The Coalition Agenda – place Based Asset Management

Brian Reynolds
LGA

The SLA Forum

12th October 2011

1

Context

2010 Spending Review
26% reduction in funding for Councils
40% reduction in capital funding
Many ring fences removed eg HRA

Assets
£385bn book value; £25bn running costs; c£40bn maintenance backlog

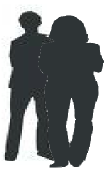
Local Government Objectives
Localism
Better services
Promoting local economies and economic growth
Managing budgets
Working with third sector partners

2

Issue: can we release £35bn over 10 years if we create transparency, collaborate and tackle barriers?

•Initial analysis showed that central government funding on buildings grew to **£30bn** a year over the last 10 years, and that there are at least an estimated **£385bn** worth of public sector assets in total.

•Capital investment is **top-down, siloed and fragmented**. Assets are similarly treated in silos of ownership, and so is the advice given to localities.



- Understand ALL capital and asset supply
- Understand Customer demand

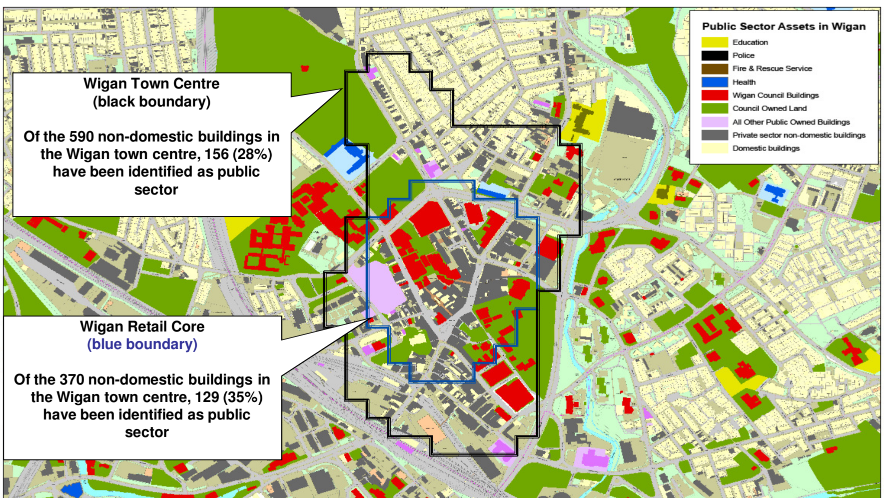
When we understand supply and demand we can….

- Make decisions on:
- Joined up services
- Reducing the size of the estate
- Surplus land and buildings
- Cash savings
- Joined up procurement and finance

£35bn in capital receipts could be raised over 10 yrs

3

Mapping has shown us that the public sector accounts for a very significant proportion of all non domestic buildings. This critical mass can lever economic and other outcomes.



Note: As gross internal area figures were not available, numbers of buildings has been used as a proxy. Analysis based on initial mapping of Wigan's assets (with on-going work to quality assure these data) and the 2005 Generalised Land Use Database.

4

The business cases highlighted potential opportunities

Public Sector Village
Proposal better meets customer need

A town centre regeneration project
With potential to include the council, Home Office, DWP, HM Treasury, DCLG, DEFRA, & FRS

Summary of Business Cases

- **7 Pathfinders produced 12 business cases**
- **Net present value (NPV) savings of £155m over 25 years produced (£30m over 5 years)**
- **9 produced integrated services**
- **5 had integral regeneration benefits**
- **3 looked specifically to use vacated public land to deliver new housing**
- **All bar 2 cases sought to achieve multiple outcomes**

Joint Fire & Police Station

Proposal for co-location of a Fire & Police station freeing up 2 sites

Co-location

Proposal for a joint local enterprise centre, health facility, council offices, new primary school & community centre

Emerging Findings

- Analysis has identified huge opportunities to downsize the estate and release land/buildings for cash/housing.
- Getting from opportunities to outcomes requires CEx/Leader commitment and several skill sets brought together.
- Outsourcing a large scale development to the private sector is tempting though evidence shows that this is sub-optimal unless the Local Authority acts as intelligent client, which requires many of the core developer skills.
- Partnership working is difficult.
- Local partners benefit from central govt involvement when mapping the public sector estate.
- There is variable capacity for this work locally.

5

Size of the prize

Authority	% reduction in footprint	Reduction in operating costs NPV over 10 years	Capital receipts	% reduction in CO2
1	20%	£217m	£19m	20-30%
2	29%	£1.1m (by 2014)	£2.9m	40%
3	10%* No. of buildings	£6.5m (by 2015)	£20m	80%
4		£270m		50%
5	20%	£47m	£10m	34%
6	25%	£280m	£125m	25%

6

Opportunities

- The current system of planning capital investment is inefficient … so we shouldn't lament a change
- Done properly, asset rationalisation can be a good thing:
  - Reduces costs; raises receipts; directs resources to front line
  - Brings related services together
  - Leads to appropriate disposals to the community sector
  - Increases supply of brownfield land
  - Enables regeneration and economic growth
- This work is difficult but … are there really very many *barriers?*
- Only Local Govt has the ability to lead pan-public sector asset rationalisation

Transparency:
Publication of a demonstrator map

Support package led by LGID

Commitment to tackle barriers

CAP and the new Housing Policy Agenda

Affordable Rent Regime
- Up to 80% of Market Rent/LHAs
- Voids/Relets included
- Fixed Term Tenancies
- 10% Grant, in return for contribution from sales, s106 etc

HRA Self Financing
- End of ring fence & notional subsidy system
- 30 yr Business Plans
- Most Councils in surplus after a few years

- Both policy areas will renew asset management activity
  - Sales will have to support new HA homes
  - 30 yr business plans
- New Council homes will be developed

Other Policy Areas

- Economic Growth & Regeneration
- Promoting new house building
- Deficit Reduction
- Community Budgets