

Taunton Deane Borough Council

Asset Management Plan (AMP) Review : September 2008

Report of the Corporate Property Officer to the meeting of the Executive – 15 October 2008

(This matter is the responsibility of Executive Councillor J Horsley)

Executive Summary

The review of the Asset Management Plan as mentioned in the early 2008 update has now been completed. The new document covers the following areas:

The Property Portfolio
Financial Context
Business Aims and Objectives
Review of Current Property Assets
Key Activities 2009/10

1. Background

- 1.1 The Asset Management Plan (AMP) is a key corporate planning document, and as such is refreshed on an annual basis.
- 1.2 A thorough review of the format and content of the Asset Management Plan (AMP) has now been completed (September 2008) An executive summary containing all the key points in included at Appendix 'A'.
- 1.3 In pursuit of its priority outcomes the Council is continuing an exercise where it is reviewing all the property that it owns. It has to decide whether it is still relevant to own; policy needs to be reviewed in order to achieve consistency of objectives over the long term; and particularly, strategic decisions will be required in order to drive asset development.

2 Future AMPs

- 2.1 Future AMP's will continue to reflect best practice; is focussed on the Council's priorities and enables the Council's property assets to optimise their contribution to corporate goals; improve service delivery and return capital and revenue returns.

- 2.2 The Borough Council recognises the corporate and strategic importance of good management of its land and property estate, whilst ensuring the property portfolio is suitable for the delivery of the Council's responsibilities. It is the intention to ensure sustainable capital returns and revenue income can be achieved. Regular systematic reviews of all Council assets will be undertaken, with all opportunities being reviewed via options appraisals and life cycle costs.

3 Recommendations

- 3.1 The Executive is recommended to approve the September 2008 review of the Asset Management Plan.

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TAUNTON DEANE BOROUGH COUNCIL

APPENDIX A

ASSET MANAGEMENT PLAN – EXECUTIVE SUMMARY

Contents:-

1. Introduction
2. The Property Portfolio
3. Financial Context
4. Business Aims and Objectives
5. Review of Current Property Assets
- 6 Key Activities for 2009/2010
7. Conclusion

1. Introduction

- 1.1 The AMP group was formed in 2000 under the responsibility of the Executive Portfolio Holder for Economic Development and the Corporate Property Officer, following directives from central government. All Local Authorities were required to produce AMPs for submission to the Government in 2001.
- 1.2 Following a “poor” assessment in 2001, the 2002 AMP submission was awarded a “good” rating. Not only did this give Taunton Deane an extra £50,000 in capital spending approvals but it further meant that Taunton Deane was not required to submit any further AMPs to Central Government.
- 1.3 Taunton Deane has continued to produce AMPs albeit modified to suit the Council's wishes and priorities.
- 1.4 As alluded to earlier, those sections within the Council undertaking property management functions have been restructured and brought together as one team – Property Services. The Report by the Strategic Director on the restructure was submitted to and approved by the Executive on 24 May 2005. The new group consisted of a Facilities Team, a Maintenance and Design Team, an Asset Holdings Team, and a Geographical Information Systems Team. In 2006 the Facilities Team was removed from Property Services. The group has the responsibility of producing the AMP and ensuring the Council's assets are properly maintained and wishes of Members are carried out. The Facilities Team was brought back into Property Services in the

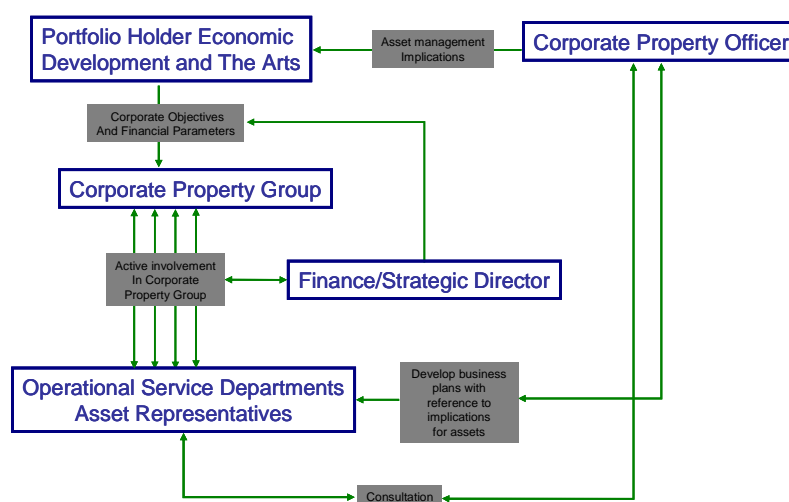
beginning of June 2008. Taunton Deane Property services, with the exception of the Facilities Team, move to County Hall in July 2008. The Facilities Team remained at the Deane House.

