

CARLISLE CITY COUNCIL

Report to:- Carlisle City Council

Date of Meeting:- 17 July 2007

Agenda Item No:-

Public

Title:- ASSET MANAGEMENT PLAN 2007 - 2012

Report of:- DIRECTOR OF DEVELOPMENT SERVICES

Report reference:- DS 64/07

Summary:-

The Asset Management Plan has been considered by the Executive (report ref DS 49/07) on 31 May 2007, Corporate Resources Overview and Scrutiny Committee on 14 June, and again by the Executive on 2 July 2007. The updated final draft is now recommended for approval by the Council.

Recommendations: It is recommended that: -

The Asset Management Plan 2007 – 2012 is approved by Full Council.

Contact Officer: Raymond Simmons

Ext: 7421

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: DS 49/07



Managing property as a resource for the City

ASSET MANAGEMENT PLAN

2007 - 2012

July 2007



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ASSET MANAGEMENT PLAN – 2007-2012

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ASSET MANAGEMENT PLAN – 2007-2012

The Council

Carlisle City Council delivers services to just over 100,000 people and has a net annual revenue budget of £ 16.6 million and capital expenditure of £6 million for 2007/08. The Council uses its resources to improve services and quality of life for local people.

The Council's asset base is one of its key financial resources, with an income of around £5 million per annum and an asset value of £127 million. The income is comparable to that of Council Tax.

Over 30% (12,500 people) of Carlisle's workforce are based at the Council's assets.

The Asset Plan and Council Priorities

The Carlisle City Council Corporate Improvement Plan 2007 – 2010 has been developed within an overarching commitment to the Carlisle Renaissance agenda. Within this commitment, the Council has set out two priority areas:

- Cleaner, Greener, Safer
- Learning City

This asset plan describes how the Council's property ownership policies support these priorities and Directorate Service plans. The plan also aims to guide readers about overall performance of the asset base and how it is being reviewed. It also takes account of, and links into, the Council's Medium Term Financial Plan and the Capital Strategy which provides guidance on the Capital Programme and use of capital resources.

Organisational Framework

The Corporate Asset Management Group (CAMG), chaired by the Director of Development Services, provides strategic direction, oversees the corporate management of the Council's property assets, and directs the work programme. The Terms of Reference are:-

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- ◆ To develop and implement corporate policy and best practise in relation to the Council's property assets.
- ◆ To give strategic direction to other corporate officer groups dealing with operational property matters.
- ◆ To ensure co-ordination of reporting and decision making on strategic matters relating to property.

The Group meets bi-monthly and membership comprises:-

- ◆ Director of Development Services (Chair)
- ◆ Director of Carlisle Renaissance
- ◆ Director of Corporate Services
- ◆ Director of Legal and Democratic Services
- ◆ Head of Building and Facilities
- ◆ Head of Economy, Property and Tourism (Corporate Property Officer)
- ◆ Property Services Manager
- ◆ Chief Accountant

The work of the Group reports through the Council's formal channels to Senior Management Team, Strategic Planning Group, Joint Management Team, the Finance and Performance Portfolio Holder, the Executive and Corporate Resources Overview and Scrutiny Committee.

Corporate Asset Objectives

Aim

To set out the Council's policy on the use of assets in order to have a flexible approach to asset ownership to secure a portfolio of the right size, quality, cost and location and one which is suitable and sustainable for service delivery now and into the future.

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Objectives

1. We will identify all property which the Council own or uses, establish its value and the function which it performs monitoring and updating this information.
2. We will make services aware of the costs of occupying property and charge accordingly.
3. We will effectively respond to the changing property needs of services.
4. We will provide a transparent basis for property investment decisions.
5. We will ensure a healthy and safe environment for property users and promote improved standards, sufficiency and suitability.
6. We will promote community and equitable use of assets.

Headline Performance Measures

The Council will manage and monitor the use of its property resources to ensure the portfolio meets the objectives set and delivers performance improvements linked to corporate and service objectives. The Council, through the People, Policy and Performance Directorate, manages and monitors performance indicators.

The Council will aim to own assets which are suitable, fit for purpose and sustainable to enable services to be delivered effectively and with equality of access.

