

TAUNTON DEANE BOROUGH COUNCIL

REPORT OF THE CORPORATE PROPERTY OFFICER TO THE EXECUTIVE - 22 SEPTEMBER 2004 (Report amended / updated 14 September 2004)

This matter is the responsibility of Executive Councillor N Cavill

ASSET MANAGEMENT PLAN 2004 AND THE PERFORMANCE OF THE PROPERTY PORTFOLIO

EXECUTIVE SUMMARY

The Asset Management Plan for 2004/2005 has been completed. The Plan has been updated from that submitted to Members in July 2003 and shows progress against objectives agreed at that time, shows how scarce resources have been used to their best advantage, and how they have contributed to the Council's Corporate Priorities. It also indicates a change in strategy for the future, in that the prime objective relating to properties in Taunton will be to ensure that those assets, whether they be enhanced or sold, contribute to the Vision for Taunton. The Asset Management Plan is therefore consistent with the Council's Corporate Priorities.

1. Introduction

- 1.1 The Asset Management Group, under the responsibility of the Executive Portfolio Holder for Economic Development and the Corporate Property Officer, was formed in 2001. Its purpose was to compile information required by Central Government and to ensure that the council's assets were efficiently managed. Legislation laid down strict guidelines as to information that was required. This was to be provided in the form of a plan – the Asset Management Plan (AMP) which was to be submitted once a year to the Government Office for the South West (GOSW).
- 1.2 Local Authorities were subsequently judged on their performance plans. If they were judged to be “poor” they were required to resubmit an improved plan the following year. If they were assessed as “good” they received £50,000 of capital spending approvals, and the Local Authority was not required to forward its future plans for formal assessment.
- 1.3 Following a “poor” on the first plan submitted in 2001, TDBC were awarded a “good” rating for their submission in 2002. Although this Authority's AMP was not required for Government approval purposes in 2003, GOSW was sent a copy. It is not intended to forward copies of the AMP in future years.
- 1.4 The 2004/2005 AMP has now been produced and is available for inspection. The body of this report contains a resume of the information found in that plan.

2. Information contained within the 2004/5 AMP

2.1 Condition of property

- 2.1.1 The Council's General Fund assets (non housing) are valued at approximately £44 million. All are in generally good condition. They comprise:-

- 5 leisure facilities (recreation/swimming)
- 27 car parks

- 26 public conveniences
- 5 cemeteries
- 60 commercial premises
- 8 council buildings for service delivery
- Various other Assets e.g. golf course, Wellington Park, etc

2.1.2 Properties are put into one of four categories:-

- A) Performing well
- B) Performing as intended but with minor defects
- C) Showing major defects / not operating as intended
- D) Life expired and serious risk of failure

The table below gives details of current and past performance:-

Category	2003/2004		2004/2005	
	Target	Actual	Target	Actual
A	39%	38%	42%	41%
B	55%	54%	54%	52%
C	6%	6%	4%	5%
D	0%	2%	0%	0%

2.1.2.1 The 2% in Category D relates to the Vivary Park Tennis Pavilion. This has recently been demolished. Some of the architectural features have been stored for possible re use elsewhere.

2.1.2.2 It can be seen that the majority of the councils built assets (93%) are performing either well or as intended but with minor defects. This is an improvement on last year's position.

2.2 Maintenance Backlog

2.2.1 The AMP process identifies areas of priority for planned maintenance work (as opposed to reactive maintenance for which there is a general fund allocation managed by Deane Building Design Group and individual Unit Managers) and the funding needed to deliver this. The maintenance backlog identified is £638,345 including maintenance. (See Appendix 1)

2.2.2 This significant deficit has been highlighted in earlier AMP reports. The continuing pressure on the Authority's resources means that this backlog cannot be dealt with swiftly. The amount allocated in the 2004/2005 budget for maintenance priorities was only £78,000. This £78,000 has been directed towards some of the Council's leisure buildings to meet essential works.

2.2.3 This is a serious position and the Authority must continue to manage and monitor maintenance priorities to ensure the limited funds are used wisely.

2.2.4 In summary therefore, although the Assets are performing reasonably well, unless additional finance is available the maintenance backlog will continue to grow and the condition of the Assets will deteriorate.

