

Business and Transformation Scrutiny Panel

Agenda
Item:
A.3

Meeting Date: 25th July 2019
Portfolio: Finance, Governance and Resources
Key Decision: Yes: Recorded in the Notice Ref: KD
Within Policy and Budget Framework YES
Public / Private Public

Title: **DRAFT ASSET MANAGEMENT PLAN 2020 TO 2025**
Report of: **The Corporate Director of Governance and Regulatory Services**
Report Number: **GD.41/19**

Purpose / Summary:

The attached Executive Report (GD.39/19) sets out this year's revisions to the Asset Management Plan which has been updated to reflect key issues and changes affecting the management and use of the City's property resource. The Plan also reports on the current position and performance of the portfolio, and the Asset Disposal Programme.

Recommendations:

The Panel note the Report and make comments and provide feedback to the Executive in order to inform the way forward for the Council.

Tracking

Executive:	22nd July 2019
Overview and Scrutiny:	25th July 2019
Executive:	19th August 2019
Council:	10th September 2019

The timeframe for the plan has been amended to tie in with the Medium Term Financial Plan and Capital Strategy

Report to Executive

Agenda
Item:

Meeting Date: 22 July 2019
Portfolio: Finance, Governance and Resources
Key Decision: YES: Recorded in the Notice Ref: KD.
Within Policy and Budget Framework Yes
Public / Private Public

Title: Draft Asset Management Plan 2020 to 2025
Report of: The Corporate Director of Governance and Regulatory Services
Report Number: GD 39/19

Purpose / Summary:

The Asset Management Plan is being updated to reflect the key issues and changes affecting the management and use of the City's property resources, and the impact of the Asset Review Business Plan approved by Council in January 2011.

The Plan will also report on the current position and performance of the Portfolio, and the Asset Disposal Programme.

Recommendations:

The Executive notes the position and approves the update to the Draft Asset Management Plan in order for it to proceed for consideration by the Business and Transformation Scrutiny Panel, back to the Executive and then full Council.

Tracking

Executive:	22nd July 2019
Scrutiny:	25 th July 2019
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1. BACKGROUND

- 1.1. The Council's property assets are one of the essential resources used to carry out our day to day business, generating income to support services, and delivering economic development goals and housing opportunities.
- 1.2. The Asset Management Plan (AMP) outlines how the Council's strategies and policies for its property portfolio are used to support corporate priorities and directorate service plans.
- 1.3. The AMP outlines the overall performance of the asset base, what it is costing and producing, and how it is being used and reviewed. It also takes account of, and links into, the Council's Medium Term Financial Plan (MTFP) and the Capital Strategy (CS), which provides guidance on the Capital Programme and use of resources. The AMP is part of the Council's Budget.
- 1.4. For a number of years, the Council has been working towards the recommendations within the Asset Review Business Plan, approved by Council in January 2011. Along with the redefining of the Portfolio, the Business Plan proposed staffing and management structures should be realigned to provide the appropriate resources, skills and experience to run each category of asset. This has happened in the context of service transformation and is continually evolving.
- 1.5. An appraisal of the property portfolio identified a requirement to rationalise and consolidate assets and a programme of disposals has taken place to re-engineer the investment portfolio. A revised Disposal Programme was approved by the Executive in December 2018 with the aspiration to generate £10m in capital receipts.
- 1.6. Because of service transformation the Council has been looking at its operational assets. The Accommodation Review aims to more efficiently and cost effectively meet future service delivery, identifying savings and opportunities to generate additional income.
- 1.7. The AMP is reviewed annually and updated, along with the MTFP and CS, all documents forming part of the Council's Budget (Article 4 of the Constitution).

2. PROPOSALS

- 2.1 The AMP provides a succinct document that reflects;
 - The Asset Review Business Plan & Disposal Programme – progress on the implementation and the impact on the Portfolio and its future management,
 - Structural changes in the portfolio – the makeup of the operational and non-operational assets, current capital worth and rental levels,

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- Performance of the assets and how these are constantly reviewed and challenged,
- Condition of the Portfolio – the standard of our properties, current maintenance requirements, suitability and sustainability for future use, and the steps which are being taken to improve energy efficiency,
- Accommodation Review – the outcomes, achievements and next steps to improve the use and efficiency of our operational property portfolio,
- Capital Schemes and Maintenance Budget – where the money is going,
- Property acquisitions – what has been done to reinvest in assets to produce income, maintain service delivery, support economic development initiatives and deliver services,
- Future Asset Management Options at our Kingstown and Parkhouse estates,
- How our Economic Development property portfolio is being managed to support economic growth, and
- An update on recovery of flood affected assets.

