital delivery, & investment strategy. Its core elements are set out in more detail below.

3.7 Core Strategy

The core strategy is summarised below.



3.8 The core strategy explicitly positions the Council's physical assets as enablers in five key areas:

- creating and maintaining assets that help make Islington a fairer place and deliver on the Fairer Together agenda
 - supporting our residents to start well through maximising the potential of nurseries, children's centres, play facilities and the schools capital programme
 - supporting our residents to live well through maximising the potential of parks, leisure & library facilities, affordable workspaces, carbon neutral initiatives, and independent living for working age adults
 - supporting our residents to age well through maintaining access to living well assets as well as providing specialist care provision
 - accelerating the supply of more affordable and decent housing
- leveraging the asset base to support the borough's voluntary and local business sectors to grow and flourish, providing affordable bases to help maximise social value and local enterprise and increase local employment opportunities
- utilising buildings and technology infrastructure to support delivery of resident engagement and customer services, focusing on the Council's early intervention priorities
- creating modern workspaces for the Council's staff and delivery partners, helping ensure we maximise the effectiveness and efficiency of service delivery to our residents and supporting our staff to work as flexibly as possible
- where buildings and facilities are most effectively utilised as commercial assets, ensure they deliver maximum financial return for the Council, generating additional investment to help make Islington a fairer place.

Specific deliverables in each of these areas will be set out in the 10-year corporate asset strategy.

3.9 New delivery model (governance)

A step change is required in the governance and management of the Council’s non-housing assets and the associated capital programme. This change should be aligned and integrated with governance and delivery process for housing assets to ensure the Council can establish a joined-up and corporate approach to managing all its assets.

3.10 A new corporate asset governance framework is proposed, based on the following design principles:

- a unified framework for all asset and capital related decisions
- Member-led to ensure decisions are fully aligned with key policy objectives, but underpinned by robust officer-led assurance processes to ensure delivery
- balance between strategic oversight and the agility to deliver high volume capital programmes
- transparent & robust approvals process aligned to financial regulations
- dedicated focus on major, complex and/or cross-cutting projects
- embedding CIL/S106 investment decisions and spend oversight within a corporate governance model
- building on existing governance arrangements where effective
- refreshed treasury/funding strategy aligned to a longer term investment approach.

3.11 Drawing on these principles, a proposed governance model is set out below.



3.12 The model comprises five elements:

- A Corporate Asset Development Board, accountable for the overall delivery of the corporate asset strategy and with oversight of all material asset and capital related decisions. The Board would be member-led, supported by relevant senior officers.
- A Housing Delivery Board, building on the New Homes Board to integrate governance of new homes delivery and major works across the Council’s existing stock.
- A Major Projects Delivery Board, accountable for initiating and monitoring delivery of significant mixed-use developments including those led by development partners,

as well as smaller but complex schemes cutting across different directorates and/or with complex stakeholder management issues.

- The Borough Investment Panel would be retained but integrated with wider governance arrangements. It would continue to be accountable for recommending approval of all CIL/s106 investment decisions and spend oversight. It would be strengthened through the establishment of a dedicated delivery assurance group as well as improved alignment with the Affordable Energy, Affordable Workspaces, Employment and Student Bursary Boards
- A series of Directorate level programme delivery boards, accountable for all other asset development and capital programme activity and linked to wider Directorate governance arrangements.

3.13 Terms of Reference for the new governance framework will be developed and approved as part of the implementation plan. It is not proposed that any part of the new governance arrangements has formal decision-making powers, and Non-Key and Key Decisions would continue to be made in line with the existing Constitution.

3.14 New delivery model (operations)

The proposed new governance framework would be underpinned by a parallel step change in the leadership, capability and capacity of day to day operational management and capital project delivery.

