



DRAFT ASSET MANAGEMENT PLAN 2011-16

REPORT OF HEAD OF ESTATES



Winchester
City Council

1 Introduction

- 1.1 From 1 October 2010 the Head of Estates became accountable for asset management, planning and general maintenance for all of the Council's operational and non operational General Fund properties along with the non-operational HRA properties and three and a half FTE posts were added to the Estates Team to provide additional resources.

Winchester District Community Strategy

- 1.2 The Winchester District Community Strategy is the vision for the District and forms the foundation on which the Council's policy actions are built. The Community Strategy has direct relevance to the preparation of the Council's Asset Management Plan in that it sets out the way that the City Council and its partners would like the District to change over the next decade. The priority outcomes which are set by the Strategy are:
- Active Communities
 - Prosperous Economy
 - High Quality Environment
- 1.3 The Strategy and supporting Change Plans identify what this means in practice and set out in Table 1 below are those outcomes which relate to the use of the Council's property assets.

Theme	Output
Active Communities	<p>Improve access to services.</p> <p>Make best use of public sector assets such as redundant buildings to provide new ways of delivering related services across sectors.</p> <p>Explore opportunities to co-locate and share the cost of overheads.</p> <p>Provide opportunities for everyone to become more active.</p> <p>Access to high quality housing.</p> <p>Provide opportunities to become engaged in cultural and creative activities.</p>
Prosperous Economy	<p>Exploit the District's cultural strengths, heritage and historic environment alongside its good transport and communication links and its excellent education facilities to stimulate a</p>

	<p>modern and creative approach to business.</p> <p>Make the most of local opportunities to enhance the skills and ambitions of those who live in the District.</p> <p>Build a low carbon economy.</p> <p>Help business to be good neighbours.</p> <p>Encouraging innovative solutions to premises and transport challenges in the Town area.</p> <p>Making the best use of the City Council's Estate to support the local economy.</p>
High Quality Environment	<p>Reduce the District's greenhouse gas emissions.</p> <p>Protect and improve our landscapes and townscapes.</p> <p>Ensure that new development is sensitive and appropriate to the local environment.</p> <p>Waste minimisation.</p>

Table 1

- 1.4 A further theme which is directly relevant to the preparation of the Asset Management Plan is that of "Efficient and Effective Council" is detailed in Table 2.

Theme	Output
Efficient & Effective Council	<p>Lead by example in using our own operational properties to address workplace deficiencies.</p> <p>Join partners, including other local authorities, public and private organisations in collaboratively providing services.</p> <p>Redesign of services that explores the potential for collaborative working with partners.</p> <p>Commission partners to deliver the outcomes included in change plans.</p> <p>Exploit all suitable opportunities for securing shared service delivery and accommodation.</p>

	Embed efficiency measures within all programmes of work and look for ways in which to reduce resources needed.
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Table 2

Following the Coalition Government’s spending review announcements in October 2010, the pressure on Local Authorities to reduce costs has become greater than ever. It is anticipated that Local Government funding from Central Government would be reduced by 28% by 2014/15. Furthermore in May 2011 inflation as measured under the RPI index was measured at 5.2% while energy costs were expected to rise by between 15-20% during the next year.

Property Resources

- 1.5 The Asset Management Plan forms part of the strategic policy framework which guides how the Council’s priorities can be delivered. The Council’s property portfolio is listed at Appendix A and the beneficial use of these assets has a significant impact on the ability to deliver the objectives set out in the Community Strategy. The portfolio was re-valued by external consultant valuers in March under the latest RICS Red Book and IFRS regulations. The asset base was valued at £88,760,279 broken down as detailed below in Table 3:

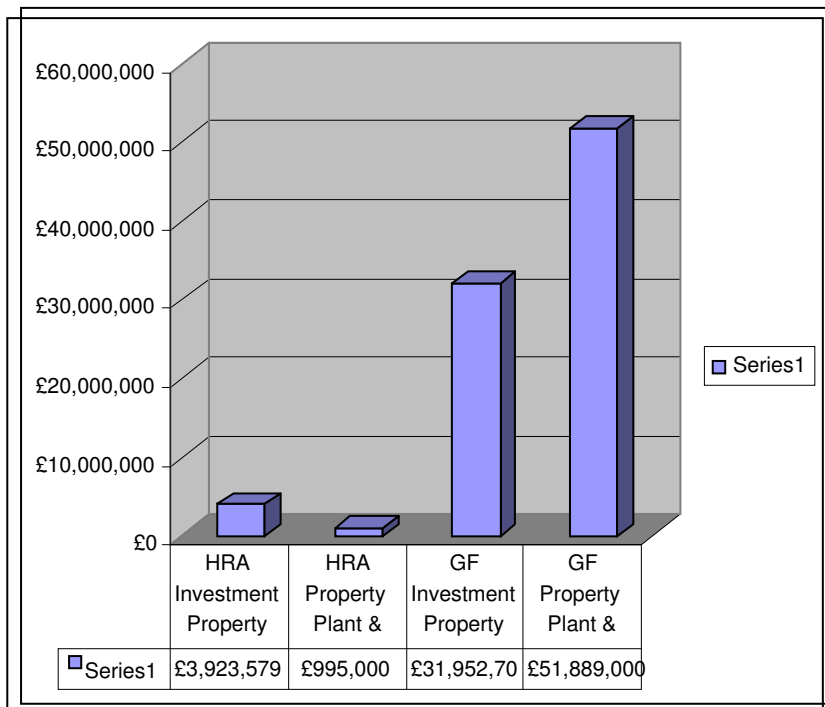


Table 3

Revenue Income

- 1.6 The principal sources of revenue income received by the Council flows from the General Fund investment properties, the Guildhall and Car Parks. The target income projections for 2011-12 are £9,377,964 as set out in chart at Table 4.

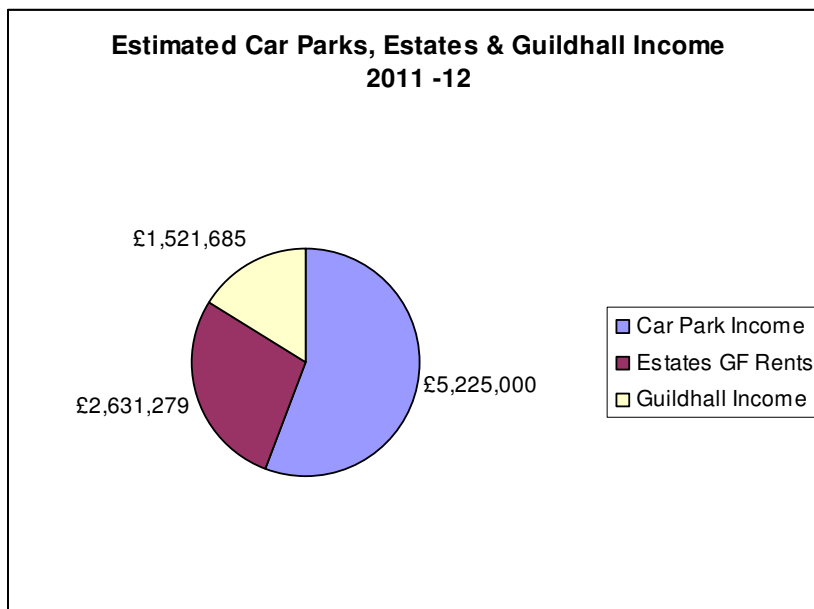


Table 4

The Estates figure includes all operational and non operational General Fund (GF) rents and Markets and the Guildhall figures include internal charges for room hire and income paid to the Banqueting contractors. The Car Parks income includes On and Off Street income, PCN's and Residents Permit charges.