3. RISKS

- 3.1 By having an Asset Management Plan the Council can ensure that it uses its assets efficiently and that they support the Council's priorities.

4. CONSULTATION

- 4.1 Internally via the Council's corporate structures and processes. The Draft Plan will go to Business and Transformation Overview & Scrutiny Panel on 25th July for consideration, comment and feedback.

5. CONCLUSION AND REASONS FOR RECOMMENDATIONS

- 5.1. To update the Council's Asset Management Plan and the position of the property portfolio in the light of the Asset Review Business Plan and Disposal Programme and other corporate initiatives.

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6. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

- 6.1 The proper management of the Council's property resource makes an essential contribution the achievement of the Council's action plans and priorities.

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Appendices Draft Asset Management Plan 2020 - 2025
attached to report:

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:

- None

CORPORATE IMPLICATIONS:

LEGAL - The Council has a fiduciary duty to properly manage its assets and the Asset Management Plan is a vital part of this process. It is also a designated budget document in accordance with the Council's Budget & Policy framework and, as such, as the report indicates, it is required to follow the usual route of consideration by Scrutiny and, thereafter, recommendation by the Executive to the Council.

FINANCE – The Asset Management Plan provides details on the Council's asset portfolio and the issues around the management of these assets. This will be used to inform the Medium Term Financial Plan and budget setting process for 2020/21 to 2024/25.

EQUALITY –

INFORMATION GOVERNANCE –

The timeframe for the plan has been amended to tie in with the Medium Term Financial Plan and Capital Strategy



Managing property as a resource for the City

ASSET MANAGEMENT PLAN

2020 – 2025

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1. The Council

1.1 Carlisle City Council delivers services to around 108,000 people and for the year 2019/20 has a net revenue budget of £13.010 million and capital expenditure budget of £23,192 million. The Council uses its property resources to deliver services, either directly or through the rental income it earns, and improve the quality of life for local people.

1.2 The Council's asset base produces a rental income of around £4.5 million per annum, from its non-operational property, with a net asset value, taking account of depreciation, of circa £85 million.

2. Purpose, Aims and Objectives

2.1 The Asset Management Plan sets out the Council's approach to managing its land and property assets and aligns to Council's policies and strategies, particularly the Carlisle Plan, Directorate and Service Plans, the Medium Term Financial Plan and Capital Strategy.

2.2 The aim is to own assets which are fit for purpose and sustainable, to enable services to be delivered effectively and with equality of access, and to meet the strategic objectives outlined below;

1. Identify all property the Council owns or uses, maintaining accurate records, establishing its value and the function it performs, ensuring a reliable and accurate property management system is in place.
2. Make services aware of the costs of occupying property, maximising the use of the asset base, identifying 'expensive' and 'obsolete' assets.
3. Respond to changing property needs for service delivery improvements, identifying improvements to assets or the asset base to enhance service delivery, disposing of assets no longer required for operational purposes and acquiring new assets to support service delivery.
4. Generate capital for investment purposes aligned to corporate objectives.
5. Ensure a healthy and safe environment for property users.
6. Apply "Green Design" principles to construction, refurbishment and maintenance projects and encourage environmentally sustainable management of operational properties.

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7. Encourage community and partnership use of assets by identifying opportunities for shared services, liaising with partners and working with the community.
8. Contribute to the Council's Medium-Term Financial Plan and Capital Strategy, identifying investment opportunities.
9. Provide sustainable planned maintenance programmes for a 5-year period by undertaking and reviewing condition surveys.

3. **Property Strategies and Principles**

3.1 The Council has developed the following strategies and principles;

- **Operational Property Investment Principles** – Investment will be made where a property is required for the medium or long-term use, enhances service delivery, improves environmental sustainability, improves utilisation, increases efficiency, adds value, and addresses statutory obligations.
- **Non-Operational Property Strategy** – to own property that supports the growth of Carlisle and the Economic Development Strategy, provides a sustainable income stream, is a key component of the Medium-Term Financial Plan.
- **Non-Operational Property Investment Principles** - commercial property will only be held where it provides an acceptable financial return, there is potential to deliver economic development objectives, it contributes to the delivery of other Council priorities, it addresses legal or contractual liabilities and obligations.
- **Surplus Property Strategy** – the Council will dispose of surplus assets on a freehold or leasehold basis at best consideration. Disposals at less than best consideration may be agreed subject to the necessary statutory and Council approvals.
- **Surplus Property Principles** - operational and non-operational property will be sold unless occupied for service provision, used to deliver social, housing, economic or environmental benefits meeting agreed priorities, or it is a long-term strategic investment.
- **Property Acquisition Strategy** - the Council will acquire assets; that improve service delivery, assist with delivery of Economic Development policy, develop opportunities to assemble sites to deliver Council objectives, improve the financial returns and deliver the Asset Review Business Plan.

