

Business and Transformation Scrutiny Panel

Agenda
Item:
A.3

Meeting Date: 26th July 2018
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 2018 TO 2023**
Report of: **The Corporate Director of Governance and Regulatory
Services**
Report Number: **GD.56/18**

Purpose / Summary:

The attached Executive Report (GD.50/18) 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:	23rd July 2018
Overview and Scrutiny:	26th July 2018
Executive:	20th August 2018
Council:	11th September 2018

Report to Executive

Agenda
Item:

Meeting Date: 23 July 2018
 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 2018 to 2023
 Report of: The Corporate Director of Governance and Regulatory Services
 Report Number: 50/18

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:	23 rd July 2018
Scrutiny:	26 th July 2018
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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. The Disposal Programme is into its eighth year and the Management Plan reports and updates on the position and the delivery performance.
- 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,

- Performance of the assets and how these are constantly reviewed and challenged,
- Condition of the Portfolio – the standard of our properties, current maintenance backlog, 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 overview of the overall impact of the 2015 floods on the portfolio.

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 26th 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.

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 2018 - 2023
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 –

EQUALITY –

INFORMATION GOVERNANCE –



Managing property as a resource for the City

ASSET MANAGEMENT PLAN

2018 – 2023

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1. The Council

1.1 Carlisle City Council delivers services to around 108,000 people and for the year 2018/19 has a net revenue budget of £12,581 million and capital expenditure budget of £9.011 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 £4.2 million per annum, from its non-operational property, with a net asset value, taking account of depreciation, of circa £87.5 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.

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 2018

	Operational assets		Non-operational assets		Total
	Community Assets	Land & Buildings	Investment	Surplus	
No of assets	72	69	52	14	207
Total income	£6,600	£3,670,500*	£4,388,254**	£43,400	£8,108,754
Capital value	£4,021,000	£29,586,000	£87,484,000	£1,153,000	£122,244,000
Capital Expenditure	£50,372	£3,027,057	£925,592	£277,296	£4,280,317
Outstanding Maintenance		£2,296,300	£2,000,000	-	£4,296,300

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

** Rental income from investment assets

The total capital spend on property assets in 2016/17 was £4.215 million.

The figure for the outstanding maintenance on the operational buildings is based on a costed 5-year plan. We are currently in the process of updating our condition surveys, approximately 50% of buildings have been inspected with the remainder due for completion over the summer. The information derived from these surveys is used to assess the current condition of our portfolio and advise on the level of outstanding maintenance. Although the survey programme is only partially complete, outstanding maintenance has decreased to £2,296,300 a reduction of 15%. This reduction can partly be attributed to the works undertaken to flood affected properties which has helped to

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address outstanding maintenance issues and also the Pools which has been removed given the impending Sands Centre development. Although this is good news we still have a significant amount of maintenance to undertake, circa £2,300,000, and this may rise following completion of the remainder of the survey programme. We are currently spending £150,000 p.a. to address this as detailed below and we would need to increase to circa £500,000 to ensure we maintain the condition of our assets. Failure to do so would result in major long-term capital expenditure being required to remedy the lack of maintenance.

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

	17/18	18/19	19/20	20/21	21/22
Total Revenue Budget	£701,400	£715,500	£729,300	£729,300	£729,300
Capital Schemes Special Projects	£150,000	£150,000	£150,000	£150,000	£150,000
Ratio Planned: Reactive Maintenance	76 : 24	76 : 24	76 : 24	76 : 24	76 :24

Based upon condition surveys, an annual planned maintenance programme has been established for operational assets. As discussed above, there is unplanned maintenance; currently £2,296,300 for the portfolio of operational buildings; the 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 20 November 2017 (report reference GD.72/17).

