

TITLE OF REPORT: Corporate Asset Management – Annual Progress Report

REPORT OF: Colin Huntington, Strategic Director, Housing, Environment and Healthy Communities

SUMMARY

This report provides an update on the progress on Corporate Asset Management and ongoing review of the Council's Assets; the Committee is asked to provide feedback and comment.

Background

1. The Council has long recognised that Member engagement is essential in both the monitoring and scrutiny of the way in which the Council uses its property portfolio, to deliver its services and priorities.
2. In 2020, through a Council restructure a new Property and Assets service was created consolidating most property related functions and budgets to enable a co-ordinated and joined-up approach on use of assets.
3. Following the restructure, Property and Assets service undertook a review of the Council's current arrangements for the management, repair, and maintenance of its Property Portfolio, and if such arrangements were the most appropriate in terms of safety, cost effectiveness and efficiency. The initial findings included the need to: -
 - Develop a single comprehensive list of key property data including its condition, compliance, measured drawings, insurance valuations etc.
 - Bring together property budgets and lack of backlog maintenance information leading to lack of consistency of planned preventative maintenance programme. Maintenance prioritised by reaction.
 - Change culture, property looked at as a service resource rather than a corporate resource.
 - Ensure service business planning includes how the assets they use fit their strategy for transformation.
 - Identify a clear resource for corporate asset management.

Current Position / Progress

Corporate Landlord Model

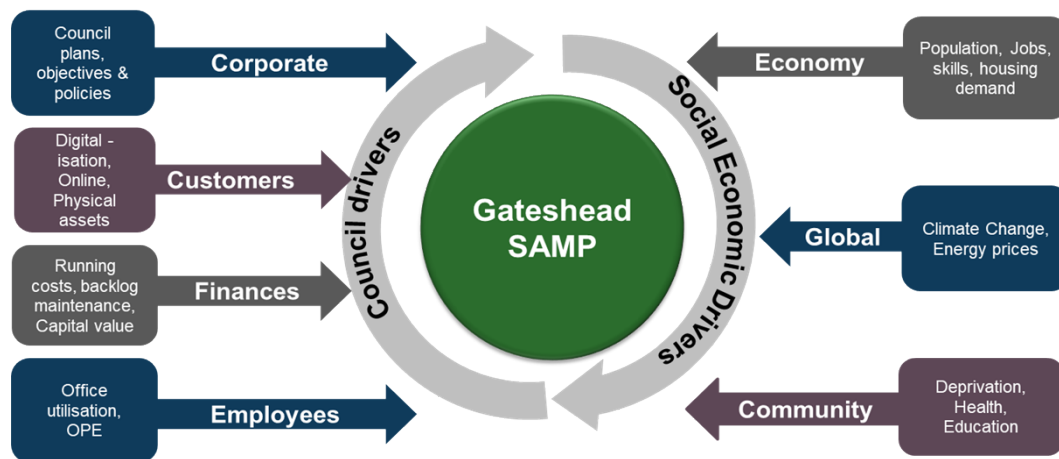
4. The Corporate Landlord approach taken by Gateshead is that the management and maintenance of assets are transferred from service areas into the corporate centre (under the Property and Assets service). The Corporate Landlord's function is to ensure all services are adequately accommodated and to maintain and manage the property asset covering: -