Staffing Resources

- 1.7 The staffing resources available within Estates Department for managing the Councils non housing property portfolio are detailed below:
- Head of Estates
 - Estates – 0.81 fte Senior Estates Surveyor, Estates Surveyor, Estates Assistant, Estates Technician (0.5 vacant), 0.5fte Energy Manager.
 - Facilities Management – Facilities Manager, Facilities Assistant, Maintenance Assistant, 0.81 fte Canteen Assistant.
 - Building Services – Corporate Property Surveyor (Vacant), Corporate Building Surveyor, 0.5 fte Asset Surveyor(Vacant) 0.5fte Administrator (Vacant)

- Guildhall – Guildhall & Conference Manager, 8.37 fte managers and staff, 4 Guildhall & Facilities Assistants and the Finance & Administration Officer.

1.8 The 0.5fte Energy Manager's post is being merged for a trial period of 12 months with 0.5fte of the Estates technicians post. The remaining 0.5 fte of the technicians post will be recruited separately to provide continuity of technical support for the team. The Corporate Property Surveyor and the 0.5fte Administrators posts have been approved and recruitment is under way. The 0.5 fte Asset Surveyor post is being held vacant as a contribution towards the corporate flexible resource management target in the budget pending the property workload developing under the Asset Management Plan.

Estates

1.9 The role of the Estates team is to manage the corporate operational and non operational property portfolio within the framework of the Community Strategy and Change plans. The objective are:-

- The maximisation of revenue and capital income,
- Undertake land and asset reviews,
- to review and minimise the rate payments for the operational properties and those commercial properties where the Council is liable for the rates payments,
- The provision of professional valuation advice to the Head of Finance in connection with Asset and fire insurance valuations for both HRA and GF property,
- Negotiation and management of energy purchase for the Council operational properties,
- Record keeping for the ownership and disposal of the Councils property interests,
- The provision of professional valuation advice to service units,
- Liaison with the Corporate Building Surveyor to arrange where the Council is liable for the maintenance of non-operational property,
- Management of City Centre markets,
- The negotiation of leases and disposals of property,
- The maintenance of the Asbestos register.
- The management of rent arrears.

- The acquisition and disposal of property
- Negotiating easements, wayleaves and restrictive covenants.

Facilities Management

1.10 The FM team are responsible for:-

- The day to day management of the Council's GF operational office premises including City Offices, West Wing, Offices and TIC within the Guildhall, F2, CCTV offices, Abbey House, The Colebrook Centre and 68 St Georges Street.
- The procurement and management of contracts for cleaning, the management of confidential waste, sanitary disposal, fire and burglar alarms, caretaking, security and key holding for buildings, window cleaning and with the Corporate Building Surveyor day to day and long term building maintenance.
- Maintaining building security and the management of contractors on site.
- Management of the staff canteen.
- On site Health and Safety compliance.
- On site caretaking provision.
- Management of the Courier service.
- Management of the storage of records at F2.
- Overview of the Guildhall business activities and staff.
- Planning, managing and implementing office moves.
- Space planning.
- Control of office CCTV system.
- Purchasing of office furniture.
- The preparation and updating of fire risk assessments fire management plans and ensuring compliance.
- Updating accommodation plans for corporate charging
- Control of master keys for the security of the buildings.
- Water coolers and boilers.

Building Services

- 1.11 The Building Services team currently comprises the Corporate Building Surveyor and authority has recently been secured to appoint a full time team manager and a part time administrator. The purpose of the team will be to:-
- Provide a day to day service for the maintenance of the Council's corporate operational and non operational properties.
 - Undertake regular reviews of the condition of property and plant.
 - Develop a planned maintenance programme for the operational properties.
 - Ensure that work undertaken by contractors complies with the specification
 - Management of the maintenance budget .
 - Manage with the Head of Estates new build and refurbishment projects
 - Work with Heads of Service, the FM and Estates teams to continuously review the operational property to improve its effectiveness and reduce occupational running costs.

The Guildhall

- 1.12 The Guildhall staff primary function is to run the building as a community and conference facility and in so doing to contribute any surpluses to the GF to support the ongoing maintenance of the building, improvement of service standards and to support the Council's budget. Within the staff four employees are titled Guildhall & Facilities assistants and part of their job requires them to support the FM team and the Courier service. These staff will also undertake simple maintenance and decoration tasks within the Guildhall.

Supplementary Resources

- 1.13 The Estates and Property Services teams liaise over the implementation of contracts for property based service provision such as lift maintenance, fire alarm, electrical services etc, to ensure that the Council receives value for money when awarding these contracts.
- 1.14 Additional staffing resources are engaged directly by the Head of Estates to manage the delivery of major development projects. Typically this involves the appointment of teams of private consultants including: Project and Construction Managers, Structural and M&E Engineers, Architects, CDM Co-ordinators, Quantity Surveyors, soils and contamination specialists, noise and traffic consultants.

- 1.15 The consultants are usually appointed in accordance with the Council's Contract Procedure rules, but occasionally it is necessary to make direct appointments for certain specialist tasks.
- 1.16 The Council formerly directly employed a Market Manager, however it was clear that if the decline of the City Centre Market was to be halted, that expert specialists would be required to do this. SMTC Ltd have been engaged to manage the Markets directly as the Council's Agents.
- 1.17 The Estates Team work closely with the Finance and Legal Teams and the rate at which each works is significantly dependent upon the ability of the other teams to provide the necessary staffing resources.