In addition to the Best Value performance indicators, a number of Local performance indicators have also been developed which are intended to provide further measures of the management and use of the Council's assets and these help deliver Corporate objectives. The Corporate Asset Management Group (CAMG) continues to review and seek the development of SMART indicators.

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Indicator	04/05 Actual	05/06 Actual	06/07 Actual	06/07 Target	07/08 Target	Comments
BV 156 Percentage of buildings open to the public suitable for and accessible to disabled people	66.69%	81.81%	82.35%	82.00%	83.00%	Progressively improving area
LP 57 % of units let as a % of total units available to let	97.33%	94.00%	96%	90.00%	96.5%	Improving area. Performance in 2005/06 was due to vagrancies of the property market over the period.
LP 58 Proportion of assets in a sustainable condition and suitable for use.	-	-	92.8%	90.00%	93.5%	New indicator from 2006/07
LP 180 Carbon dioxide emissions from our buildings measured in tonnes.	-	-	1336 tonnes	1242 tonnes	1269 tonnes	New indicator from 2006/07. The Council is aiming to reduce emissions by 3% year on year.

The Council is also a member of the IPF Asset Management Plan Network which provides the ability to benchmark on a national basis. Results show an overall trend towards year on year improvement.

National Indicator	2002/03	2003/04	2004/05	2005/06	2006/07	Comments
1a % GIA in: Condition A Condition B Condition C Condition D	3.60% 49.30% 37.90% 9.20%	2% 49% 38% 11%	4% 50% 39% 7%	8% 51% 35% 6%	15% 55% 25% 5%	Continuous improvement
1b Ttl maintenance backlog % in priority 1 % in priority 2 % in priority 3	£3,447,000 0% 50% 50%	£3,385,000 0% 50% 50%	- - - -	£2,464,700 0% 40% 60%	£3,258,000 0% 35% 65%	Showing improvement
2 IRR for: A - Industrial B - Retail C - Agricultural	6.18% 13.83% n/a	6.18% 14.58% n/a	5.84% 15.26% n/a	5.52% 15.00% n/a	5.23% 15.42% n/a	Maintaining market position
3 Management costs / sq m	£1.52	£1.43	£1.64	£1.69	£1.78	Excluding inflation fairly consistent
4a Repairs & maintenance costs / sq m – op properties	£22.44	£42.86	£25	£29	£27	Excluding inflation fairly consistent

Government policy and statutory responsibilities

The overall amount available for distribution to Local Government is determined by the Government's Spending Review. Each Review covers a three year period and the last Review was announced in July 2004. The first year of the next Review will be 2008/09, however publication of this review has been delayed until late autumn of 2007. The 2007 Review is committed to: -

“Delivering a step change in the management of the public sector asset base”.

More specifically, the spending review focuses on the condition and management of the public asset stock as a basis for looking at investment decisions. The aim is to maximise value from assets through:

- Disposing of assets no longer required for service delivery.
- Improving the management and utilisation of retained assets.
- Basing future investment decisions on a more complete assessment of the condition and performance of the existing asset base.

One of the key Government initiatives under consideration at the time of writing is the Local Government and Public Involvement in Health Bill regarding structural changes to local government in England. Whatever the outcome for Cumbria, the implications for the City Council will be significant. Local Government reorganisation places restrictions on the sale of land and property, requiring the prior approval of the Secretary of State for Communities and Local Government.

The Government is also promoting the concept of City Development Companies to drive forward economic growth and regeneration, as well as the community management and ownership of assets.

The Resource Context: Key Line of Enquiry

The Audit Commission measures how the Council manages and uses its resources in the “Use of Resources” assessment. The results for 2006/07, for the financial management key line of enquiry, which includes the management of its assets, achieves a level 2 score, ie adequate performance. Audit Commission feedback recommends that to improve the Council needs to:-

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- ◆ Develop a set of local performance measures in relation to assets that evaluate asset use in relation to corporate objectives.
- ◆ Ensure that investment and disposal decisions are based on thorough option appraisal and whole life costing.

The use of resources Action Plan 2007/08 proposes urgent action being progressed to review asset management performance measures for monitoring in 2007/08.