- Strategic asset management
 - Building management
 - Statutory compliance
 - Commissioning Repairs and maintenance
 - Estates management (TNRP)
 - Planned, preventative maintenance programme
 - Capital Project management and delivery
5. Maintenance and statutory liabilities are currently estimated at an ever-increasing £65 million, with an annual spend of around £8 million against this. Our overall strategy is to ensure that our finite and reducing maintenance resources are prioritised to appropriate buildings, where the money is needed most.
 6. We will identify these priorities by conducting a rolling programme of condition surveys which aims to understand maintenance requirements over a period of 10 years, with aspirations to complete lifecycle condition surveys on selected assets to cover a period of 25 years. This will enable a better-informed decision-making approach and maximise efficiencies by planning over a longer time horizon, instead of reacting to emergencies as they happen.
 7. Our four key aims are:
 - i. To ensure our Buildings are safe and secure for the people who use them
 - ii. To allocate funding to projects that will achieve the maximum positive impact
 - iii. To achieve an efficient balance between planned and reactive maintenance work
 - iv. Achieving maximum efficiencies in the way we procure building maintenance work
 8. The council has a duty to manage the risk and assess the impact of statutory regulations on its assets in relation to Asbestos, electrical Fixed Wiring and Legionella, lifts, and Fire Regulation compliance. To ensure that the asset portfolio is compliant with statutory requirements, regular inspection and review of property is carried out and remedial works actioned. The development of our data and systems will enable an end to end reporting of the compliance position.
 9. Like most councils, Gateshead Council has experienced significant funding reductions and we need to make careful choices in where we prioritise the money we spend. Since the budget was set for 2022/23, we have experienced further financial challenges relating to the cost of energy which is projected to overspend in by £720k against a budget of £1.354m. This overspend has been offset in slippage in savings in R&M spend and savings in rates.
 10. We will work with the Energy Team to maximise grant opportunities for a programme of investment in BMS systems, retrofit projects and

microgeneration projects to help reduce mains electricity and gas consumption at as many sites as possible.

Corporate Asset Management Strategy and Plan

11. The previous Corporate Asset Management Strategy and Plan expired in 2020. Long term priorities such as digitalisation and decarbonisation combine with other factors such as Covid 19 and the rise in energy prices since 2021 present new challenges to the council. These challenges affect both the efficiency and effectiveness of our assets. What was working in the past may not be appropriate for the future due to changing circumstances. Rather than refresh the previous Plan, the council is developing a new Strategic Asset Management Plan (SAMP). The diagram below sets out the types of factors that affect the viability of the council's property portfolio.



12. This Strategic Asset Management Plan will provide an overview of our land and property estate, together with our main priorities for managing and developing that estate over the next five years.
- i. To plan and manage property as a corporate resource for the benefit of the people of the Gateshead.
 - ii. To provide the right property, fit for purpose, in the right place, to meet current and future service needs
 - iii. To manage and maintain property effectively, efficiently and sustainably, together with optimising financial return and commercial opportunities from the rationalisation and disposal of land and buildings
 - iv. To use land and buildings to stimulate development and growth, together with supporting local business needs and encouraging new business to the area
 - v. To promote joint working where it will provide benefit for service delivery and in securing efficiencies.
13. Asset Review is an embedded process, which means that we will be reviewing all of our asset portfolio on a continuous rolling programme. This ensures that only those assets that are needed are retained. The ultimate aims of Asset Challenge are to reduce costs, identify assets that should be

retained for use and/or invested in, identify those that are surplus to requirements and therefore can be disposed of. To do this, each asset will be assessed using a step-by-step challenge process, ensuring that every asset has been fundamentally tested against a common set of criteria.

14. Careful financial management focusses on answering 3 key questions.

- i. Do we know why we are holding that asset?
- ii. If that asset generates revenue for the council (such as receiving rent or lease income), do we have a target revenue figure and are we achieving it?
- iii. If an asset is deemed as “surplus”, do we have a clear strategy for disposing of it? Without careful management, there is potential to waste money by keeping buildings that are not fit for use or unnecessary. Equally, all assets have a value and if they are no longer required we might be able to sell them to unlock that value and use or invest the money elsewhere.

15. The council will develop a targeted disposal programme to support this SAMP, identified through asset rationalisation and the release of surplus assets.

Operational Assets

Civic Centre

16. The Civic Centre is a large building occupying over 3.5 hectares of land. At 40 year old, the building is entering period when it may need significant lifecycle replacement over next 10-20 years, e.g. roof, windows, toilets, kitchen areas. There is a single heating system which means we cannot isolate part of the building to accommodate 24/7 access which does limit our rental opportunities. Annual running costs are £1.2 - £1.4m.

17. Staff utilisation plummeted during the various Covid-19 lockdowns from March 2020 to January 2022, when official UK Government advice was for office workers to work from home where possible and has only partially recovered since the end of lockdowns in January 2022, as many areas of the Council have moved to a hybrid working model (Smart Working).