2.2.5 In the 2003/2004 AMP proposals were identified to cater for this backlog. Comments have been added to give the latest position:-

Proposal	Progress	Comment
A	The identification of a rolling budget for 2004/05 to address the backlog over a five year period.	This will be produced for the 2005/06 budget setting round by officers of the AMP Group by the end of September 2004. Lack of resources prevented this exercise being carried out in 2003.
B	The identification of new money from the sale of assets (It was assumed that the money from sales would be ring fenced for maintenance for a period of five years).	This proposal was not accepted.
C	Priority Bids for any additional revenues were to be identified.	No additional revenue money has been identified
D	Aspirations for investment are to be targeted towards the poorest condition properties.	The limited investment available is being spent on Leisure facilities. The Waste Services Manager has produced a review of the Council's public conveniences which indicate in greater detail poorly performing properties
E	Investment of any savings from the Leisure Trust to be invested in the maintenance of Leisure facilities	The Leisure Trust has now been formed. It is anticipated that this proposal will materialise when the Trust is operational – although the Authority cannot guarantee this as increased competition within the Leisure Sector may negate this.
F	Investment in Assets likely to remain part of the Council's portfolio in the long term.	This proposal is one of the key drivers for this year's AMP and for future years. Those assets likely to be adversely affected by the Vision for Taunton will only have investment to ensure health and safety compliance. This exercise will be undertaken by officers of the AMP Group in conjunction with Planning Officers involved with the Vision, relevant Unit Managers and Portfolio Holders. Progress will be determined by the Vision programme.
G	Removing some of our poorest performing properties.	This is being actively investigated by the AMP Group. It is a continuous process and some examples are shown in 2.3.1 below

2.3 Poorest Performing Properties

2.3.1 Last years AMP included actions for the following properties and suggested proposals:-

Property	Proposal	Update
Vivary Park Tennis Pavilion	Demolish	Permission for its removal has been received from Heritage Lottery. The building has now been demolished.
Scotts Lane Garages	Demolish followed by development of one property	Development is not possible. Following the Portfolio holder's agreement to offer the five garages and two car parking spaces for sale the matter has now been "called in". It will now be considered by the The Review Board in October 2004.
Wellington Trading Estate	Demolish redundant unit followed by redevelopment	The design for the development of Unit 1 into 7 industrial units has been prepared. Demolition of the unit has commenced following a Capital Project Evaluation study undertaken by a CIPFA student as part of her final qualification process.
Frobisher Way, Bindon Road	Development of a Brown Field site	The redevelopment of part of this site with a range of industrial units is being pursued. The land is currently occupied by a tenant who may remain on the remainder of the site. Outline designs have been completed. The Chief Valuer has served a Section 25 Notice on the tenant which seeks possession of the site on 7 February 2005. The tenant has served a counter notice stating that he is not willing to give up possession. A report will be presented to the Executive on 22 September 2004

2.3.2 For 2004/2005 in conjunction with the comments in 2.3.1 above it is anticipated that the following actions will also be pursued. New items identified in this year's AMP process include:-

Property	Proposal
Public Conveniences	A large scale review has been undertaken by the Waste Services Manager and will be submitted to Members for discussion.
Nursery, Mount Street	This asset is being reviewed to ensure we continue to deliver a high quality nursery service. All options will be reviewed including updating/renovating/ relocating to ensure the Council maximises this Asset.
Paul Street Multi Storey Car Park	A structural survey has been commissioned and the result is that no immediate structural work needs to be undertaken. A monitoring regime does need to be undertaken by the Authority. However, the structure does not comply with current Health and Safety requirements regarding crash barriers and this should be addressed without delay. This car park is likely to be affected by proposals submitted by consultants for The Vision.
High Street Car Park	Monies have been allowed for the resurfacing of the top deck for health and safety reasons. A structural survey has

	confirmed that this is not now required. There is, therefore, a saving of £53,000 allocated for the resurfacing work This money will be returned to the Unallocated Capital Resources Fund.
The Old Municipal Building	This building is steeped in history, but has some serious maintenance needs. Unless action is taken to resolve Disability and Fire Safety issues, the building will only have limited use and produce a limited financial return. It is regretfully a poor performing building. Alternative uses and users are being pursued.
Leisure Services	The Council has recognised the need to plan ahead and is currently looking at options for delivering leisure services to the public. This medium/long-term plan will review current service provision and assess how this could best be delivered in the future.

2.4 Investment Indicators

2.4.1 Overall average internal rate of return (IRR) for industrial and retail investment properties

Category	IRR	Target% 2002/2003	Actual% 2002/2003	Target% 2003/2004	Actual% 2003/2004
Industrial	16.97	17	16.65	15	14.67
Retail	16.99	17	16.57	15	13.8

2.4.2 Comment on performance:-

Changes for 2003/2004 are marginal. Slight reduction due to economic growth predictions not quite as high as originally envisaged.

2.5 Remainder of National Indicators

As appendix 1 (attached).

2.6 Local Indicators

2.6.1 Number of units void as a% of investment properties:-

Category	2002/2003	2003/2004
Industrial	19.39%	6.25%
Retail	11.29%	14.29%

2.6.2 Comment on performance:-

Figures for industrial premises are a considerable improvement on last year, as a result of disposing of Creech Mills, where a relatively high level of voids consistently occurred. Unit 1 Blackdown Business Park is still vacant but a feasibility study is currently being undertaken.