Changes in the external environment – and implications for property

The underlying economic factors affecting the national economy apply to Carlisle subject to unique geographical characteristics. The City is held back from its full potential because it has not been considered a prime location for investment by property market decision-makers. In overall terms, its property economy is relatively self-contained on a needs must basis.

Mainly sub-regional and local developers and investors serve the Carlisle property market, with the possible exception of the retail sector.

When the UK market shows an upward trend, stability or decline, the Carlisle market follows – subject to a time delay because of its location.

The City's peaks have been historically, neither high enough or long enough to attract much national interest – or more importantly, the magnet of institutional funds which finances property development. This may be changing and the intention of Carlisle Renaissance has been to increase interest and make sites more attractive to a wider market, thus stimulating the local economy.

It is the major financial institutions who ultimately control capital flow and investment. It is such institutions that make decisions in the UK property market. These funders prefer rapid rental growth in return for their capital investment in order to secure large rewards quickly and offset risk.

Unless such funders are looking for long-term sustainable investment with the need for a geographic time consuming commitment, developers will prefer more profitable southern locations: where rental growth increases more rapidly and over longer periods. The focus of the Carlisle Economic Strategy is therefore to address the conditions that will make Carlisle more attractive to investors.

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This risk averse attitude by the private sector has meant that to date, the public sector has had to be proactive in order to attract development to Carlisle in order to improve economic development opportunity for its community.

This is why Carlisle City Council owns a considerable property portfolio and needs to be at the leading edge of public – private partnership working.

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The Existing Portfolio and its current performance

Asset Value as at 31 March 2007.

	Operational assets	Non operational assets	Surplus assets	Total
No of assets	84	76	26	186
Total income	£700,000	£4,290,000	£10,000	£5,000,000
Total value	£40,000,000	£80,000,000	£7,000,000	£127,000,000
Capital Expenditure	£2,235,000	£330,000		£2,565,000
Asset Reserve	-	-	£2,000,000	£2,000,000
Capital Receipts	-	-	£1,000,000	£1,000,000
Maintenance backlog	£3,100,000	£2,000,000	-	£5,100,000

NB – Capital receipts are split £500K generated from disposal of surplus assets and £500k from Raffles Agreement.

Maintenance Backlog

	07/08	08/09	09/10	10/11	11/12
Total Revenue Budget	£679,000	£698,000	£718,000	£738,000	£759,000
Capital Schemes Special Projects	£250,000	£250,000	£250,000	£250,000	£250,000
Asset Investment Fund (Industrial Estates)	£200,000	£200,000	£200,000	£200,000	£200,000
Ratio Planned: Reactive Maintenance	80 : 20	80 : 20	80 : 20	80 : 20	80 : 20

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Based upon property condition surveys, an annual planned maintenance programme has been established for all the operational assets. There is a maintenance backlog, currently £3.1 m for the operational portfolio, the delivery programme to reduce this incorporates a degree of flexibility and balance in order to respond to the demands and aspirations for service delivery, asset review, Carlisle Renaissance and other changing circumstances which may arise during the course of the programme. Members approved a 3 year programme of planned and reactive maintenance in November 2006. In condition category terms the split is as follows:-

Condition Category (as a % of Total Assets)			Sustainable Criteria
A.	(Excellent)	15%	Yes
B.	(Good)	55%	Yes
C.	(Mediocre)	25%	Review
D.	(Poor)	5%	No

Energy Efficiency

Reflecting the Council's environmental policy a programme of energy efficiency and renewable energy projects is currently underway. Detailed energy audits on the Council's property over the coming years will identify opportunities for savings and reductions in CO2 emissions. Energy efficiency is a high priority and has a significant influence on maintenance and refurbishment projects, such as the recently completed refurbishment of Town Dyke Orchard public conveniences and Talkin Tarn.