18. As a result of these new ways of working, and in line with every other local authority, occupancy in the Civic is low. The building contains 2,250 desks. Monitoring over a 27 week period in 2022/23, max occupancy was 480, min was 120 and average was 343. We have worked with all services on their future space requirements, consolidating into smaller areas of the building and following the decant from Dryden we are unlikely to go above 40% occupancy of the civic centre.

19. The Civic Centre does however have ample car parking space, is very near the town centre Gateshead interchange and is walkable to Newcastle Central train station. Whilst the proximity of the Civic to public transport and parking is attractive to other public sector partners, and there is considerable interest, it is proving very difficult to offer a longer-term rental options without understanding the longer term future of the building.

20. The Council needs to review the best options for its customers, its civic role, the work force and the site in general to determine the optimum use of the site for the council and the people of Gateshead. It is intended to carry out an option appraisal on the future of the building which will include investment in the building to make sure it is a viable offer for incoming tenants.

Depots

21. The Council operates a network of 6 main depots, 6 smaller depots and 13 storage areas. Sites are considered spread out and poorly laid out but a lot of depot space relative to other councils. Result is council is duplicating functions at sites and sites are inefficiently used. The total outturn for these depots in 22/23 is £1.441m.

22. There are high risk traffic flows and insufficient parking for fleet vehicles and an ageing infrastructure. Most of the facilities are no longer fit for purpose with poor vehicle washing facilities, vermin issues, poor insulation, temperature control and energy management.

23. There are significant condition backlog maintenance issues (particular at Park Road). Recent storm damage have affected staff welfare and front-line operational delivery.

24. We need to review these assets to determine the optimum way to deliver services. We will carry out an appraisal and will consult more deeply on proposals to develop existing or re-provide depot facilities elsewhere to cope with future requirements such as electrification of the fleet and on site recycling etc. The aim is to reduce running costs by c. 25% by reducing site operations (£360 p.a.). Actual savings will be based on final design.

Dryden

25. The Dryden Centre is primarily used by Council staff as offices and training accommodation. The section of the building known as State of the Art (SOTA) is utilised by Learning and Skills to deliver training to people with Learning Difficulties and have 150 learners in total. A section of the ground floor is let out to the Northumberland Tyne & Wear NHS Foundation Trust ('NTWFT').

26. The annual expenditure on the building is circa. £367k, offset by income of £282k. Of this income £114k relates to Learning and Skills grant, £60k rental from NTWFT and the remaining is income from internal room bookings and catering. This income can largely be retained by relocating services elsewhere in the council's operational portfolio.

27. In recent years, the approach to management of the building has been based on the understanding that it would only be retained in the medium term which has led to minimal strategic maintenance carried out over the last 12 years. In addition, the ICT infrastructure being 'challenging' as network connections are very slow, and training facilities falling behind an

acceptable standard. Essential Strategic Maintenance for the building relating to the roof, electrical installation (including fire alarm upgrade) and IT upgrade are estimated at £800k-£1m.

28. Most of the staff have now been relocated to the Civic Centre. The former Birtley Childrens Centre is currently being adapted to replace SoTA and Kingsmeadow Lifelong Learning Centre will facilitate the majority of the current training provision. Subject to completion of these works the building is likely to be vacated June 2023.

29. As part of the surplus declaration process (to be considered by Cabinet), the Council is finalising an option appraisal on the future use of the site and buildings.

Locality Working / Engaging with our Communities

30. We have developed family / community hubs that provide a range of services to their communities from local libraries through to meeting spaces for community groups. We have designed these to be at the hub of their local communities. Some of the developments so far include: -

- Birtley Children's Centre have relocated from their former accommodation at Barley Mow to Harris Bank. The new central location has increased their catchment and take up of services.
- We have recently completed the refurbishment of the empty Nursery Building on the Chowdene Children's Centre to accommodate the Music Service to relaunch and rebrand their service and provision. Previously located within the Dryden Centre, the new accommodation provides a delivery/teaching space, office accommodation and store the musical instruments, which are distributed across Gateshead Schools and Pupils.
- There is a dedicated space within Chowdene Children Centre for the provision of the Community Fridge and space for the users to make teas/coffees within the Community Café space.
- The Childrens Centre at Tyne View already accommodates NHS services. Following refurbishment of the previously vacated Nursery accommodation this space will now be a dedicated Contact Session room to replace the provision currently located at the Deckham Family Centre. The Contact Teams and Children Centre will work together to which enhance the provision of Children's Services in the area.
- Edberts House are operating out of Highfield House to launch their service provision offer, which is aimed at young families and providing support. The Childrens Centre have relocated the Children back into the building to work alongside Edberts House and Contact Sessions will be offered from this once disused asset.