- 1.5 The AMP is the corporate statement about how the Council will use its property asset resources to contribute to fulfilling its corporate priorities. These include operational property, community assets, infrastructure assets and non-operational property; all require to be managed in an effective way.

Property assets are expensive in terms of capital and revenue; they need to be carefully managed over their life to ensure best value in terms of utilisation, maintenance and income generation; and the procurement and delivery of new property assets is a long process which can be expensive in terms of abortive costs and staff resources.

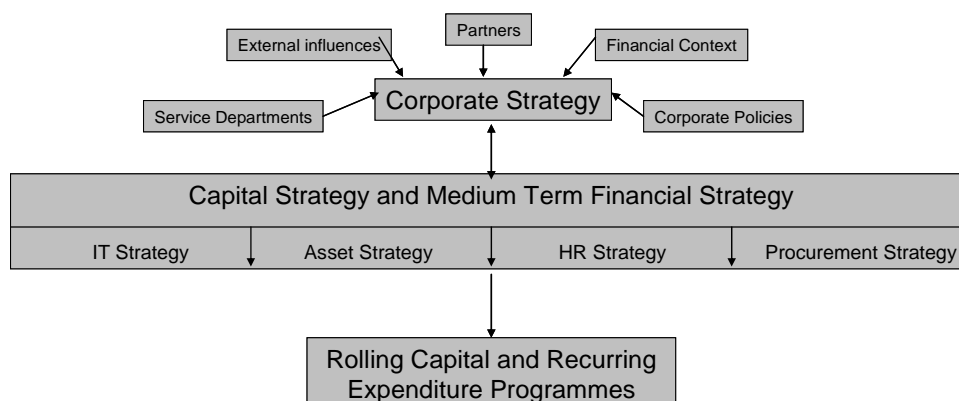
It is the Council's intention to keep the AMP as flexible and responsive as possible so that the property assets can assist in the pursuit of corporate objectives.

To ensure that property matters are kept at the forefront of the strategic overview and management of the Council's priorities the Corporate Property Group take the corporate objectives and integrate them with the portfolio planning.



The Heads of Service have responsibility for defining their own operational requirements for service delivery and report to the AMP group annually on the use of assets within their service. This information enables finance/actions to be followed to ensure that best value is obtained by the optimum use of buildings.

The AMP is the link between the property portfolio and the Corporate Structure to facilitate better delivery of the Council's key objectives and priority outcomes:



A key message recognised by the Council is that property should be managed in a commercial way to ensure value for money, efficiency and effectiveness.

2. The Property Portfolio

The Council has an asset base of over £59.507 million, including £15.88 million of non-operational properties of which it holds an investment portfolio of £12.38 million. The remainder of the non-operational assets held (£3.5 million) include for recreational purposes (including play provision) or for the purpose of enhancing the environment.

As a Local Authority, it holds property assets in its two distinct roles:

- a) As owner in its capacity as a landlord; or
- b) As owner or lessee as a provider of local authority services.

The Council recognises that it should own property for four reasons:

- a) There is a present or short term future operational purpose;
- b) To produce a commercial investment return;
- c) For the prevention of inappropriate development; or
- d) To facilitate strategic planning and economic development aims including encouragement of employment opportunities.

No matter why the Council owns or leases property, it is under a duty to manage the portfolio to the best advantage of its communities and to achieve best value for the local tax payers.