The capital schemes special project fund for the programme 2007/08 has been allocated as follows:-

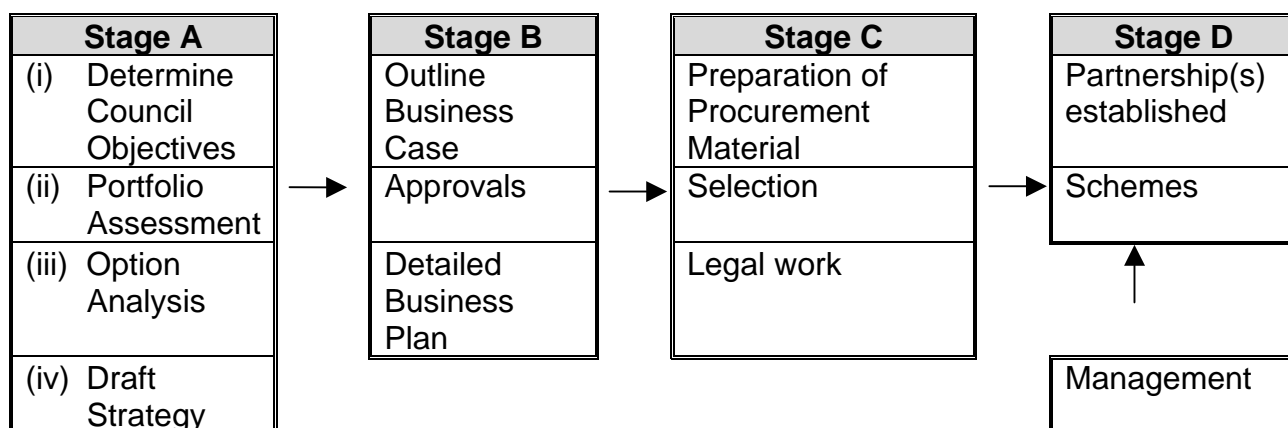
Civic Centre fire precautions	£50,000
Civic Centre electrical renewals	£130,000
Belah Community Centre refurbishment	£50,000
Condition & energy surveys	£20,000
Total	£250,000

NB An additional £320,000 has been earmarked to the redesign and refurbishment of Belah Community Centre as part of the 2007/08 capital programme.

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Continuous Review and Challenge

1. The City Council holds a significant portfolio of assets across Carlisle. This portfolio generates considerable income for the City and has an important impact on the local economy.
2. It has a highly rationalised operational (service occupied) portfolio with a manageable maintenance backlog.
3. It has a diverse and mixed non-operational (predominantly commercial) portfolio which has considerable further potential.
4. The Council possesses a good portfolio and has a record of using property well to meet its aims, but needs to plan for future investment and development to allow it to continue to do this.
5. There is a significant opportunity to create dynamic and robust support to Carlisle Renaissance and other priorities.
6. The City Council is participating in a shared services property review with the County Council which involves a number of public sector bodies identifying opportunities for rationalising and consolidating operational property to improve access for public services.
7. A systematic review of the City Council's assets is being undertaken as follows:



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8. Options to rationalise the portfolio, maximise returns and sustain the quality and economic value of the assets were assessed as follows:-

EXAMPLE 1	The City Council establishes a single joint venture to which all the non-operational properties are transferred, managed and developed.
EXAMPLE 2	The City Council retains most of the assets and selects appropriate site by site joint ventures for the private sector to undertake schemes.
EXAMPLE 3	The City Council acts as a developer itself by buying old buildings and brownfield land, refurbishing and creating additional income.
EXAMPLE 4	The City Council divests some or all of the non-operational assets and their management to provide capital to invest in other priorities.
EXAMPLE 5	The City Council retains assets as they are now.
EXAMPLE 6	The City Council establishes a strategic property partnership which covers the management and development of both the operational and non-operational assets.
EXAMPLE 7	The City Council establishes a partnership for the management of all its assets.

9. As part of this process, further investigation is underway to examine the suitability of a Local Asset Vehicle (LAV) to maximise the potential of the Council's assets and help deliver the Council's Renaissance agenda into the future. A LAV would involve a public private property partnership and the establishment of a special purpose vehicle into which the public sector transfer property assets and the private sector partner contributes cash and other resources.

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10. The investigation will report in the autumn of 2007 and will inform the future direction of the Asset Management Plan.