31. Working with the Council's Locality Lead we are assessing how our assets can support Locality Working. Specifically, we are talking to Primary Care Estates linked to GP Surgeries, Mental Health, Midwife Service, Age UK, Cumbria & Tyne and Wear NHS Foundation Trust maximising the opportunity to deliver health services in the community and to be

collocated alongside other services. There is also interest in the Civic from these organisations.

32. We are fully committed to using our assets to form long-term partnerships with suitable community organisations, to create stronger, more cohesive and more sustainable communities.

33. The objectives of partnership working are to:

- Provide improved joined-up and customer-focussed services
- Provide improved access to public services in the borough
- Deliver public service efficiency savings
- Deliver greater savings in running and maintenance costs - through sharing public service buildings.
- Work closely with community organisations - optimising the use of assets where most benefit can be realised.
- Contribute to wider economic, social and environmental outcomes for the borough – for example, creating new jobs
- Optimise building occupancy and space utilisation.

34. Over the past few years, the way in which we engage with our communities has changed. We have transferred the operations of 38 community centres and libraries to local groups through a process called a 'Community Asset Transfer' (CAT). CATs reduce costs to the council and also allow for the continuing operations at these sites, which may otherwise have closed. Gateshead has been one of the leading councils at enacting CATs.

35. In addition, 21 x pavilions/changing rooms will be handed over to community organisations further to final compliance checks. This needs to be in place as the budgets are no longer available from end March 23.

36. Local people are often best placed to manage community facilities in their area. They already make extensive use of these assets and their local knowledge and hands-on management often results in lower overheads and better value-for-money. Community organisations also use volunteers and take great pride in their local area. Managing these facilities can help to empower local communities and can bring opportunities for greater independence and financial sustainability. When done well, CAT can create lasting change in local neighbourhoods however we are also engaging in 'health checks' of these organisations to ensure they are still fit for purpose and delivering against the community based outcomes.

Non-Operational Buildings

Tenanted Non-Residential Properties (TNRP)

37. In April 2019, PSP Gateshead (TNRP) managed the majority of the TNRP assets e.g. industrial estates, ground leases, offices, shopping centres and garages/garden land. The partnership was targeted with driving income up, costs down and trading out poorly performing asset/securing new income opportunities. The partnership was predicated on the Council

receiving a Guaranteed Base Rent together with a share of any Profit Rent generated.

38. However, in November 2020, HM Treasury issued new guidance to Local Authorities, to stem the acquisition of investment properties by Councils, using cheap borrowing through the Public Loan Works Board. This has had the effect of stopping any trading of assets by the partnership and the viability of PSP's continued involvement in the management of the TNRP.
39. In September 2021, Cabinet agreed to serve notice to bring the partnership to an end and bring back in-house the management of the Council's Tenanted Non-Residential Portfolio ('TNRP') which transferred back to the Council in January 2022.
40. Following the insourcing of the estate, and a review of the portfolio, initial findings are the Council needs to radically improve Management information and systems. Whilst a re-procurement is underway for a new estate management database, significant work needs to be undertaken on property management controls over lease renewals, high risk tenant monitoring, bad debts and debt collection.
41. The Council will be setting a strategy for each property within the TNRP. We will identify whether the properties are delivering a financial return or are being held for socio economic reasons. Those assets which do not meet acceptance criteria will form a disposal strategy.
42. One key way in which the council can maximise its financial effectiveness is to ensure its TNRP is being managed effectively. The council is committed to a programme of reviewing its investment estate assets and reviewing leases and rents to maximise the income to the council from the investment estate portfolio. The aim will be to generate at least 10% more rent due to improved management.