Administrative Structure

- 1.18 The Estates teams are part of the Governance Division alongside, IMT Democratic, Financial and Legal Services, and Revenues & Benefits. The Estates teams have close working relationships with the other units, confirming that the divisional structure is the correct one for the delivery of the service.
- 1.19 The Head of Estates act as the Council's Corporate Property Officer (CPO) and is supported in this role by the Capital Programme and Assets Group (CPAG). This corporate group has been active in overseeing the production and delivery of capital and asset management planning.
- 1.20 In order to put in place good practice in the management of the Council's property assets there need to be clearly defined roles and responsibilities. The current arrangement of responsibilities is identified at Table 5:

Responsibility		Person
Cabinet Member	Major Schemes Overall	Leader Portfolio Holder for Finance & Estates
Corporate Property Officer		Head of Estates
Capital Programme co-ordination		Head of Finance
Strategic Asset Management		Head of Estates
Day to day property management Housing Revenue Account		Head of Housing Landlord Services
Day to day management operational property (client)		Relevant Head of Team
Technical support repair and maintenance		Head of Estates

Table 5

- 1.21 The client officer for each of the operational groups of property is detailed in Table 6;

Property Group	Client Officer
Non-Operational Property	Head of Estates
City Offices / Guildhall	Head of Estates
Car Parks	Head of Access & Infrastructure
Leisure Centres	Head of Sport & Recreation
Museums	Head of Museums
Public Conveniences / Parks	Head of Environment
Cemeteries	Head of Legal Services
Abbey House	Head of Democratic Services

Table 6

- 1.22 As a structure this results in fragmented budgets and competing demands for finance. Individual Heads of Teams do not generally have expertise in the management of property or the prioritisation of property maintenance. Ideally a corporate approach to asset management should be employed to ensure that the best use is made of the Council's financial and property resources to facilitate the delivery of the authority's overall objectives.
- 1.23 It is therefore recommended that the Council's property assets and property budgets be held corporately. In practice this would require the Head of Estates to adopt overall control of the operational Corporate as well as the investment property portfolios. The day to day management of the properties would remain the responsibility of the Service Heads and in the case of Access and Infrastructure planned maintenance and inspection of the engineering structures would still be carried out by them, but within a corporate planning framework.

The Budget Process

- 1.24 The detailed form of capital programme and revenue budgets are determined by the Head of Finance. Capital programmes and revenue budgets are prepared each year by the Heads of Divisions in consultation and jointly with the Head of Finance, who collates them for consideration by Corporate Management Team and the appropriate Committees. The Capital Programme and Revenue budgets are then submitted to Cabinet for approval by the Head of Finance.
- 1.25 The inclusion of a scheme in the Capital Programme does not give authority to incur expenditure until the appropriate Head of Division has in consultation with the Head of Finance submitted a full project report to Cabinet and the project has been approved by it. A full financial appraisal is required for all schemes costing in excess of £100,000. Winchester Town Forum may

authorise incurring expenditure up to a limit of £50,000 on Town Account Capital Schemes within the approved Capital programme without a separate report to Cabinet.

- 1.26 Requests for changes to the Capital Programme are submitted to Cabinet for approval following consultation with the Head of Finance. Requests for supplementary estimates over £100,000 have to be approved by Council. In addition The Overview and Scrutiny Committee has to be given the opportunity to call in any supplementary capital estimate or virement over £50,000.

Project Prioritisation

Decisions on the suitability of schemes for future capital investment involve a process that follows the route identified below:

- a). The prioritisation of capital resources is considered annually by the Capital Programme and Assets Group on the basis of identified needs and priorities and is reviewed by Corporate Management Team(CMT) before being submitted to Cabinet each year as an integral part of the budget process. It is also updated during the year, taking into account legislative changes, new schemes approved and any roll forward of budgets from the previous year. This group comprises service heads and CMT.
 - b). Proposals may be considered by the Leaders Board, alternatively they may be discussed with the Portfolio Lead.
 - c). A report is prepared for Cabinet or portfolio holder decision (PHD) depending on the type of project; if the expenditure required is not in the Capital Programme the matter can be referred for scrutiny by The Overview & Scrutiny Committee. If the project is of significant size the proposal may be referred to Full Council for a decision.
 - e). Approved schemes involving significant capital expenditure are subject to Highlight Reports to the Performance Management Team chaired by the Chief Executive.
 - f). The highlight reports are reviewed by a Cabinet Member monthly.
- 1.27 Capital schemes are prioritised for inclusion within the Capital Programme and for ongoing monitoring by Performance Management Team (PMT). Schemes have to demonstrate:
- Clear links to the Council's priorities
 - Have political support
 - Deliver customer satisfaction
 - The project risk is considered

- The environmental impact is considered
- Efficiency improvements
- Enhancement to the Councils reputation
- The availability of the resources required.

Projects are scored as Bronze, Silver or Gold and the scoring is used to determine whether a scheme should be proceeded with.

- 1.28 The Direct involvement of the Leader and Portfolio Lead in the asset management process demonstrates the importance attached to property by the Council. There is a clear recognition by members of all parties that the use of the Council's asset base can have a direct and long term impact on the Council's finances and its ability to deliver a number of its priority outcomes.

Compliance

- 1.29 Local authorities have a responsibility to protect both employees and the general public who use their facilities or buildings. Over recent years, the requirements to comply with a range of statutes and regulations relating to premises have increased significantly. Failure to do so adequately can give rise to risk of prosecution, possible claims for compensation and adverse publicity.
- 1.30 In dealing with a large portfolio it is recognised that a balance must be struck between addressing the ongoing work of property management and ensuring that the demands of regulation and compliance are met. This implies the need for adequate systems to centrally record and monitor all areas of compliance across the entire portfolio, to ensure that there is a defensible and rigorous process in place that applies common standards across all buildings. Without a comprehensive approach there is a significant risk of compliance issues being inadequately met or inconsistently updated and applied.
- 1.31 Compliance is a broad and in some areas specialist activity covering a wide range of areas including:
- Asbestos Register
 - Air conditioning inspections
 - Contractor accreditation/insurance checking
 - Disability Discrimination Act (DDA) compliance
 - Energy management
 - Fire Risk

- Fire appliance servicing/alarm testing
- Fixed wiring inspection testing
- Gas appliance servicing
- Health & Safety
- Lift inspections
- Legionella/water hygiene management
- Portable Appliance Testing
- Window maintenance.

1.32 Business disruption through poor Health & Safety practices or non-compliant maintenance regimes can impact on service delivery and financial efficiency which can lead to claims for compensation. It is therefore essential to have the processes relating to the monitoring and enforcement of compliance managed by those with the necessary up to date specialist knowledge to minimise these risks.