The current portfolio can be categorized into two types:

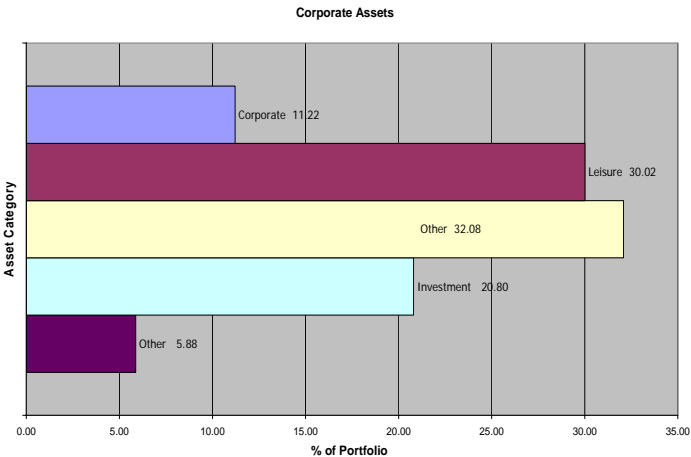
- a) **Operational properties:** either occupied directly by the Council for its administrative functions or for the delivery of services to the public, or properties owned to facilitate the provision of services or facilities to the public; and

Property Category	% of portfolio	Fixed Asset Value £1000	Assets
Corporate buildings	11.22	6.675	6
Leisure	30.02	17.862	17
Other Operational	32.08	19.090	41
Investment	20.80	12.380	65
Other	5.88	3.500	12
Total	100.00	£59.507	141

Non-operational properties:

land and property owned by the Council for the purposes of producing investment income, improvement of the District or the proper planning of the area. Control over the use of the land is thus retained and where possible lettings are secured on commercial terms to produce an income return.

In addition the Council owns a significant number of parcels of land which are not included in the above totals and which generally have little or no value.



1

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3 The Financial Context

Overall financial position of the Council

The Council is experiencing pressures on both the revenue budget and the capital programme. In 2008/09 the Council has only £15k of unallocated capital receipts.

The financial outlook

There are local areas of pressure for future finances one being Project Taunton and the implications of land deals.

There are two capital reserves that represent useable cash available to support spending on the creation or enhancement of assets. They are the Unallocated Capital Resources (Non-Hsg) and Unallocated Capital Resources (Hsg).

The following table shows a forecast of the position at 31/3/09:-

Unallocated Capital Resources (Non-Housing)

Financial Year	Balance at start of year £'000	Income from revenue (RCCO) £'000	Prudential Borrowing £'000	Income from sale of assets (capital receipts) £'000	New Capital Spending £'000	Balance at end of year £'000
2008/09 Predicted	43	15	0	0	(43)	15

Currently, almost all capital reserves have been committed to fund future capital projects in 2008/09 onwards, leaving only £15k as yet unallocated.

Unallocated Capital Resources (Housing)

Financial Year	Balance at start of year £'000	Income from revenue (RCCO) £'000	Supported Borrowing £'000	Govt Grants £'000	Income from sale of assets (capital receipts) £'000	New Capital Spending £'000	Balance at end of year £'000
2008/09 Predicted	1,587	1,552	821	3,942	805	(7,922)	785

the context for decision making relating to the property assets.

The Council's property assets contribute to the overall financial performance in the following ways;

The programme of capital receipts provides one of the key funding sources for the capital programme.

Non operational assets provide an element of net income to support the revenue budget

By providing the opportunity to improve utilisation and efficiency in all areas of property occupation

4 Business Aims and Objectives

4 1 Introduction

In pursuit of its priority outcomes the Council is continuing an exercise where it is reviewing all the property that it owns and leases. It has to decide whether it is still relevant to own or lease those which it does; policy needs to be reviewed in order to achieve consistency of objectives over the long term; and particularly, strategic decisions will be required in order to drive asset development.