Surplus Estate

43. The surplus estate is any site that is not used by the Council to provide services (operational) or is not deemed as an investment asset (non-operational). Surplus assets can be either strategic or non-strategic. Strategic surplus assets are assets that the Council may have a need for in the near future.
44. The following table reflects the 350 sites contained within the Council's property database which the Council deemed as either surplus, a potential redevelopment site or a regeneration site: -

	West & Inner West			South, Central & East			Total		
	Number	Area (Ha)	Avg size	Number	Area (Ha)	Avg size	Number	Area (Ha)	Avg size
Surplus Land	2	3.6	1.8	1	0.0	0.0	3	3.6	1.2
Vacant land	1	1.2	1.2	-	-	-	1	1.2	1.2
Closed Building	4	0.1	0.0	9	6.3	0.7	13	6.4	0.5
Development site	15	28.0	1.9	14	26.8	1.9	29	54.8	1.9
Surplus Building	9	12.5	1.4	5	1.4	0.3	14	13.9	1.0
Potential Development Site	136	333.5	2.5	126	174.5	1.4	262	508.0	1.9
Regeneration site	2	12.7	6.3	26	36.6	1.4	28	49.2	1.8
Total	169	391.5	2.3	181	245.7	1.4	350	637.2	1.8

45. For each site we will carry out a line by line assessment to validate the data, determine which land is of strategic value i.e housing sites, employment land. We also need to understand if the Council may use the site to support its strategic projects (ecological/tree planting etc).
46. The rest of the surplus estate is non-strategic and a disposal strategy developed to raise capital receipts for the council.
47. There is an Asset Development Group who are challenged with preparing development frameworks ahead of surplus declaration in order to however minimise the timescale of holding surplus assets and associated holding costs,

Financials

48. Since 2021, we have achieved annual £410k of savings and efficiencies against as a direct result of adopting the Corporate Landlord model.
49. The table below reflects further annual savings of £560k included in the MTFS for 23/24. This includes property savings relating to the closure of Dryden as an operational asset, savings in the holding costs of Prince Consort Road and savings in Building Cleaning costs.
50. The additional c. £1m savings 2024-2027 reflect the potential outcomes of the Actions Plan and are subject to further detailed review and appraisal.
51. There will be capital receipts as the asset review progresses.

Year - figs in £k	22/23	23/24	24/25	25/26	26/27	Totals
Reorganise Depots					340	340
Rationalise the civic			200	100		300
Investment Rent			100	75	75	250
Savings in premises costs/business rates	250	160				410
Savings in surplus property holding costs		80				80
Building Cleaning		70				70
Property staffing levels	160					160
SUB TOTAL	410	310	300	175	415	1,610

Next Steps / Forward Plan

52. The Asset Management Strategy and Action Plan will be presented for approval to Cabinet April / May 2023.
53. Subject to approval the Asset Management Strategy will be reviewed annually, whilst the Asset Management Action Plan will be managed, monitored and updated continuously to report on progress and

achievements. This means that the document will be continually changing to reflect achievement of actions and capturing new priorities and initiatives as they are identified.

54. The table below summarises represents the Key Projects detailed within the report: -

	Project	Key elements	Timeline
1	Improve Management	Improve data and systems Develop KPIs and use these for management. Ensure key governance and processes use KPIs Ensure end to end reporting functionality for Statutory Compliance.	Aim for improvements by end 2023/4.
2	Civic Options	Determine future space need. Determine site, and occupancy method. Review disposal options	Determine strategy by June 23
3	Depot Review	Determine 1 or 2 main depot approach or retention existing sites. Design the sites Determine location & acquisition method for new site. Set disposal strategy for old sites.	Determine strategy by end Dec 23 – aim to leave within 24 months.
4	Non-operational estate review	Set KPIs for estate Determine core and non core Develop management strategy for core assets to raise yields and disposal strategy for non core assets	Implement KPIs by Q3 2023/4 determine management strategy by end 2024/5
5	Surplus assets programme	Review all surplus estate Determine appropriate disposal plan for surplus	Strategy Q2 2023/4 and implementation to follow.

Recommendations

9. The Overview and Scrutiny Committee is requested to:
- (i) Note the progress achieved over the period
 - (ii) Comment on the level of progress and next steps.