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- **Property Acquisition Principles** - property will only be acquired where whole life costings and option appraisal exercises are undertaken and meet set target criteria around risk, income returns and yields.

4. Value for money

4.1 There is a Council-wide approach to managing assets as a corporate resource, using assets to help to deliver social, environmental and economic outcomes for local communities.

4.2 Collaborating with partner organisations on strategic asset management planning is an important requirement. The Council will continue to develop its strategic approach to working with other bodies to identify opportunities for shared use and alternative options for the management and ownership of its assets.

5. The Portfolio and Current Performance

5.1 Gross Asset Value as at 31 March 2019

	Operational assets		Non-operational assets		Total
	Community Assets	Land & Buildings	Investment	Surplus	
No of assets	72	69	51	13	205
Total income	-	£4,218,000*	£4,311,000**	£33,000	£8,562,000
Capital value	£4,076,000	£30,665,000	£85,038,000	£884,000	£120,663,000
Capital Expenditure	£30,347	£455,295	£6,169	230	£492,041
Outstanding Maintenance		£2,587,300	£2,000,000	-	£4,587,300

* Income from operational assets (ie car parks, crematorium, Civic Centre rents)

** Rental income from investment assets

The total capital spend on property assets in 2018/19 was £2.22 million.

The figure for the outstanding maintenance on the operational buildings is based on a costed 5-year plan. The condition surveys were completed as planned in the summer of 2018. The information which has been derived from the surveys has been considered to assess the current condition of the portfolio, whilst further having regard to the work undertaken during the same financial period. As anticipated in the Asset Management Plan 2018-2022, the outstanding maintenance has increased from circa £2,300,000 to £2,587,300. The increase is as a result of the completion of the survey programme, but also following the continual assessment of repair, which has brought forward some

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maintenance work within the 5 year programme. The Pools continue to be removed from the programme given the impending Sands Centre development scheme.

We are currently spending £150,000 p.a. to address this as detailed below, with an additional £100,000 per annum having been allocated for a five year period in a bid to reduce the risk of major long-term capital expenditure being required.

Non-operational outstanding maintenance relates primarily to historical infrastructure costs associated with our industrial estate ground rent portfolio. We are currently in the process of reviewing the non-operational maintenance liability and anticipate that the level of outstanding maintenance will reduce given the asset disposals and investment undertaken at Durranhill and Kingstown Industrial Estates.

5.2 Outstanding Maintenance

	19/20	20/21	21/22	22/23	23/24	24/25
Total Revenue Budget	£731,200	£745,900	£760,700	£776,000	791,500	807,400
Capital Schemes Special Projects	£150,000	£150,000	£150,000	£150,000	£150,000	£150,000
Additional Budget	£100,000	£100,000	£100,000	£100,000	£100,000	£0.00
Ratio Planned: Reactive Maintenance	76 : 24	76 : 24	76 : 24	76 :24	76:24	76:24

Based upon the final condition surveys, the annual planned maintenance programme has been further developed for the operational assets. As discussed above, there is unplanned maintenance currently assessed at £2,587,700 for the portfolio of operational buildings. The planned delivery programme to reduce this, incorporates a degree of flexibility to respond to the demands of service delivery, asset review, and other circumstances which may arise during the programme. Members approved a 3 year programme of planned and reactive maintenance on 12 November 2018 (report reference GD.78/18).

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In condition category terms the split is:-

Condition Category (as a % of Gross Internal Area Operational Property)			Sustainable Criteria
	2018-23	2019-24	
A. (Excellent)	29.5%	0.73%	Yes
B. (Good)	60%	89.42%	Yes
C. (Mediocre)	10%	9.85%	Review
D. (Poor)	0.5%	0%	No

The table above shows the condition categories of the operational portfolio as reported last year and this current year. The table more accurately reflects the position following completion of the condition surveys. Whilst there has been a reduction in the amount of floor space which is classed as excellent, there has been an overall increase in the amount within categories A & B from 89.5% to 90.15%. There is currently no floor space within class D and a reduction in that within class C. The movement shows the improvement in the quality of the floor space following the proactive management regime of those assets in need of review or outside the acceptable range. The condition is continually reviewed and for over 90% of the portfolio classed as either excellent or good, is a testimony to the proactive management regime, which would otherwise leave the portfolio falling short of that required to provide the Council's services.

