

CABINET

18 MARCH 2015

ASSET MANAGEMENT PLAN REVIEW

REPORT OF HEAD OF ESTATES

Contact Officer: KEVIN WARREN Tel No: 01962 848528

RECENT REFERENCES:

OS24 Asset Management Plan 2011-2016 - 14 November/7 December 2011

OS63 – Asset Management Plan Review -18 February 2013

EXECUTIVE SUMMARY:

The report updates Members on the delivery of the Asset Management Plan.

RECOMMENDATIONS:

That the progress in the delivery of the Asset Management Plan is noted.

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DETAIL:

1 Introduction

- 1.1 The Asset Management Plan 2011-2016 was approved by Cabinet on 7 December 2011, following prior consideration by the Overview & Scrutiny Committee on 14 November 2011. Progress on the implementation of the plan was considered by the Overview & Scrutiny Committee on 18 February 2013. This report updates Members on progress with the delivery of the plan and the additions which have been developed to meet varying Council objectives.
- 1.2 Since work on the plan began in 2011 there have been considerable changes to the way the Council is organised and the priority it has given to services. The largest change has been the decision by the Council to begin building Council houses again. The Estates team have worked very closely with the New Homes Development Team to bring forward sites for development and overseeing the construction of new Council homes.
- 1.3 The recession which began in 2008 has resulted in greater scrutiny being placed on Local Government funding by Central Government. Funding settlements have seen reductions in financial support from Central Government and this is expected to continue into the foreseeable future.
- 1.4 One way for the Council to support its longer term financial security is to make better use of its property resources. In this respect considerable energies are being expended in expanding the property development programme, both through the HRA and General Fund.
- 1.5 It must be understood that the development of the property portfolio to achieve economic regeneration and/or additional income is not a short term measure, but one which will help the Council's finances over the medium term.
- 1.6 The recruitment of high quality staff continues to be a problem which the Council has recognised and is beginning to address. A Senior Valuer has been recruited and will be joining Estates during March; a part time Estates Surveyor has been recruited, while the former Senior Estates Surveyor has

been retained in a part time role working on the management of property in the Silver Hill portfolio. While the retention of this key staff member has been very helpful, it is inevitable that retirement will beckon and it will be particularly difficult to find a surveyor capable of managing the rating of the Council's Corporate Estate.

- 1.7 The Corporate Property Surveyor recently left and recruitment of a replacement is underway. A Building Surveyor has been recruited and an existing member of staff is working towards RICS accreditation.
- 1.8 The work undertaken by the part time Energy Manager has a significant impact in reducing energy costs and carbon emissions. A case to expand this role in the coming months will be developed, as it has demonstrated its value to the Council. The Energy Manager's report is attached at Appendix A.

Property Maintenance

- 1.9 Members will recall that a very significant maintenance backlog was identified in 2011 and considerable efforts have been made to address this. Appendix B details the maintenance works undertaken by the team during 2014/15. Notable works achieved since the last report have included the reconstruction of the Abbey Gardens boundary wall and the refurbishment of the railings and gates. This work was achieved for a cost of £78,000, which was approximately half the previous estimate.
- 1.10 Further works have included the replacement of the lifts in the West Wing and City Museum with more modern energy efficient machinery. The Ladies and Gents toilets in the Guildhall were fully refurbished with water saving toilets and low energy LED lighting. The floor in the Bapsy Hall has also been replaced and structural repairs undertaken.
- 1.11 A significant task last year was to prevent the Council's premises in Winchester being inundated during the floods. Floodwaters threatened the River Park Leisure Centre. Working with contractors the team constructed a Dam around the building using large 1 Cu M bags of sand. The dam was successful in keeping the water out of all but the below ground parts of the building. Once the waters subsided an insurance claim was quickly agreed with the Council's insurers and the Centre was rapidly brought back into action.
- 1.12 One of the largest issues to be considered by the Council is whether the Leisure Centre should be re-furbished or redeveloped. Options for a new centre have been devised and partially costed, while several layers of refurbishment have also been costed as an alternative. Currently consultants have been engaged to consider what an operator would be prepared to pay the Council in the event that it chose to build a new centre, rather than to refurbish the existing one and to prepare options that are fully financially costed. A decision is needed to enable the maintenance requirements of the existing building to be properly planned and developed.