Corporate Manslaughter

- 1.33 The Corporate Manslaughter and Corporate Homicide Act 2007 came into force on 6th April 2008. It created the new statutory offence "corporate manslaughter" under which Companies and government bodies face prosecution if they were found to have caused a person's death due to their corporate health and safety failings.
- 1.34 Until this law came into being, previous law linked an organisation's guilt to the gross negligence of an individual who was said to be the embodiment of the organisation. Under this regime, it proved very difficult to prosecute large organisations, and the only successful prosecutions were against small companies where the director and company were essentially one and the same. The new Act addressed this difficulty by focusing on the way in which the organisations activities were managed, and it was no longer reliant on one individual being found guilty of manslaughter. The courts were now able to consider the wider corporate picture, looking collectively at the actions, or the failings, of the company's senior management.
- 1.35 Senior management is defined in the Act as those persons who play a significant role in the decision-making process about how the organisation's activities are managed and organised. It is therefore now more essential than ever before to ensure that the organisational arrangements for areas such as the management of buildings and the procurement of works are defensible, and reflect best practice.

Property Information

- 1.36 The Head of Finance holds the corporate property information that is used to measure the performance of the Council's assets and to inform investments and decision making. The core information is held on the Council's Asset Register, which holds up to date details of all the Council's property holdings, in accordance with accounting requirements. This is supported by a comprehensive property register, held by Estates, which provides details of location, size, ownership, occupation, use, income and relevant cost information. The ownership details are recorded on the GIS mapping system which is updated regularly by IMT.
- 1.37 Another important aspect of property related information is energy usage. Buildings make a significant contribution to CO² emissions, and with rising fuel prices and limited natural resources it makes sense to minimise the use of energy wherever possible. This is an important aspect of the Council's commitment to sustainability. The Council measures CO² emissions and all types of energy usage for all its buildings, which again will enable informed decision to be made on investment and improvements that can reduce energy consumption and running costs. Energy usage data is co-ordinated by Estates and the data is used by the Corporate Business Manager to assess the CO² emissions which flow from this usage. This information has to be published annually on the Council's website.

Performance Measures

- 1.38 The principal performance measures will be the delivery of the projects identified in the plan. Included at Appendix B are details of the projects which have been completed since 2009. Appendix C includes the programme for the plan period and it is against the delivery of this that the success of the Asset Management Plan will be measured.
- 1.39 Other performance measures used include void property and rent arrears measurements. The performance against these targets is reported quarterly to The Overview and Scrutiny Committee. In addition to the delivery of strategic objectives and outcomes it may be useful to develop further key indicators including:
- Gross operational property costs as a percentage of the gross revenue budget
 - Gross property costs per sq m GIA
 - The number of properties for which an access audit has been undertaken
 - Total floor space per member of staff/per head of population
 - Total carbon output per sq m of GF operational property.

- 1.40 The Council also undertakes a full valuation of its portfolio, which is updated in accordance with RICS and IFRS standards at least once every five years. The portfolio was valued externally this year by King Sturge (now Jones Lang La Salle). As actions such as improvements and disposals take place, the Council’s valuation and asset register information is updated. These valuations can be used to determine the variations in value which have taken place over the plan period.
- 1.41 The former Head of Property Services appointed external consultants to undertake condition surveys of a number of the Council’s buildings. The information provided by these surveys should ideally be updated with annual inspections, ensuring that general condition and potential maintenance cost and building quality information can be used to inform decision making and strategic planning.
- 1.42 The condition assessments were based on the categorisation of condition and the prioritisation of works required, as set out in the table below. This categorisation enables capital expenditure to be prioritised to address those areas of need which are likely to have the greatest impact on service delivery.

Definition of Condition Categories:
A: Good – Performing as intended and operating efficiently. B: Satisfactory – Performing as intended but showing minor deterioration. C: Poor – Showing major defects and/or not operating as intended. D: Bad – Life expired and/or serious risk of imminent failure.
Priority:
1 Urgent works that will prevent immediate closure of premises and/or address an immediate high risk to the health and safety of the occupants and/or remedy a serious breach of legislation.
2 Essential work required within two years that will prevent serious deterioration of the fabric or services and/or address a medium risk to the health & safety of the occupants and/or a minor breach of the legislation.
3 Desirable work required within 3 to 5 years that will prevent deterioration of the fabric or services and/or address a low risk to the health & safety of the occupants and/or a minor breach of the legislation.

Table 7. Property Condition Assessment Criteria

Strategic Objectives for Use and Management of the Council’s Assets

- 1.43 This section of the plan sets out the strategic priorities for use and management of the Council’s assets for the plan period, and how they will contribute to the overall achievement of Community Strategy objectives.
- 1.44 The key drivers for the use of Council Assets are derived from the Community Strategy and the three stated priorities for action, together with the fourth theme of Efficient & Effective Council.

Operational Estate

- 1.45 The overall strategy for the Council's operational buildings, i.e. those that it uses to deliver direct services to the public is to take action to ensure that these are:
- Fit for purpose and sustainable (20% Carbon reduction in key business areas)
 - Contributing to a positive image of the Council and its services
 - Maintained to an appropriate and defined standard
 - Provide good financial return at an acceptable level of risk (Car Parks)
 - Managed and owned corporately
 - Used efficiently
 - Funded adequately
 - Reviewed regularly
 - Held only where supported by an informed business case for doing so.

Investment Portfolio

- 1.46 The investment portfolio provides valuable income to the Council which underpins its revenue budget. The portfolio is actively managed to maximise this income, and to ensure future rental growth. Properties are also held for regeneration purposes, where they can act as a catalyst to lever in additional private sector investment. The overall strategy for the use, ownership and acquisition of income producing investment/regeneration properties is that these should:
- Provide good financial return at an acceptable level of risk
 - Provide a cost effective contribution to achieving community or Council priorities, such as supporting local businesses, economic development, safeguarding the historic estate or regeneration
 - Provide longer term financial or strategic benefits that justify retention
 - Be re-used to meet the Council's or partners accommodation needs at an acceptable financial return

Community Land and Buildings

- 1.47 The Council's Community Land and Buildings should:
- Support the delivery of local voluntary services
 - Be adequately used and properly maintained
 - Be sustainable
 - Wherever possible and practicable that community land be transferred to the local Parish Council for ongoing management.

The tenants of the Community buildings are generally responsible for works to their premises, but if the resources were available they would benefit from support and advice in achieving them.

- 1.48 There are many Parish Councils within the District and the City Council has over many years had a policy of transferring open space and recreation land in the parishes to the local councils for direct local management.
- 1.49 The Council has a good record of using its property to support the Community sector. Premises are usually let at the market rent and if appropriate a grant has been awarded to the Community Group to meet the costs of occupying the buildings.
- 1.50 The Localism Bill which is currently working its way through parliament introduces a new right to buy assets of community value. The purpose of the provisions has been explained by the Minister of Decentralisation as follows:
- When important local amenities and buildings such as community centres, town halls, village shops or pubs come up for sale, communities will have extra time to prepare a bid to take them over, making it easier to keep much loved assets in public use and part of public life.*
- 1.51 It will be the responsibility of the Local Authority to maintain a list of land of community value, but the public will have the right to nominate property for inclusion on the list. The owners of community assets will not be able to dispose of them by way of freehold, or lease unless they have notified the local authority of the intention to do so and the local authority or owner has not received a request from a community group to be treated as a potential bidder.
- 1.52 Once the bill becomes law the Council will have to give consideration as to how the right to buy community assets can be made a success.