5.3 Energy Efficiency

A programme of energy efficiency and renewable energy projects has been carried out with significant investment in former years. Over the last year the focus has been incorporating energy efficiency measures as part of the flood reinstatement works and we will continue to do this where possible. Projects are being considered to incorporate whole place energy efficiency measures where possible, in addition to that required to meet current building regulation standards.

The solar photovoltaic arrays at the Civic Centre and Sands Centre continue to be successful in terms of electricity generation and income received from the feed in tariff.

The operational and investment portfolio has been assessed to produce up to date Display Energy Certificates (DECS) or Energy Performance Certificates (EPCS) as

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required. This exercise was completed to assess and consider the implications of the Minimum Energy Efficiency Standards (MEES) which could impact on the sale and let ability of the non operational assets and provide a benchmark from which to improve the CO2 emissions of the publicly funded buildings.

The data is being interpreted and considered as part of the asset management of the property portfolio and will impact on the long term use, maintenance and ownership of the assets.

5.4 Capital Works and Repairs

The programme of works identified in the Capital Major Repairs Programme is initially shaped by a 5-year maintenance plan produced from condition surveys and adjusted each year to keep abreast with new legislation. The Council has a legal duty to maintain its properties and the programme is required to meet those statutory duties. Report GD.78/18 was presented to the Executive on the 12th November 2018 with proposals for capital investment for planned major repairs.

The capital schemes special project fund for the programme 2019/20 has been allocated as follows:-

PROPERTY	PROJECT	COST
Civic Centre	First Floor Sky Lights over block floor and offices	£15,000
Civic Centre	Flat Roof Repairs over former Rates Hall/Customer contact centre	£20,000
Civic Centre	10 th floor window replacement	£10,000
Bousteads Grassing	Resurfacing work	£10,000
Bousteads Grassing	Office re-roof	£20,000
Cemeteries	Resurfacing work	£30,000
Morton Community Centre	Car Park Resurfacing	£10,000
Currock Community Centre	Flat Roof Renewal	£15,000
Tullie House	Plant upgrade works	£20,000
TOTAL		£150,000

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The additional works capital works have been allocated as:

PROPERTY	PROJECT	COST
Year 1 (2019/20)		
Civic Centre	Committee room corridor window replacement	£20,000
Civic Centre	Flat roof covering	£50,000
BIC, Paternoster Row	Lift Upgrade	£20,000
Monuments	Clean and Refurbish	£10,000
TOTAL		£100,000

6. Continuous Review and Challenge

The Council continuously reviews and challenges how to best use its asset portfolio;

1. The Council holds a significant, numerous and diverse portfolio of assets across the city, which generates considerable income and which has an important impact on the local economy. The Council uses property well to meet its aims and is planning future investment and development to allow it to continue to do this.
3. The Council has a highly rationalised operational portfolio, however the significant level of maintenance yet to be carried out will present challenging issues going forward. New investment in assets such as the Sands will help alleviate issues by removing older, poorly functioning assets such as the current Pools facility.
4. The accommodation review and Asset Review Business Plan is an ongoing programme that will continue to deliver efficiency benefits.
5. The Council has a diverse and mixed non-operational portfolio which, through rationalisation, is becoming more efficient but has considerable further potential. This potential will be further explored and actions taken to realise efficiencies with the resources currently available.
6. The Council is taking a more commercial approach to the management of the portfolio in order to strategically balance the need for operational assets, income generation and economic development, in support of the local economy, the protection of public services and other priority objectives.
7. The Transformation Programme has identified the need for further rationalisation and consolidation of the operational property to improve access to public services and efficiency. The accommodation review will address these needs.

6.1 Accommodation Review

An Accommodation Review of both back office and front public facing service delivery assets is ongoing. This comprises an analysis of accommodation needs and the existing provision, exploring future solutions and implementing the most beneficial models for the Authority.

It seeks to deliver effective and efficient accommodation that suits the needs of each service, establish a more corporate approach to accommodation, make more effective use of space, improve the working environment and make the accommodation as productive as possible.