- 1.13 A decision on the way forward is anticipated in during the summer but in the event that the Council were to decide to develop a new centre, in the interim, works would still be necessary to the roof and plant of the existing centre, in order for it to be kept operational.

Facilities Management

- 1.14 The restructuring of service units has resulted in office moves being necessary to enable teams to work together. The new Business Support Team required a large area in City Offices, which impacted on the Environment Department who were moved into another area of the building. Planning Control appointed additional staff which resulted in some refurbishment works being carried out to enable additional workstations to be installed in this area. A review of the floor area in the West Wing was necessary to accommodate the changes in Policy and Major Project teams who are now occupying space shared with the Legal team. The Licencing team were moved to the City Offices from West Wing.
- 1.15 A review of storage requirements has been undertaken pending the relocation of storage from F2 to make way for the transfer to the property of the Archaeology Store currently at the old Bar End Depot.
- 1.16 The FM Team have been supporting the Crime Reduction & Initiatives Group and Wessex Cancer Trust who now occupy 68, St Georges Street. The team have set up contracts for office and window cleaning, waste, monitoring fire and security systems and carrying out maintenance at this building.
- 1.17 The FM team have taken on responsibility for services supplied to Kings Walk and this has included setting up and supporting the tenants with contracts for the security, fire, street cleaning and arranging major electrical works to make the buildings safe.
- 1.18 The team has supported teams in moving WACA and Museums from Council buildings, helping with the disposal of equipment and changing contracts for those charities who are still leasing office space at the Colebrook Centre.
- 1.19 The year ahead for the FM Team will be planning and arranging office moves for the Housing teams. This will involve some refurbishment work to enable additional workstations to be provided. The Sports & Physical Activity, Health and Well Being Teams will be joining the Housing Group. A review of space in City Offices will be required to accommodate additional teams for Housing.
- 1.20 The Cleaning Contract ends this year and this will be re-procured through an EU compliant tendering process. If a different contractor wins the contract, the existing staff are likely to be subject to the provisions of TUPE.

Guildhall

- 1.21 An extensive review of the operation of the Guildhall was conducted with the FM Manager and the Head of HR. Following this an Interim Guildhall Manager

was appointed with the remit of generating more commercial business and to put in place a trained team of staff capable of operating the building on a business like footing. That role was successfully completed in December and attached at Appendix C are details of the income generated by the business to January 2015. The business is now operating on a commercial basis and it is anticipated that the Guildhall will continue to improve its contribution to overheads).

- 1.22 A new Guildhall Manager was appointed and commenced work in January 2015. Following successful trials of drama, Burlesque, Boxing and music events during 2014, the new Manager will be seeking to further develop the business to include a greater level of entertainment events. Meetings are being arranged with music promoters and organisers of Student events.
- 1.23 The Conference business has grown considerably with a number of Medical Conferences being held in the Guildhall. Good feedback has been received from Conference organisers, with the most recent event recording a 94% satisfaction rate with the venue.
- 1.24 Eighteen71 has had a very successful year with income being considerably ahead of expectations. During the Christmas period the Charity Card organisers have traditionally set up their stalls in the Café. The success of the café made it necessary to relocate the stalls this year and they were successfully relocated to the TIC. The relocation gave more space for the stalls and allowed a further growth in business in the café. This arrangement will be continued with in future years.

Estates

Hyde House

- 1.25 The final account retention of the Hyde House project was paid in February. The project was completed for the sum of £1,830,389.76 as against an original estimate in CAB 2059 of £1,728,623 which was increased by a further £105,000 in OS22 of 17 October 2011, when the tenant requested additional works and agreed to a higher rent. The property was let on a 15 year lease with a tenant's break clause at the end of the tenth year at a rent of £170,000 p.a.x which rose to £183,902.80 when the additional works were taken into consideration.