3.15 The proposed new operating model would comprise three key components:

- creation of a new Chief Officer role, to take executive responsibility for the delivery of the corporate asset strategy, initially reporting to the Chief Executive
- building on the existing central property services function to establish a corporate landlord function, responsible for servicing, maintaining and developing the Council's non-housing assets and developing a category management approach for property and construction related procurement
- establishing a virtual pool of capital delivery project managers across the Council.

3.16 There is a significant mismatch between the level of capacity and capability currently available and the Council's ambitions for developing its asset base. The development of an investment case to increase capacity as part of creating the new corporate landlord and capital delivery approaches will be a key implementation task.

3.17 Understanding and enhancing our existing asset base

Significant improvements are required to the Council's non-housing property and asset data as well as our understanding of how assets are utilised, whether directly delivering Council services or let to voluntary sector and other delivery partners, or local businesses. The effectiveness of any future investment strategy will be weakened without significantly improved insight.

3.18 Two key deliverables will be implemented as part of the new corporate asset strategy to address these weaknesses:

- the development of an integrated asset management plan to support delivery of a modern, fit for purpose estate. The asset management plan would focus on non-

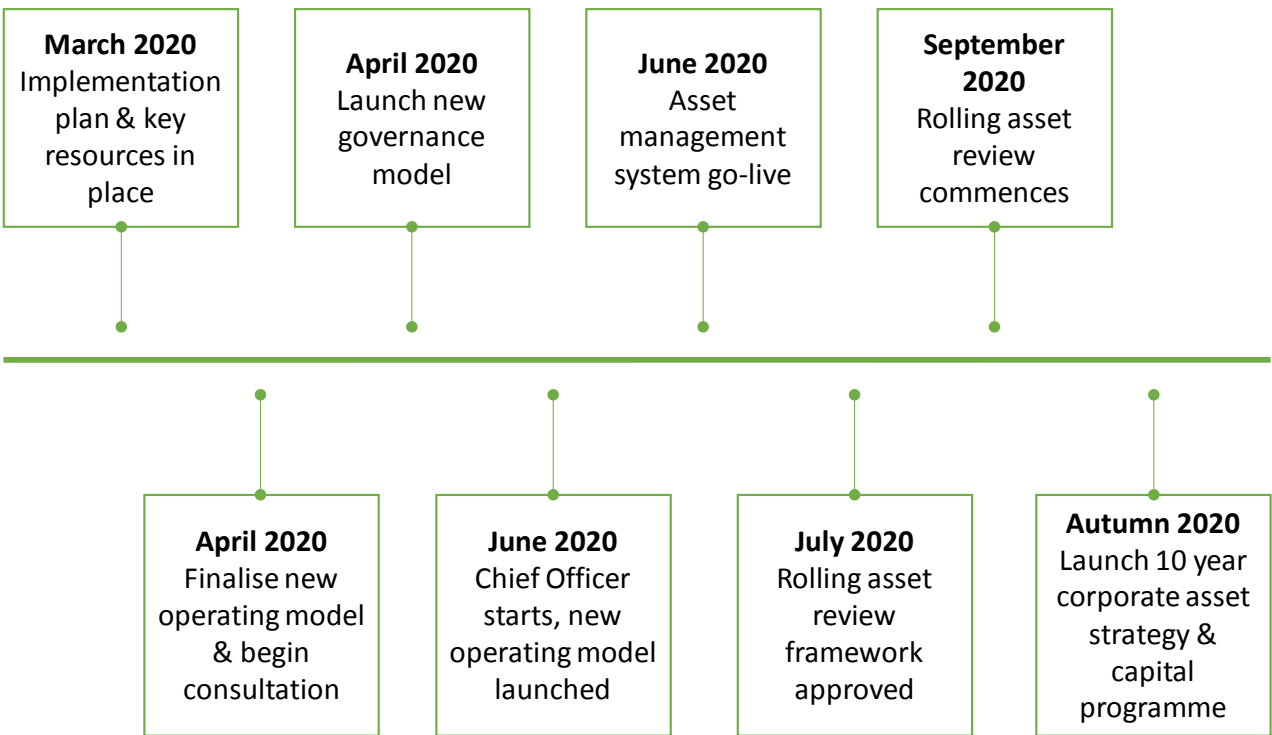
housing assets in the first instance but would then be integrated over time with the parallel plan for the Council’s housing stock and related assets. The plan would be underpinned by investment in a new asset management system, collation of comprehensive condition and land use/lease data, and an initial capital investment as part of the 20/21 budget to start tackling the repairs backlog and complete part-funded schemes