The redevelopment of the ground floor of the Civic Centre post flood has reflected the changing business requirements of the City Council and sought to embrace modern ways of working whilst also incorporating flood resilience where possible. The new multi-functional chamber and enhanced parking facilities will also provide income generating opportunities.

The challenges going forward are:

To complete the redevelopment of the ground floor.

To maximise space utilisation in the Civic Centre embracing modern ways of working and to encourage take up of vacant space by our public-sector partners as part of the One Public Estate Programme to minimise occupation costs. The appointment of a programme manager will assist with this aspiration and discussions are being progressed with a number of partners who have accommodation requirements.

To maximise the revenue generation opportunities presented by the ground floor redevelopment.

6.2 Asset Review Business Plan

An asset review and investigation into the options for the development of a new approach to the management and use of the portfolio was concluded in 2010 with the adoption by Council of an Asset Review Business Plan (Report Ref. CE 39/10 refers).

Implementation of the Business Plan has taken place over the past 5 years with management structures and resource capacity to deliver the 3 portfolio areas and the overarching strategic asset management put into place. These changes took place within the context of the Transformation Programme and are constantly evolving as priorities and needs change.

6.3 Disposal Programme

In December 2018 a revised disposal programme was approved by the Executive with the aspiration of generating £10m to assist with funding major developments such as the Sands Centre and Gateway 44 scheme. Additional staff resources have been engaged to deliver this 5 year programme and these have just commenced work on the project.

The project follows on from the previous disposals programme which successfully delivered over £10m of capital receipts.

6.4 Reinvestment Options

The Business Plan envisages capital receipts will be used to generate additional revenue and support purchases in the economic development and operational property portfolios.

Opportunity purchases into the Economic Development portfolios have been completed to consolidate the Council's existing property ownership and land holdings in Rickergate with the acquisition of property in the Warwick Street area, in preparation for redevelopment.

We continue to look for opportunities to enhance income generating opportunities for the City Council.

6.5 Chancerygate – Kingstown and Parkhouse

Chancerygate, the Council's appointed managing agents for their Kingstown & Parkhouse assets, continue to make good progress with the management and development of our portfolio north of the City. The Gateway 44 bulky goods retail scheme has now obtained planning consent and a tender process has been completed for the build contract, pre-lets are being agreed with tenants and works will shortly be commencing on site. The intention is that the Council will develop the scheme and retain as a long-term investment. Progress continues to be made with the programme of rent reviews following a successful third-party determination.

6.6 Economic Development Portfolio

The assets within this portfolio are directed towards supporting and creating opportunities for the growth of the City using employment, housing and retail development land.

The Borderlands Growth Deal presents a once in a lifetime opportunity for the growth of the city with Carlisle seen as the "beating heart" of the Borderlands region. Schemes have been developed that would see the improvement of the station along with

developments at the Citadel and Caldew Riverside. The City Council has significant land holdings that could assist in the delivery of these transformational projects and we are working closely with our colleagues at Cumbria County Council and Network Rail to move the projects forward. The Sands Centre redevelopment frees up the former Pools site to be transformed into a new multi-storey car park for the station enhancing its position as a HS2 compliant station.

St Cuthbert's Garden Village scheme continues to make good progress, with the proposals recently refined to focus on smaller settlements rather than one large one.

The funding announcement for the Southern relief road opens up further opportunities for growth of the City. We are currently developing proposals for the Morton District Centre which will encompass both a retail element and employment land.

6.7 Flood Affected Assets

We are currently out to tender on the proposals to redevelop the ground floor of the Civic Centre and we are looking to review options for replacement of Bitts Park Pavilion and enhancement of the park facilities. Where possible flood resilience measures have been incorporated in the reinstatement works to minimise the effect of any future flooding incidents.

7. Conclusion

The Council has a highly rationalised and suitable service occupied portfolio although a significant maintenance requirement that needs to be addressed. However, we are not complacent and will continue to look for opportunities to rationalise our operational portfolio where possible.

The Council has a significant commercial portfolio, which is generating substantial rental income however we will continue to look for opportunities to unlock development potential and create investment assets within our portfolio, as evidenced at Gateway 44, whilst also supporting our aspirations for Economic Growth.

The Council is looking at opportunities for rationalising the portfolio and sharing accommodation with other public bodies and partner organisations.

Performance measures, which are being improved upon, are in place to evaluate asset use in relation to corporate objectives.

The Council's asset base is continually being challenged and reviewed with additional efficiency measures implemented where appropriate.

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The Council is looking at ways in which it can improve and re-model the way in which it delivers its property management services producing further cost and efficiency savings.