Barfield Close Depot

- 1.26 The Estates team have completed the development of the new Barfield Close Depot, (bar the final installation of the replacement electricity main) which is let to Biffa on a long term lease at a rent of £176,000 p.a. exclusive. The depot includes a new purpose built vehicle workshop, staff offices and changing facilities for the refuse operatives, parking for 20 freighters, vehicle washing plant, a maintenance building for the Landscape Group and parking and storage facilities for their plant and equipment. The project was managed on behalf of the Council by Gentle Consulting and was completed within the

original £ 2,001,200 budget which was approved in CAB 2375 of 4 July 2012. The account cannot be finalised until the new electric main is installed by the utility company. The building has been completed to BREEAM very good standard as was required by the planning consent.

Abbey Mill

- 1.27 After a lengthy period of marketing and design development terms were agreed to refurbish Abbey Mill and let it to River Cottage on a 15 year lease at a rent of £83,900 p.a.exclusive. A budget of £995,000 was agreed for the refurbishment, while at the same time the opportunity would be taken to re-surface the paths in Abbey Gardens and to convert the sluice into a new at level pedestrian bridge.
- 1.28 Extensive exploratory works was undertaken prior to the commencement of work, to establish the construction of the building. Despite this when the building was stripped out it became clear that earlier reconstructions had not been carried out in the most technically proficient manner. The floor joists had been re-cycled from another building and a large number had to be strengthened and in some cases lengthened. The central core of the building was massively constructed, but had no foundations at all. In order to ensure a long term future for the building the ground floor of the central core was reconstructed to include proper piled foundations and a new floor.
- 1.29 The weather conditions during construction were appalling and water levels in the Mill leat rose several feet as work progressed. This made the work of the piling contractors very difficult and the combination of the shores holding the building up and the mud and silt brought up by the piling auger made for a complex working environment. In the end the piling contractor resorted to wearing a wet suit!
- 1.30 As the weather continued to deteriorate, the water levels rose exerting considerable pressure on the structure. A leak developed making the working environment very difficult and it became necessary to introduce pumps to remove the water. Efforts were made to find the source of the leak but without success. A specialist contractor was identified who had developed a technology capable of tracing water leaks and sealing them through the use of products which turned to foam and set rapidly when it came into contact with water. The leak was quickly traced and the leak sealed.
- 1.31 The weather conditions were so bad that an additional 26 “weather” days had to be allowed and the contract was extended accordingly. While the project budget was exceeded, in the exceptional weather circumstances and having regard to the need to rectify some of the original construction the end result is felt to have justified the additional expenditure. Part of the additional cost was recovered from an insurance claim. The final account details will be completed later this year when the defects liability period ends.
- 1.32 The interior fit out works for the toilets were carried out by the Council, while River Cottage undertook the remaining fit out works. The restaurant fit out has

been undertaken to a very high quality and Members will have seen how successful the business has been since it opened. The restaurant has already established itself as a successful operation and this will underpin the value of the property on review. While the refurbishment was technically very challenging it secured the long term future of a historic local building which might otherwise have had to be demolished.

- 1.33 Externally access to the children's play area has been significantly improved by the construction of an at level bridge across the sluice. This makes access to the play area much easier for those with mobility difficulties and parents with buggies and young children. The development has been shortlisted for the nationally prestigious RICS awards.

Avalon House

- 1.34 Avalon House was vacated by the Council in 2007. The building was marketed continually and was impossible to let without a substantial refurbishment being undertaken. In 2013 terms were finally agreed with Southern Health NHS Trust for a 15 year lease of the property with a break clause at the end of the tenth year of the term. Planning consent was obtained for a change of use to consulting rooms early in 2014 and a detailed design for the conversion of the property for use by the NHS was developed.
- 1.35 Work commenced on site in May 2014. The NHS requested that the Council undertook the fit out works at the same time to save on construction costs. This was agreed to and separate tenders were obtained for the NHS works. The building will be used for a multi-disciplinary range of services and opened in phases from February. On the issue of cost report the project construction budget of £1,023,412 plus fees was approved in CAB2527 at Cabinet on 4 Nov 2013. The main contract work final accounts have been completed by the cost consultant, showing a total construction cost of £968,394.89.