PLANNING ISSUES

Sustainability and Energy Efficiency

- 1.53 The Community Strategy recognises the impact that buildings have on the environment and links directly to the Council's Asset Management plan in helping to identify investments that can be made in Council properties to reduce emissions and improve overall efficiency. The Council has declared the intention to reduce CO₂ emissions by 20% by 2012.
- 1.54 The Council has a planning policy aspiration that all new build property is constructed to BREEAM Very Good standard. This policy requires an assessor to be appointed to consider development schemes and to review the development proposals against the BREEAM standards and then to monitor their implementation through to the completion of the project.

1.55 The Council is required to display certificates in the larger public buildings identifying their energy ratings. The table below identifies the latest ratings on the principal council buildings:

Site	Rating	Use
City Offices	121 = E	Offices
Guildhall	42 = B	
West Wing	86 = D	Offices
Meadowside Leisure Centre	57 = C	Leisure Centre
River Park Leisure Centre	71 = C	Leisure Centre

Table 8: Display Energy Certificates for Principal Corporate Properties

The most efficient building is the Guildhall following its refurbishment last year and the least efficient the City Offices. Further investment should be made in reducing energy consumption. The Council spent £325,359 on utility costs on its corporate General Fund operational properties in 2010/11.

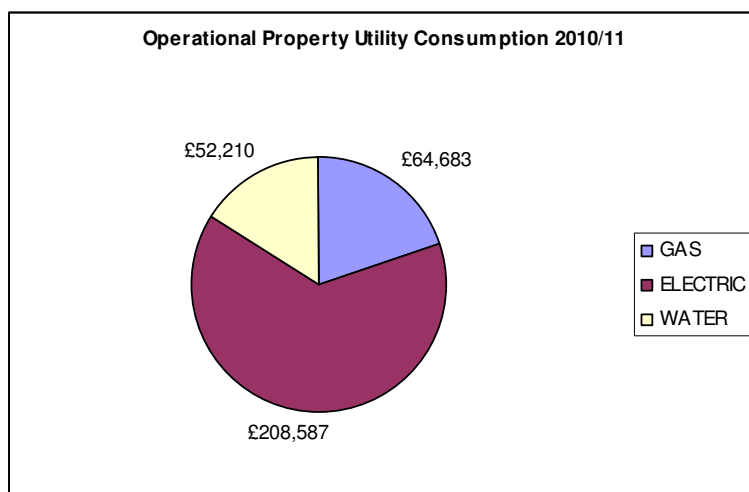


Table 9: Utility Consumption WCC operational Property 201/11

1.56 Consequently if even a 10% reduction was made in utility costs, it would yield a saving of £32,500 per annum. This could potentially open up options of capital investment where the individual proposals produced sufficient savings to warrant consideration of financing options.

1.57 The Council has set itself the target of reducing carbon emissions by 20% by 2012. In terms of property the emissions from operational property has declined considerably as demonstrated in the bar chart below. Emissions fell 13.6% between 2008/9 and 2010/11. The most important technical innovation to help reduce emissions from buildings will be the introduction of a new CHP engine at RPLC this summer. The reductions in emissions which have been achieved are largely as a result of the downsizing of the Council's office space and concentration in the City Offices/West Wing complex.

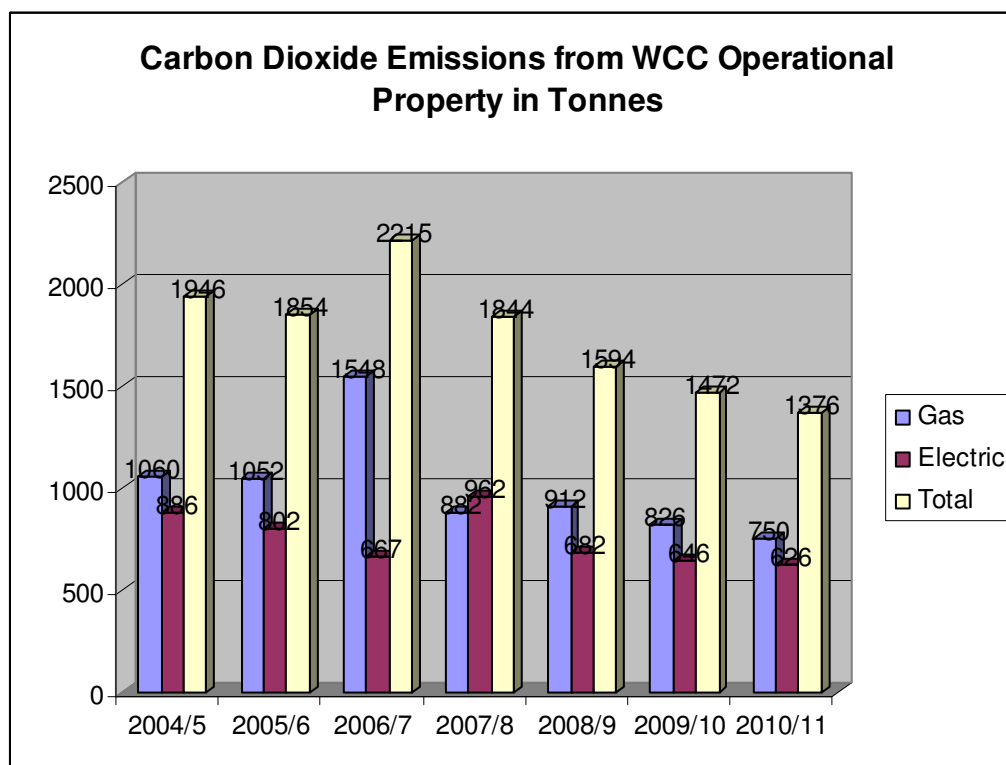


Table 10

Property Maintenance Backlog – Major Issues

- 1.58 The condition of many of the Council's operational and non-operational properties is less than satisfactory. Avalon House was found to be in a dilapidated condition with the principal mechanical services, carpets, the toilets and plumbing requiring replacement, with décor, lighting and finishes needing total refurbishment before the property could be let. The building has been stripped out ready for refurbishment.
- 1.59 Significant structural defects were identified in Abbey Mill requiring underpinning to stabilise the structure. In addition the mechanical services, carpets, plumbing, damp proofing and fire protection required replacement; with décor, lighting and finishes needing total refurbishment. Significant capital expenditure would be required to put the building into a lettable condition.
- 1.60 The Bar End Depot was the subject of a detailed building survey which identified that approximately £1.4 million of disrepair required rectification if the building was to be let for a further 17 years.
- 1.61 The River Park Leisure Centre (RPLC) is the principal public leisure facility in the City, yet achieves under half the number of visits that the similar sized facility in a neighbouring district also managed by DC Leisure does. While part of the reason for the difference in performance is the less accessible location, it must in part be that the Winchester facilities would benefit from the customer facing facilities being upgraded.