The Council's priority outcomes can be briefly summarised as follows:

- ❑ *Stimulate the creation of new jobs in the Borough and reduce deprivation in the most deprived wards in Taunton Deane* – the Council's investment portfolio is not only a means of producing valuable income, but encourages private sector investment by encouraging regeneration projects. The property reviews will release opportunities for further economic regeneration
- ❑ *Support the diversification and strengthening of the rural economy of the Borough* – by using the Council's portfolio to stimulate regeneration and diversification projects
- ❑ *Reduce the incidence of crime* - the Council uses its assets together with partners (eg. Community Groups, Somerset Police) to develop safer environments, equality of opportunity and access to neighbourhood policing
- ❑ *Enable the building of affordable housing and reduce the number of homeless households* - the Council already provide accommodation for tenants in over 6,000 council owned residential properties around the district and the management and maintenance of those properties is supported by its Housing Strategy. The Council's portfolio offers opportunities to facilitate the development of affordable housing by both the private sector and Registered Social Landlords

- ❑ *Promote healthy activities* - the Council's parks and open spaces offer the opportunity for leisure and recreation and both the non-operational and operational portfolios include sports centres and open space.
- ❑ *Increase the cleanliness of the local environment and increase the percentage of household waste recycled and actively promote sustainability* - the Council's property assets contribute through the effective management of energy use and reduction in carbon footprint where feasible, leading by example
- ❑ *Reduce the risk of flooding to Taunton town centre* – working with the Environment Agency to reduce the impact of changes in rainfall and river levels
- ❑ *Provide value for money services* – a key area in which the property portfolio makes a significant contribution through a reduction in the cost base and an improvement in investment income

It is the Council's intention to ensure that it can and will streamline the delivery of services and achieve cost savings to the benefit of its customers. The Council is moving to a position where the ownership of property can only be justified in relation to its key objectives by assessment against the following criteria:

- a) Strategic – where and how the front line services should be delivered
- b) Operational – the Council's core processes delivered in effective, efficient and sustainable properties. This will form a key part of the operational reviews to be undertaken, described in Section 4 below
- c) Investment – the setting of a target rate of return from the investment portfolio, with subsequent disposal of under-performing investments unless there are over-riding reasons for retention, or a renegotiation of lease terms

The implications of implementing the strategic review are not yet quantifiable in terms of the changes which will be required in both the operational and non-operational portfolios. As part of the exercise to determine the optimum property holding, asset reviews will be undertaken as described in Section.

4.2 Integration with Corporate Plan

The AMP is written on a number of levels and as more data is collated and verified it will drill down to individual property level for implementation. The Council is committed to ensuring that the AMP integrates its property planning into the overall Corporate Strategy and facilitates the use of property to drive efficiencies into its systems and processes. The Council intends to move to a position where it will be able to:

- a) fully integrate asset management planning with business planning at corporate and service levels. The role and contribution of property will be explicit in business plans such as flexible working policies, ICT plans and customer access strategies;

- b) use its property portfolio as a driver and enabler of change in the organisation. It will understand the opportunity cost of its property and exploits this to deliver better value for money and benefits for the local community; and
- c) integrate the management of its asset base with that of other local public agencies to identify opportunities for shared use of property.

5 Review of Current Property Assets

The Council is about to undertake an overall assessment and review of its property portfolio.

5.1 Property Review

The properties are reviewed against criteria appropriate to their category:

- a) Operational property
 - 1. Condition, rated A (Good) to D (Bad);
 - 2. Priority of repairs and maintenance rated 1 (urgent work) to 4 (long term work);
 - 3. Fitness for purpose to incorporate an assessment of the suitability of the accommodation in relation to the particular service delivered; the sufficiency in regard to space planning and utilisation; and the sustainability in both environmental and economic terms; and
 - 4. Strategic importance, if appropriate.
- b) Non-operational property
 - 1. Strategic importance, if appropriate; and
 - 2. Any future liabilities.

The reports will focus on a number of key outputs as follows:

5.2 Operational Property:

For each category assessed there will be a common rating applied from A (Good), B (Satisfactory), C (Poor) or D (Bad).

- 1. Condition – each element of the property will be assessed and rated. The rating of each element will then enable the inspecting surveyor to quantify an overall rating for the property as A, B, C or D. For each element, any works of repair or maintenance will be categorised as 1 (urgent work, prevent immediate closure), 2 (essential work <2 years), 3 (desirable work 3-5 years) or 4 (long term work +5 years).