Silver Hill

- 1.36 Very considerable progress had been made with the Silver Hill project; the Planning Committee resolved to grant planning permission for the revised layout, terms were agreed to incorporate 153 High St into the scheme, affordable housing arrangements had been agreed and the tenants of Council owned property within the scheme moved onto short term arrangements pending a commencement on site.
- 1.37 Work on developing the business case for the replacement Doctors Surgery has progressed, with Quantity Surveyors engaged to consider the cost of the scheme. The NHS Patient Records Service finally moved out of Coitbury House at the end of January, ending a long association with the City. Various NHS services have moved from the Friarsgate Medical Centre into Avalon House, providing a long awaited improvement in services.

- 1.38 The recent decision of the High Court has left the Council needing to make a number of decisions regarding the Silver Hill development and these will be the subject of a separate report.

West Wing Extension

- 1.39 Considerable effort is being put into ensuring that the Council has an efficient staffing structure. Work is being undertaken to identify the future floor space the Council needs to operate its services and this suggests that a smaller footprint than currently exists could accommodate the long term requirements of the Authority.
- 1.40 Design work has been commissioned from a local architects practice which demonstrates that the space requirements could be met in an extension to the West Wing, eventually allowing the unsightly City Offices to be demolished. To achieve the occupancy levels proposed the Council will have to further develop its working practices and consultants have been engaged by FM to work with staff to consider the options. It is proposed to develop the business case for the extension during the next four months.

Leisure Centre

- 1.41 In connection with the options for the development of a new Leisure Centre, one option under consideration is on a site fronting Bar End Rd. The Council would need to acquire additional land in order to develop the new Centre fronting Bar End Rd and in this respect an approach has been made to Tesco regarding the purchase of the Garrison Ground. Even if the Council decided not to proceed with this option, the purchase of the Garrison Ground would make good sense, if any budget were available, as the playing fields which are heavily used would be brought back into public ownership.
- 1.42 The Capital Programme includes very considerable forecasts for future property development, the purpose of which is to help develop a prosperous local economy, to make the best use of the Council's corporate property estate to support the local economy, to reduce the District's greenhouse gas emissions by the use of energy efficient mechanical plant and by reducing the need to travel for employment. Local development can be tailored to meet the needs of local people, while at the same time generating income flows which will be utilised to maintain Council services.
- 1.43 The vision for Winchester Town has identified that the City has to meet the needs of businesses as they establish grow and develop. Building on the work undertaken by Tibbalds it has been identified that the Carfax and Cattle Market sites in the Station Approach area are suitable for mixed use developments incorporating offices, parking, housing and an element of retail.
- 1.44 Considerable work will be undertaken in the coming months to bring forward the Carfax and Cattle Market sites for development. Consultation on the development of the sites began with a meeting held by the BID for local businesses on 12 February. One of the objectives is to provide office space

for a number of businesses who wish to locate their Head Offices in the City. Another objective is to efficiently meet the parking needs identified in the Council's Parking Strategy, to enable the Cattle Market Car Park to be released for development to take. The location allows for a very sustainable form of development and efforts will be made with the appropriate authorities to integrate the sites with, bus, rail, car, cycling and pedestrian modes of transport. The public and stakeholders are being consulted over the development of the sites through a series of meetings.

- 1.45 Following the consultation events the information gleaned from the public will be used to help develop an Architectural and Design brief to facilitate the appointment of Architects. The Architects will be procured through an EU compliant procurement competition. Expressions of interest will be sought and it is anticipated that local Architectural practises will be interested in participating. The competing entries will be displayed, public comments sought and following that a panel of Members and experts, both internal and external will determine the winning bid. In arriving at their decision the panel Members will consider the design and its commercial viability.
- 1.46 A bid has been submitted to the LEP seeking up to £5 million of funding for investment in public realm and highway improvements within the Station Approach area.
- 1.47 The development of these sites has the potential to provide high quality employment for local people, reduce distances travelled and hopefully result in significant improvements to the local area. The employment of large numbers of people adjacent to the City Centre will also help underpin and grow existing businesses and retail in the City Centre.
- 1.48 The Asset Management Plan is coming to the end of its period and a new plan will be developed next year. There are fresh issues to address and these will include:
 - The future of Silver Hill and the Council owned property within it
 - The development of Station Approach
 - The development/refurbishment of a leisure centre
 - The development of the former Bar End Depot
 - The development of health facilities in the District
 - The maintenance and development of City Centre car parks to meet present and future demand
 - The extension of the West Wing Offices
 - Repair and maintenance of historic assets