In condition category terms the split is:-

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Condition Category (as a % of Gross Internal Area Operational Property)			Sustainable Criteria
	2017-22	2018-23	
A. (Excellent)	59%	29.5%	Yes
B. (Good)	28%	60%	Yes
C. (Mediocre)	12%	10%	Review
D. (Poor)	1%	0.5%	No

Although the programme of condition surveys is only partially complete we have updated the condition categories to reflect the updated information. The table above shows the condition categories of the operational portfolio as reported last year and this current year. A full picture will only be available once the survey programme is complete later this year and will be reported as part of next year's plan. Although there has been a fall in the amount of floor space classed as excellent, overall the amount of floorspace in categories A & B has increased to 89.5%. To have nearly 90% of our portfolio classed as either excellent or good is a testimony to the proactive management regime we have in place to manage our assets.

5.3 Energy Efficiency

A programme of energy efficiency and renewable energy projects has been carried out with significant investment in recent years. Again, over the past 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.

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.

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 duties. Report GD.72/17 was presented to the Executive on the 20th November 2017 with proposals for capital investment for planned major repairs.

The capital schemes special project fund for the programme 2018/19 has been allocated as follows:-

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PROPERTY	PROJECT	COST
Talkin Tarn Tea Room	Strip and re-slate roof	£25,000
Upperby Park Pavillion	Re-roof	£12,000
Bousteads Grassing	Resurfacing work	£10,000
Cemeteries	Resurfacing work	£30,000
Old Fire Station	Replace windows – phase 1 of 2yr programme	£20,000
Tullie House	Plant replacement	£20,000
Enterprise Centre	Fire alarm replacement	£20,000
Dixon's Chimney	Repointing work – phase 1 of 3yr programme	£13,000
TOTAL		£150,000

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.

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

To date 38 assets have been sold realising total gross receipts of circa £10.15 million. Overall the returns show an increase of approximately 14% above the business plan estimates for those assets. The key driver this year has been to progress our portfolio of residential sites for disposal. Significant background work has been undertaken to unlock development potential in our key residential site at Greymoorhill resulting in access now having been established along with service connections. We anticipate concluding a deal on this shortly which will result in circa 200 new homes being developed on the site and a significant capital receipt for the City Council.

We are currently in the process of reviewing our portfolio to look at further opportunities to rationalise our portfolio. Once complete and subject to the necessary consents we envisage a further programme of disposals over the coming years.

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 and Operational portfolios have been completed to consolidate the Council's existing property ownership and land holdings in Rickergate with the acquisition of properties in the Warwick Street and Victoria Viaduct areas, together with a large redevelopment site at Caldew Viaduct which has been cleared in preparation for redevelopment.

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. A bulky goods retail scheme has been prepared for the Gateway 44 site at Parkhouse and a planning application is being progressed and legals are being finalised with a number of tenants resulting in the scheme being significantly pre-let prior to commencement of the build. The intention, subject to Council approval, is that the Council will develop the scheme and retain as a long-term investment. Terms have also been agreed for a new ground lease investment on site 1 at Parkhouse, the last remaining vacant site on the Parkhouse estate. New signage is in place on the entrances to the estate reflecting the brand we have developed for all of our estates and Chancerygate continue to progress the day to day work, in particular the rent review programme.

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 emerging Borderlands Growth Deal presents a significant opportunity for the growth of the city with Carlisle seen as the “beating heart” of the Border region. Proposals are being 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 prepare the requisite business cases for submission to Central Government over the Summer. An announcement is anticipated in the Autumn on whether the Growth Deal bid has been successful.

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 and a preferred route has now been agreed for the proposed Southern Relief Road which has the potential to improve the attractiveness of existing localities such as Morton, whilst also alleviating congestion on the southern approaches to the City Centre. Delivery models are under exploration including the potential role of the City Council and other public-sector partners in acquiring and subsequently disposing of land.

The University of Cumbria has vacated the accommodation it previously leased from the city Council at Paternoster Row & Castle Street. The City Council has continued to operate the BIC at Paternoster Row and we are currently investigating options for the Castle Street accommodation.

6.7 Flood Affected Assets

Recovery from Storm Desmond is virtually complete at all affected assets apart from the Civic Centre & Bitts Park where major redevelopments are planned. 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.

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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.

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.