- 1.62 At RPLC the main entrance would benefit from being enlarged, the roof to the pool hall and the 15 Air handling Units (AHU's) require replacement or refurbishment, the pool and changing facilities upgrading and the general décor and feel need to be brought up to modern standards. Further significant reductions in energy usage and CO2 emissions can be achieved by investment in energy management systems. The building needs to be refurbished extensively and the cost is estimated as being in the region of £4 million.
- 1.63 The City Offices were basic steel framed system built offices erected in two stages in the 1960's and 70's. The work undertaken to develop the Community Offices has highlighted that the buildings have half brick thick external walls to the ground floor, no insulation a heating system comprising finned hot water pipes with no effective zonal temperature control, poor decoration, threadbare carpets and lighting, poor containment of IT cabling, high solar gain and toilets in need of refurbishment. In addition the building has only one small lift which also requires refurbishment.
- 1.64 The heating and hot water plant was recently replaced in the City Offices, with high efficiency condensing boilers. However much of the efficiency gains realised by this investment are yet to be realised because the windows are single glazed and there is no insulation in the building, allowing much of the heat to be dissipated.
- 1.65 One overriding theme is that considerable investment is required to improve the energy efficiency of the corporate building stock. During the recent refurbishment of the Guildhall it was found that the majority of the building had no insulation and in the few areas where it had been provided, the insulation was limited to 25mm of foam sheeting which offered only a very modest improvement in the U value.
- 1.66 Many of the Council's investment properties are let on internal repairing leases, and some are silent as to the landlords repairing obligations because of their condition. The list at Appendix C identifies the works which are considered necessary to the portfolio over the course of the next five years. The list demonstrates the cost of not adequately planning or funding the maintenance of the estate.

The Asset Management Policy

Maintenance Strategy

- 1.67 The Council needs to operate a five year planned maintenance strategy to enable larger maintenance projects to be funded which cannot be met through existing revenue budgets. Maintenance budgets which were formerly held by service units should be centralised to ensure that a comprehensive maintenance strategy can be developed for the General Fund operational estate.

1.68 During the plan period a value for money strategy will be developed which will reflect the future useful life of each property to the Council, set defined maintenance standards accordingly, ensuring that investment is prioritised towards those assets the Council is planning to keep for the long term. An initial exercise was undertaken to arrive at the list set out in Appendix D, however a more detailed study involving investigation of lease documentation needs to be undertaken.

1.69 It is recognised that appropriate maintenance is critical to ensuring that the Council's assets are fit for purpose, efficient to run and in assessing their value for money. The Maintenance Strategy will involve:

- Categorising operational assets into short (<7 yrs), medium (7-15 yrs) and long (>15yrs) term life
- Defining a maintenance standard for each category
- Prioritising investment towards long term assets
- Reporting annually on the progress made in improving maintenance standards

The details included in Appendix D identify the back log of property maintenance and development works that require attention. Not all of the items have been costed, however budget figures have been included and the total so far identified amounts to £15,843,380. The resources currently available to deal with these issues are set out in the Tables 11 and 12.

Revenue Budget

1.70 The current years revenue budget for property maintenance is set out below:

Team	Cost Centre name	2011/12	2012/13	2013/14	2014/15	Total
Democratic Services	Abbey House	£7,340	£7,340	£7,340	£7,340	
Estates	Avalon	£273,000				
	GF Property	£127,780	£127,780	£127,780	£127,780	£511,120
	Market	£2,000	£2,000	£2,000	£2,000	£8,000
	Guildhall	£72,617	£72,617	£72,617	£72,617	£290,468
	Offices	£89,670	£89,670	£89,670	£89,670	£358,680
	Asset Mgt Plan	£101,000	£100,000	£100,000	£100,000	£401,000
Historic Environment	Buttercross	£1,600	£6,540 combined	£6,540	£6,540	£26,160

	Monuments	£4,940				
Landscape & Open Spaces	Bridges - Town	£30,000				£30,000
Legal	Mag Hill	£9,250	£10,750	£10,750	£10,750	£43,000
	West Hill	£1,500				
Museums	City Museum	£2,780	£8,370	£8,370	£8,370	£33,480
	Westgate	£5,590				
Sport & Physical Activity	Meadowside	£14,700	£14,700	£14,700	£14,700	£58,800
	RPLC	£12,000	£24,000	£24,000	£24,000	£84,000
Waste & Environment	PC General	£33,000	£33,000	£33,000	£33,000	£132,000
Access & infrastructure	Bishops Waltham Car Parks Gen	£15,000	£24,000	£18,000	£180,000	£371,380
		£12,380				
		£12,500				
	Chesil MSCP	£60,000				
	Long stay	£12,500				
	MB St CP	£2,000				
	N Arlesford CP	£35,000				
Total		£938,147	£520,767	£514,767	£676,767	£2,650,448
Property		£485,767	£496,767	£496,767	£496,767	
Car Parks		£149,380	£24,000	£18,000	£180,000	
Non recurring		£303,000				

Table 11

1.71 The value of the GF Corporate operational property estate is £51,889, 000, while the recurring revenue budget for the maintenance of this asset is £635,147 during 2011/12 which represents approximately 1.22% of its value.

Capital Budget

1.72 The Capital budget includes the following funding for works:

	2011/12	2012/13	2013/14
	£000's	£000's	£000's
Active Communities			
River Park Leisure Centre –Essential Repairs	460		
High Quality Environment			
Car parks	116	156	162
Hockley Viaduct	500		
Magdalen Hill Cemetery	200		
Transformation & Resources			
Abbey House	66		
Abbey Mill	115	575 (CFR)	
Asst Mgt Plan	161	200	200
Avalon House	696		
City Offices	150		
Depot	1,402	500	
Secret Rooms	60		
Guildhall office/changing rooms	50		
Hyde	1,726		
Old Chesil Rectory	38		

Property Acquisitions & Development	5,000		
West Wing/City Offices heating	50		
Urgent Property Works	48		
Total	10,838	1431	362