Retail. It should be appreciated that these units are mainly small shops in secondary retail areas which can result in a moderately high turnover of tenants.

3. **Impact on Corporate Priorities**

3.1 All the Corporate Priorities are affected by the actions of the AMP. The first priority, delivering the Vision for Taunton, is far reaching and will require significant forward planning, including the management of our assets.

4. **Recommendations**

4.1 That the contents of the report be noted .

Background Papers

Review Board 12 June 2003 – Asset Management Plan 2003 and the performance of the property portfolio

Contact Officer

Stewart Rutledge, Chief Architect and Corporate Property Officer

Tel: 01823 356509

E.Mail:- s.rutledge@tauntondeane.gov.uk

APPENDIX 1 2003/2004 2004/2005 2005/2006.

National Indicators:	Indicator			Target 04/05	Target 05/06	Target 06/07
1(a). % Gross internal floor space in condition categories A-D.	<u>Category</u>	<u>%</u>		<u>%</u>	<u>%</u>	<u>%</u>
	A	41		42	44	46
	B	52		54	56	58
	C	5		4	0	0
	D	2		0	0	0
(b). Backlog of maintenance in priority categories 1-4.	<u>Priority Level</u>	<u>Value (£)</u>	<u>Value as %</u>	<u>Target as %</u>	<u>Target as %</u>	<u>Target as %</u>
	1	0	0	0	0	0
	2	12,000	2	2	0	0
	3	390,340	61	61	62	60
	4	236,005	37	37	38	40
	Total including general maintenance	638,345*	100.00			
2. Overall average internal rate of return (IRR) for industrial and retail investment properties.	<u>Category</u>	<u>IRR</u>				
	Industrial	14.67		15	15	15
	Retail	13.8		15	15	15
3(a)/(b). Total management costs per square metre (sq.m) for operational (a) and non-operational property (b).		(a) £0.66 m sq		£0.7 m sq	£0.68 m sq	£0.66 m sq
	(Indicator definition of management costs changed this year)	(b) £0.23 m sq		£0.2 m sq	£0.19 m sq	£0.18m sq
4(a). Repair and maintenance costs per square metre (sq.m) for operational buildings (including fees).		18.63 sq m		18.50 sq m	18.45 sq m	18.44 sq m
4(b). Energy costs per square metre (sq.m) for operational buildings.	<u>2002</u>	<u>2003</u>				
	Max	£138.37/m sq	£125/msq	£120.00 m sq	£115	£110
	Average	£65/m sq	£60/ m sq	£55/ m sq	£54	£52
	Minimum	£0.30/m sq	£0.46/m sq	£0.45/ m sq		
4(c). Water costs per square metre (sq.m) for operational buildings.	Max	£160.42/m sq	£148.78/m sq	£145/ m sq	£142/ m sq	£140/ m sq
	Average	£18.03/m sq	£20-£30/m sq	£20-£30/ m sq	£18/ m sq	£18/ m sq
	Minimum	£0.42/m sq	£0.31/m sq	£0.30/ m sq	£0.28/ m sq	£0.26/ m sq
4(d). CO ² emissions in tonnes of carbon dioxide per square metre (sq.m) for operational buildings.	Max	910 kg/m sq	164 kg/m sq	160 kg/m sq	158 kg/m sq	156 kg/m sq
	Average	66 kg/m sq	60 kg/m sq	60 kg/m sq	58 kg/m sq	56 kg/m sq
	Minimum	0 kg/m sq	0kg/m sq	0 kg/m sq	0 kg/m sq	0 kg/m sq
5(a). % of projects where outturn falls within 5% of the estimated outturn, expressed as a % of the total number of projects completed in the financial year.		100%		100%	100%	100%
5(b). % of projects		100%		100%		

falling within +5% of the estimated timescale, expressed as a % of the total number of projects completed in the financial year.			100%	100%	
Local Indicators:					
1. Number of units void as a % of investment properties.	Industrial Retail	6.25% 14.29%	6% 13%	.58% 12.5%	.56% 12%
2. % of rent arrears as a proportion of annual rent income for commercial property.	26.42%		15%	14%	13%
3(a). % of maintenance spend against total revenue budget.	13.61%		20%	19%	18%
3(b). % of maintenance spend against total capital value of assets.	1.176%		5%	4.9%	4.8%

Asset Management and the Disability Discrimination Act 1995.(DDA)

It should be noted that funding of £613,000 is likely to be required over the next three years for works to the Council's buildings / properties in order to fulfil our obligations under the DDA. This will be in addition to monies already requested for maintenance purposes.