- The letting of the market management contract following a Silver Hill decision
- The construction of affordable housing

- 1.49 There are very significant financial risks associated with Silver Hill, which will have an impact on the Council's ability to deliver other major projects within the Capital Programme. If these risks result in it being impossible to proceed with some of the major developments referred to above, there will be a need to find alternative ways of dealing with the related financial implications for the Council.
- 1.50 Attached at Appendix D is the original 2011 report amended to identify for audit purposes the extent of this work which has been completed during the plan period to date.

OTHER CONSIDERATIONS:

2 COMMUNITY STRATEGY AND PORTFOLIO PLANS (RELEVANCE TO):

- 2.1 The Asset Management Plan is central to the delivery of the Winchester District Community Strategy and the operation of an efficient and effective Council

3 RESOURCE IMPLICATIONS:

- 3.1 The AMP has significant resource implications for the Council, both in financial terms and the deployment of staff. The plan has a direct impact on the work of the Estates, Legal, Finance, Major Projects Environmental, Planning and Building Control teams.
- 3.2 Further staffing has been approved for the Estates team and this will be recruited when an appropriate remuneration package has been approved.
- 3.3 As the plan draws to an end, very significant progress has been made with the maintenance backlog which was identified in 2011, largely through the redevelopment funded by prudential borrowing. The next plan period will have similarly large issues to address, but with good planning and a clear strategy it should be possible to achieve this.
- 3.4 The latest published accounts for 2013/14 show the following key financial indicators in relation to Asset Management:

Net Investment Income from Investment Assets	£2.4m
Guildhall Trading account- net loss	£0.4m
Capital expenditure	£6.7m

- 3.5 The AMP is a significant element of the Council's capital expenditure programme. Before any capital expenditure is committed within the programme a financial appraisal is required and it must be demonstrated that expenditure is prudent, affordable, and sustainable as required by the Prudential Code.

4 RISK MANAGEMENT ISSUES

- 4.1 The principal risks affecting the Corporate Estate are outlined below:
- 4.2 The greatest risk to the financial stability of the Council and the City in general will be if it is not possible to proceed with the development of Silver Hill in the short term. The Friarsgate Car Park will close at the end of the month, the Kings Walk estate will require considerable investment if it is to be retained other than for the short term and Coitbury House will require a refurbishment if it is to be let for periods of up to five years if a new scheme has to be progressed.
- 4.3 The tenants of properties required for the Silver Hill development will require clarity as to how long they can remain in situ pending the development of the site. The risk is that tenants may vacate the properties they occupy due to the uncertainty of their occupation.
- 4.4 The River Park Leisure Centre will require significant further works to be undertaken to it in a planned and phased way if it is to be retained for continued use.
- 4.5 There is a risk to the condition of the monuments and statuary owned by the Council in the City if adequate maintenance funds cannot be made available for their upkeep.
- 4.6 The City Offices will require significant maintenance works to be undertaken to it if it is to be retained for continued use.
- 4.7 There is a risk that if the non-operational property portfolio is not managed having regard to the principles of good estate management that the investment value of the portfolio will be reduced. The risk is mitigated by ensuring that the estate is actively managed and traded.
- 4.8 Property values can and do go both up and down in accordance with risks associated with the availability of finance and market sentiment.
- 4.9 In a historic City there is the risk that sites brought forward for development have been contaminated in previous use. The risk is mitigated by carrying out appropriate site investigations prior to the commencement of work.
- 4.10 Other risks exist, which will be explored in specific project reports on a site by site basis.

BACKGROUND DOCUMENTS:

As set out in Appendices below.

APPENDICES:

Appendix A – Energy Managers Report

Appendix B – Maintenance tasks completed in 2014-15

Appendix C – Guildhall Business Data

Appendix D – Maintenance & New Build Works backlog report Update of Appendix D from 2011 report