Table 12

- 1.73 The budget for Avalon House is listed in anticipation of a letting being secured during 2011/12. The Asset Management heading is a recurring sum included specifically to enable works to be undertaken to deal with specific projects which require urgent attention or for which a good business case exists. The £5 million for Property Acquisition and Development is to be used for either purchasing property where there is an established income stream, or for the development of property to create an income stream in connection with the better planning of the District.
- 1.74 The Capital budget appears to be substantial; however the £5 million Property Acquisitions and Development budget requires prudential borrowing and consequently the policy is that it can only be used to fund or develop new income streams, so has to be excluded as a source of funding for the works listed in Appendix D. Set out below is the analysis of the shortfall on capital and maintenance budgets for property over the next five years:

Total property cost backlog	£15,960,880
Less funded works	(£8,202,000)
Unfunded works	£7,873,880
<u>Less discretionary & externally funded works:</u>	
King Alfred lighting	(£5,000)
Developer funding	(£115,000)
Friarsgate (Assumes Silver Hill proceeds in 2 years)	(£600,000)
City Offices Entrance-Reconfiguration of ground floor to change access arrangements to	(£350,000)

the building	
Annexe	(£150,000)
West Wing former stable – Demolish only	(£80,000)
Reduced unfunded works	£6,573,880
Unfunded annual cost over 5 years	£1,314,776
Unfunded annual cost over 8 years	£821,735

Table 13: Analysis of unfunded annual maintenance liability over next five years

- 1.75 The funding shortfall is considerable and demonstrates the cost of not adequately planning or funding the maintenance of the estate. The funding shortfall can be addressed in a number of ways and the purpose of this next section of the report is to identify how this might be achieved.

Financial Policy

- 1.76 Resources for the management and development of the Council's property assets come from:

- Capital receipts
- Revenue budgets
- Prudential borrowing funded by revenue budgets
- Under spends at year end
- Council Tax
- Developers contributions

During the current economic climate asset prices are depressed and it does not generally make sense to dispose of income generating assets in such circumstances. Non operational properties will be reviewed against the following tests before disposal is considered.

- A financial test - Does the return on capital invested represent good value for money to the Council. The return from each property shall be compared to the Council's Consolidated Rate of Return on investments. If the property is providing a return within the appropriate financial range then it is performing adequately in financial terms and while

income generation remains one of the Council's priorities it should be retained.

- Contribution to Corporate Goals – If a property failed the financial test it would then be considered against the Council's Corporate objectives. If a property were held for a specific purpose and contributed toward the delivery of a specific objective; a judgement would be made as to whether reinvestment of the capital value of the asset would offer a better contribution to the objective than the retention of the property.
- Strategic Test – If the first two tests were failed the strategic test would then be considered to establish if there were any other reasons why the property should not be disposed of.:
 - ❖ The potential for an alternative use for the Council or a partner organisation
 - ❖ A ransom situation
 - ❖ Development value in conjunction with other property
 - ❖ Strategic control over a future development area
 - ❖ Strategic contribution to a regeneration opportunity
 - ❖ Benefits from or underpins a restrictive covenant over other land
 - ❖ The property had a restrictive covenant or title defect which would detrimentally affect the sale price
 - ❖ The market was depressed

If a non – operational property failed these tests, then it should be considered for disposal and the proceeds invested into the remaining portfolio or wider corporate objectives.

- 1.77 Additional revenue resources can be developed from within the existing estate. One example is the market; another is the successful development of assets that are currently underused. Property transactions develop their own income streams thus creating the potential to access Prudential borrowing. The £5 million included in the Capital Programme for Property Acquisition & Development utilises the Prudential Code, but the money would only become available if the scheme it was to be invested in were affordable, sustainable and prudent. This effectively means that it generates sufficient income to pay back the borrowing cost, that the income stream will last during the term of the loan and it is not an ill considered investment. These funds would therefore only be available to invest in projects which generated new income streams and met the Council's wider corporate objectives.

- 1.78 Under spends at the year end on revenue budgets have often been the source of funding for revenue projects. However this is not a certain source of funding and provision will need to be made through the Budget setting process.
- 1.79 Traditionally additional revenue requirements were met by raising the Council Tax. While policy on local taxation may change in future to reflect the development of the localism agenda this is unlikely to be a source of funding in the short term. There is the possibility that certain items of expenditure may be met from within the Town Account, such as local bridge maintenance, and leisure premises in the City and this will need to be explored further within the Town Forum.
- 1.80 The final opportunity for funding is from Developers Contributions and it is suggested that specific contributions should be sought from all residential developments toward sport & recreational projects. While limited in scope there is the potential to consider varying planning policy to secure more funding for the development of new sport and recreation facilities at the Leisure Centre, however this would have to be considered against other competing priorities at the time.

Investment Strategy

- 1.81 The Council and Local Government in general are institutions which have existed for hundreds of years and will continue to do so long into the future. Funding is required for the long term and a corporate estate can provide considerable income through rents and parking charges. Governments have long striven to convince Councils to sell off their assets, but a well managed estate can deliver substantial capital and revenue funding streams and help shape the strategic development of the City and District. The pursuit of a policy of short term lettings maximises the short term income receivable over the benefits which can flow from a long term letting strategy.
- 1.82 There are obvious limits to a property investment strategy; the number, class and value of properties needs to be carefully considered alongside the risk. Property has always been an important refuge for long term investment because it can offer:
- A secure and stable cash flow
 - Good long term performance
 - Low volatility (The level of return relative to the risk of holding)
 - Diversification (Many different property classes)
 - Tangible Asset (Buildings/Land will always have a value, while other asset classes can become substantially impaired)

- 1.83 Investment strategy dictates that risks should be minimised and consequently different classes of investment are required to minimise risk for an investor. A property investment strategy should seek to minimise risk by holding properties that perform within different cycles of the market and at different levels of risk. So it might be appropriate to hold a limited percentage of an investment fund in a portfolio where high returns might be expected, a greater percentage in a well secured and average performing grouping and a small amount in a portfolio where redevelopment might be a possibility offering capital gains.
- 1.84 The Council possesses a considerable portfolio of properties ranging from garage blocks, through estate shops and industrial units to ground leases on supermarkets, a shopping centre and multi let office buildings. The risk within the portfolio is widely spread, but lacking in top quality covenants within large properties.
- 1.85 Property specific risks include:-
- The location of the building. Is it in the right place?
 - The physical characteristics of the building. Does it serve the needs of the occupier?
 - The creditworthiness of the tenants. Will they be able to pay the rent?
 - The length of the lease. Determines how long the income is guaranteed.

Having established that property is an asset which is a useful vehicle for delivering income and the wider corporate objectives, consideration has to be given to how achieve this.