- the design and implementation of a rolling asset review process, designed to ensure that the Council’s buildings and other physical assets are utilised to deliver effective, value for money services as well as maximising social and commercial value. The review framework will be subject to detailed design and stakeholder engagement before its final shape is confirmed, but it will aim to provide a transparent and objective framework through which to ensure the Council’s assets effectively utilised. Where appropriate, it is also envisaged that the review framework will be used to inform disposal and acquisition decisions.

3.19 To ensure the Council obtains maximum value for money from a £150m+ annual capital spend as well as contributing to its social value objectives, consideration will also be given to the case for establishing a corporate category management approach in relation to the procurement of property and construction related professional services and contractors. It is anticipated that a revised procurement approach would also help mitigate any continuing cost and commercial pressures arising from the UK’s departure from the EU.

3.20 Implementation Plan

Key milestones in the implementation of the new corporate asset strategy are set out below.



3.21 Work has already commenced on detailed implementation planning. An experienced Programme Director has been recruited and started in mid-January. This resource will work with the Interim Director of Corporate Transformation to deliver the implementation, working closely with the new Chief Officer upon appointment and eventually handing over

later in 2020. A longer term funding solution will be developed during the implementation period.

- 3.22 All implementation resources will be funded from the Transformation Reserve. Subject to Executive approval, £750k will be utilised to provide 24 months funding, covering the new Chief Officer, Programme Director, and other business analysis and project management resources. This funding would include support for a 12 month rolling asset review.
- 3.23 The final milestone in the implementation of the new strategy will be the publication of the 10-year strategy and underpinning capital programme. This launch will clearly position the Council's leadership and place shaping role in maximising the current and future asset base to help create a fairer Islington.

7 Financial implications

- 7.1 The development of a long term funding solution for both the revenue and capital elements of the Corporate Asset Strategy will need to be confirmed during implementation.

The new Chief Officer post and implementation resources will be funded from the Council's Transformation Reserve for the first 24 months. Funding for 2022/23 and beyond would require either additional one-off funding to be identified or a revenue growth bid to be submitted. All requests for Transformation Reserve funding above £500k require Executive approval.

Any capitalisation of expenditure should be undertaken in line with CIPFA and audit guidelines.

8. Legal Implications

- 8.1 The Council may adopt a corporate asset strategy for making more effective use of its buildings and land which will facilitate the discharge of its statutory functions including the delivery of quality services to residents and supporting the delivery of key strategic outcomes (Section 111 of the Local Government Act 1972 and Section 1 Localism Act 2011).

The Council may establish a joint member / officer Asset Development Board to oversee the delivery of the corporate asset strategy and asset and capital related decisions. If it is intended that the board should have decision making powers, it will need to be established as a committee of the Executive with its membership limited to members.

The Council may create a new Chief Officer post responsible for the delivery of the Corporate Asset Strategy (section 112 Local Government Act 1972).

9. Environmental Implications and contribution to achieving a net zero carbon Islington by 2030:

No additional considerations or implications arising from this report

10. Resident Impact Assessment:

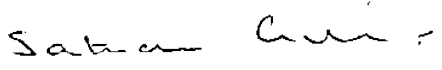
The Council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of

opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

An initial assessment has been undertaken and there are no additional considerations or implications arising from this report.

Background papers: None

Final report clearance:

Signed by:		11 March 2020
	Cllr Satnam Gill Executive Member for Finance & Performance	Date

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