2. Suitability – in respect of the appropriateness of use for the operational requirements, with particular regard to location, layout and accessibility both for staff and the visiting public. The building can then be rated A – D.
3. Sufficiency – an assessment of the size, layout and availability of space both internal and external to ensure that the building meets the business needs of the user department. Measurement of utilisation rates can be assessed against best practice benchmarking information which will identify potentially under or over-utilised properties. Each building can then be rated A – D.
4. Sustainability – a sustainability rating will be assessed against a number of criteria; each property will be rated A - D according to its energy efficiency which is driven in part by the building construction and condition, linking back to the condition assessment rating; transport links both for staff the visiting public and an assessment of the economic viability of the property will all count towards the final rating;
5. Development opportunities – it must always be borne in mind that all accommodation, even if it is otherwise rated A in every category, can potentially be re-provided in an alternative location to release valuable sites for disposal. Thus any opportunities to achieve revenue savings or capital receipts can be exploited in full;
6. Options for alternative or shared use – between the Council and any other public sector partner, for example, Somerset County Council, Somerset Police;
7. Disposal potential – as outlined above;
8. Private sector partnering opportunities – as the Council moves forward with the enabling agenda such opportunities should become apparent; and
9. Valuations – Existing Use, Insurance and Disposal if appropriate

5.3 Non-operational Property:

1. Fitness for purpose – each building (asset) will be assessed in its existing use both internally and externally and issues such as site coverage, transport links and accessibility will feed through into the rating of A - D;
2. Financial performance and investment return – the Council will develop a framework for the review of investment properties which will include a minimum return in terms of initial yield. Any investments failing to reach the threshold will automatically be flagged for potential disposal. A further review will then be undertaken by the Asset Management Team to explore the possibilities of improving the return by way of renegotiation of leases, capital investment or other means;
3. Future liabilities – only those repair and maintenance items which are the responsibility of the Council will be rated. However properties where tenants

are not complying with their repairing covenants will be passed to the Asset Management Team for further action;

4. Development opportunities – should be flagged and investigated; and
5. Valuations – Existing Use, Insurance and Disposal if appropriate.

Full information on the following aspects can then be collated and incorporated into the database, using the ratings which flow from the reviews wherever possible:

- a) Location
- b) Function
- c) Size
- d) Utilisation rates
- e) Condition
- f) Fitness for purpose
- g) Costs in use
- h) Comparison with performance data from OGC benchmarking service

On completion of the reviews a detailed analysis and measurement of the assets against the benchmarking data will be undertaken to identify under-utilised or under-performing assets so that informed decisions can be made in respect of their future.

Where property assets fail to meet the required objectives a reasoned strategy can be put in place for improvement, re-use or disposal. It is the intention to ensure that both the operational and non-operational retained portfolios are efficient and effective.

6 Key Activities to March 2009

The Council intends to complete the following during the financial year 2009/10, resources permitting:

1. Bring the condition surveys and costings of backlog maintenance up to date;
2. Develop a programme to bring the average rating of the retained properties up to B3 within 10 years;
3. Complete a programme of operational property reviews as described in Section 6 above;
4. Start a programme of non-operational property reviews to ensure that the portfolio meets the investment criteria or is being held for other strategic reason;
5. Undertake a strategic review of the whole portfolio;

6. Validate the data held on the property assets and add the strategic review results; and
7. Implement a formal set of Key Performance Indicators for benchmarking.

7 Conclusion

- 7.1 It can clearly be seen that since the start of the AMP process much has been achieved. Much is also planned for the future, although with the Taunton Deane Property Services becoming part of Southwest One in December 2007, it is difficult to plan accurately.
- 7.2 However, with the broad principle of disposing/developing of assets that are poor, inefficient or do not add to the Corporate Priorities and putting money into those elements that are required either by legislation (DDA, Asbestos Legionella, Contaminated land or that contribute to greater efficiencies (ie, in space standards, use of energy) this Authority is achieving good value from its assets.

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Background Papers:-

Asset Management Plan 2006

Asset Management Plan 2008 (full copy available in the Members Room)