- 1.86 The Council should seek to secure lettings of its prime assets to major companies and government bodies. As tenants this grouping is viewed by the market as being the least risky and the yields on properties let to such tenants are very low. Conversely a property which attracts a low initial income yield will have a high capital value as the Years Purchase which is used to capitalise rental values is calculated by the formula $1/i$ where i = the interest rate. A letting to a local business might attract a 7 1/2 % yield where a blue chip tenant might offer a 5% yield. Comparatively speaking with the local company as a tenant on a rent of £100,000 the property would be worth £1,333,333, while with the more secure company on otherwise the same lease terms, the property would be worth £2,000,000, or 50% more.
- 1.87 Risk determines that the Councils property investment should not all be invested in one class of property. By holding a range of property sizes and types the risk of failure can be minimised. For example if the Council limited all of its investment in property to large well let offices, or industrial units it would one day face problems of block obsolescence and a sudden loss of

income when leases expire. So the portfolio should contain properties let to a range of tenants from the local businessman up to the multi-national corporation.

Future Opportunities

- 1.88 In order to develop a balanced and growing income stream it is necessary to use the Council's existing resources to the greatest advantage. This will mean identifying areas where the City is under represented in property and either selling or letting sites for development in those categories, or of carrying out development directly on the back of a development agreement and lease.
- 1.89 The Council owns a number of prime sites which it should either refurbish for letting or develop itself. The potential opportunities are listed below:

Approved Schemes

- Avalon House – Office refurbishment
- Land at Barfield Close – New Depot development
- Hyde House – Refurbishment & extension for office use
- Silver Hill

Schemes For Consideration

- Car Park at Upper Brook Street – Potential for Doctors Surgery.
- St Peter's Car Park – Potential for Hotel or University Development
- Gladstone St/ Carfax Site – Mixed Housing and office scheme in conjunction with adjacent County Council landholding.
- Chesil Surface Car Park – Budget Hotel
- Depot Site Bar End Road – Bulky Goods/ Motor Trade
- Abbey Mill – Boutique Hotel/restaurant or offices
- Bishops Waltham Depot – sale for small industrial or housing
- Matleys Yard, Winchester – Sale for mixed housing/light industrial
- Cattle Market – Commercial/office development

If over time development was achieved on all of these sites and good quality tenants secured for them, the Council's income will either increase or replace income lost from the car parks as customers switch from City Centre parking to the Park & Ride sites.

Operational Properties

- 1.90 The Council was until recently pursuing proposals for the redevelopment of the City Office site. Given current financial constraints this is not considered to be a viable proposition. As a result of this policy very little investment had been made in the building during the last five years and it is in poor external and internal condition.
- 1.91 The Council has made very efficient use of the office estate, having closed the outlying offices at Avalon House, Abbey Mill and Middle Brook Street and consolidated the staff within City Offices, West Wing and the Guildhall. The more intensive use being made of the City Offices requires a modest degree of investment to be made in the buildings to keep them safe and suitable for use during the next five years. It is suggested that a programme of redecoration, carpet replacement, insulation, upgrading lighting, lift refurbishment and improvements to the control of the heating system will be required to be completed.
- 1.92 With continuing efficiencies in the way the Council works resulting in reductions in the numbers of staff it may be possible to further reduce the floor space occupied by the Council. Discussions have been held with a wide range of public bodies about sharing the accommodation but the poor quality has put off all parties to date.
- 1.93 The roof of the City Offices is in poor condition and lacks any insulation, so if the premises are to be used in the longer term, it is suggested that rather than just repair the roof a new mansard roof is constructed to give additional space, enhance the thermal performance and to improve the appearance of the building. The new space would allow the Council consolidate its occupation allowing the vacated space to be sub – let to an appropriate tenant. This matter will be the subject of further consideration.
- 1.94 The RPLC requires refurbishment and redevelopment likely to cost in the region of £3-4 million. Due to the condition of the building, planning on how this might be achieved needs to begin immediately. The public will need to be consulted over the future of the Centre and resources identified. It is likely that part of the funding will be found from the enhanced revenue a refurbished and upgraded venue would develop and this will necessitate the re-structuring of the financial arrangements under which DC Leisure manage the property.

Conclusions

- 1.95 The Council has a considerable portfolio of operational and non-operational property which needs to be run in a considered and planned way to maximise value and minimise cost in the long term. The operational property needs to be managed as efficiently as possible to reduce occupancy costs and to release space for letting or redevelopment.
- 1.96 The Council's property portfolio has the potential to be developed over time to release income streams which will help underpin the financial independence

of the Council. The plan identifies a range of actions which the Council should undertake to enhance the efficiency of the organisation.

- 1.97 The budgets for operational property should be held corporately and a planned maintenance regime should be developed outlining the work to be undertaken and the resources to be made available.
- 1.98 While the use of the Council's surface car parks declines, proposals should be brought forward for the development of the sites outlined in the report. The development of these sites will secure long term income streams for the Council which might be expected to grow over the longer term.
- 1.99 Substantial additional financial resources are needed to enable the operational estate and the investment portfolio to be brought up to an appropriate standard of repair.
- 1.100 The property portfolio will have to be scrutinised using the criteria set out in the report, for sites which might be disposed of when the market conditions justify this. This search will be the subject of further reports to Cabinet in due course.
- 1.101 By bringing the management and asset planning of non-HRA properties together it is possible to provide corporate management of these assets for the first time. The benefit of this is that consistent property standards can be developed for the first time. Initially the exercise has identified the extent of the maintenance back log and this will help focus minds on the scale of the problems and the potential for further costs to be incurred if solutions to the financing of the works cannot be found.
- 1.102 The report highlights the importance of maintaining high quality, up to date information about the extent of and condition of the Councils property holdings.
- 1.103 The plan proposes considering the option of undertaking direct property development. While the risks of this are not to be underestimated, it could assist the Council considerably in the delivery of the objectives identified in the Community Strategy and in these difficult economic times will be of direct benefit to the local economy. While the Council can access funding at beneficial rates under the Prudential Code it could make considerable sense to undertake major capital projects as construction costs are stable or falling.

2 RESOURCE IMPLICATIONS:

- 2.1 The Council has a very modest staff resource dedicated to the management, development and servicing of its property estate. Reliance therefore has to be placed in the appointment of external consultants to assist in the delivery of major schemes such as the Guildhall, Hyde and the Depot.
- 2.2 The development of Silver Hill is now moving forward and this project will require considerable input from the Estates Team

- 2.3 If further major projects are to be undertaken on any scale by the Council, it will be necessary to develop staff resources accordingly. The precise staffing requirement will need to be considered further in the light of the budget actually made available and as the AMP workload develops.

BACKGROUND DOCUMENTS:

Various Condition Surveys, Winchester District Community Strategy

APPENDICES:

Appendix A – GF Operational and Non-Operational Property– List of individual Tenants and Rents – (Exempt)

Appendix B – Projects Completed Since 2009

Appendix C – Projects for Completion in the Plan Period

Appendix D1 - Exempt Detailed New Build and Maintenance Backlog

Appendix D2 - Summary New Build and Maintenance Backlog