Policy and Strategy

1. *Operational Property Strategy*

- ☆ The Council will own a highly rationalised portfolio of property to deliver services and which provides users with a good standard of efficient, accessible accommodation and facilities by making buildings Cleaner, Greener and Safer in the right location and at the right cost.
- ☆ All service property will be efficient and effective in supporting delivery of the Council's priorities.
- ☆ The Council will occupy freehold property where appropriate.
- ☆ The Council will hold leasehold property only when necessary to deliver accommodation required on a flexible basis, or when freehold is not available.
- ☆ The Council will develop partnership working with other local authorities, public sector bodies, the community and voluntary sector to co-locate services.

The following policy principles are to be applied to enable delivery of the service property strategy:

Investment principles

Investment should be made only through a 5 year programme where:

- The property is required for the medium or long term use of the Council, and
- The investment
 - enhances service delivery
 - improves sustainability
 - improves utilisation
 - increases efficiency
 - adds value
- It addresses statutory obligations

2. *Non-Operational Property Strategy*

- ☆ The Council will own property that helps to deliver the corporate priority of a Learning City
- ☆ The Council will investigate new medium and long-term development opportunities that will support delivery of Carlisle Renaissance and economic development policies.
- ☆ The Council will own property that provides a regular and sustainable income stream, as a key component of the Medium Term Financial Strategy.
- ☆ The Council will strive to improve the performance of the income stream and reduce liability through partnership working and grant assistance where appropriate.

The following policy principles are to be applied to enable delivery of the non-operational property strategy:

Investment principles

Commercial property will only be held where:

- It provides an acceptable financial return
- There is potential for Council involvement to deliver economic development objectives
- It contributes effectively to the delivery of other Council priorities
- It improves future sustainability of income
- It addresses legal or contractual liabilities and obligations

3. Surplus Property Strategy

- ☆ The Council will normally dispose of assets that it does not require on the open market on a freehold and leasehold basis at best consideration.

The following policy principles are to be applied to enable delivery of the surplus property strategy:

Surplus property

All operational and non-operational property will be sold unless:

- It is occupied efficiently and effectively for services in the right location, at the right price.
- It can be used to deliver social, housing, economic or environmental benefits to meet the Council's agreed priorities, in which case the Council may take a flexible approach to a disposal at less than market value, subject to compliance with any statutory consents and full Council approval.
- It is a long-term strategic investment.

4. Property Acquisition Strategy

- ☆ The Council will only acquire assets if there is a business case to support the improvement in service delivery in the Capital Strategy.
- ☆ The Council will acquire assets that assist with the delivery of Economic Development policy if there is a business case in the Capital Strategy.
- ☆ The Council will develop opportunities, in partnership, to assemble sites to deliver Council objectives, particularly its priorities of Learning City, a Cleaner, Greener and Safer City and Carlisle Renaissance.

The following policy principles should be applied to enable delivery of the property acquisition strategy:

Property acquisition

Property will only be acquired in the following circumstances:

- Where the service cannot be efficiently delivered without it
- Where it is required to deliver Economic Development policy
- Where it is required to support the delivery of other Council priorities

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Summary

- 1 The Asset Management Plan, together with the Capital Strategy gives direction on how the Council will use and manage its assets to meet corporate and service objectives in the future.
- 2 The Council has the Finance and Resources Portfolio Holder responsible for asset management.
- 3 Members are aware and have approved a plan to address backlog maintenance.
- 4 There are performance measures, which evaluate asset use in relation to corporate objectives.
- 5 The Council has a highly rationalised and suitable service occupied portfolio with a manageable maintenance backlog; it has a considerable commercial portfolio, which is generating sustainable income growth.
- 6 The Council's asset base has considerable latent value, which if unlocked through a new strategy, will create robust support to economic development led by Carlisle Renaissance.
- 7 The Asset Review will investigate the potential, and look at the business case for establishing a Local Asset Vehicle (LAV) to deliver the Council's future agenda.
- 8 In tandem with the Renaissance agenda, the Council is looking at opportunities for rationalising the portfolio and sharing accommodation with other public bodies and partner organisations.

CORPORATE ASSET MANAGEMENT GROUP