

REPORT TITLE: ASSET MANAGEMENT PLAN 2016-2021

25 FEBRUARY 2019

REPORT OF PORTFOLIO HOLDER: Cllr Steve Miller Portfolio Holder for Estates

Contact Officer: Kevin Warren Tel No: 01962 848528 Email  
kwarren@winchester.gov.uk

WARD(S): GENERAL

PURPOSE

The purpose of the report is to update Members with the delivery of the Asset Management Plan and to refine it in the light of changing operational requirements.

RECOMMENDATIONS:

That the contents of the report are noted and The Overview and Scrutiny Committee determines whether it wishes to make any comments to be considered by the Portfolio Holder.

IMPLICATIONS:

1 COUNCIL STRATEGY OUTCOME

1.1 The Asset Management Plan is a key building block used to help deliver the Council Strategy.

2 FINANCIAL IMPLICATIONS

2.1 The Asset Management Plan delivery requires significant revenue and capital expenditure. Capital schemes are dependent upon the separate approval of the business case and budgets for the individual projects.

2.2 Ongoing repairs and maintenance of the Council's General Fund assets (both revenue and capital) are funded by the earmarked Property Reserve.

However, a significant element of capital expenditure in respect of new investment and significant refurbishment is funded by “Prudential Borrowing”; business cases, including financial appraisals, are undertaken as appropriate to ensure affordability and viability.

- 2.3 The Council has an extensive commercial (investment) property portfolio (£47.7m at 31 March 2018) and operational property portfolio (£71.3m at 31 March 2018) which includes industrial, office, restaurants, retail and operational properties. The portfolio is revalued at least every five years and reviewed annually to identify areas of impairment or other changes in value.
- 2.4 In 2017/18, the Council’s investment property portfolio generated net income of £1.8m after costs and was made up of the following types of assets:

<b>Retail</b>	<b>Offices</b>	<b>Industrial</b>	<b>Residential / Garages</b>	<b>Other</b>	<b>Total</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
31,941	8,790	4,133	1,881	969	<b>47,714</b>

### 3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 The Council’s Constitution sets out the requirements for the procurement of goods, services and works (Contracts Procedure Rules). These requirements, together with relevant legislation (currently the Public Contracts Regulations 2015) will have to be complied with in respect of any works identified within the Plan. The Council has statutory powers to acquire property and (where either a freehold disposal or the grant of a lease of seven years or more is proposed) to dispose of the property at the best consideration.

### 4 WORKFORCE IMPLICATIONS

A very significant work programme is proposed during the Plan period including the acquisition and development of new property. Where necessary additional specialist support is brought into the team.

### 5 PROPERTY AND ASSET IMPLICATIONS

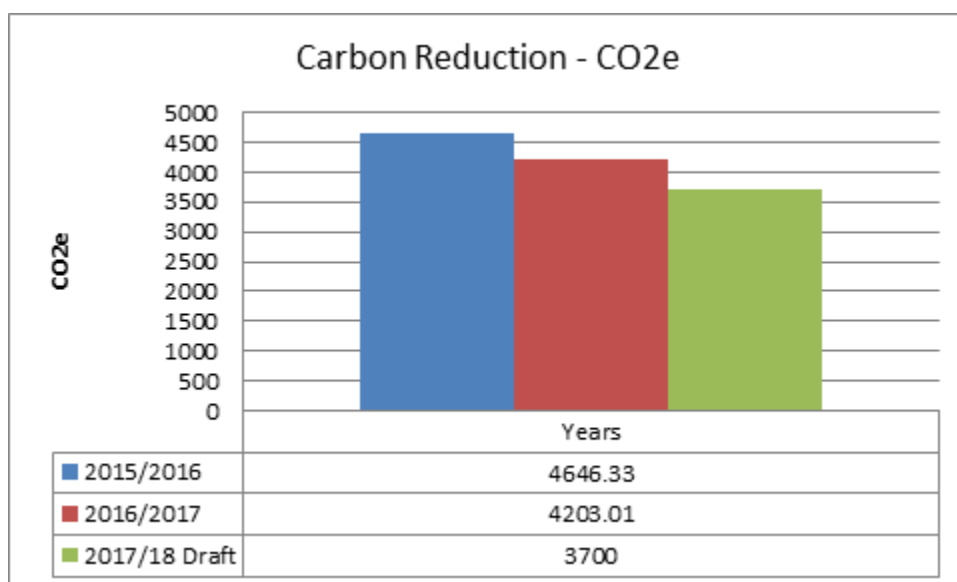
- 5.1 There are very significant property implications in the Plan involving the acquisition, development and refurbishment of property. The objective of the expenditure is to deal with economic need, underpin the value of the estate, maintain public safety, meet customer expectations and develop additional sources of income.

### 6 CONSULTATION AND COMMUNICATION

Engagement is undertaken with local communities and Parish Councils where schemes are proposed.

## 7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 The Council has committed to reducing its Carbon emissions by 20% from 2015/16 levels by 2020. The works undertaken by the Council to reduce water, gas and electricity consumption in its operational properties have continued and include the replacement of the lighting systems in Tower St MSCP and City Offices with low energy LED lights.
- 7.2 Considerable thought has been given to the incorporation of low energy technologies in the new Leisure Centre including a substantial PV array on the roof, CHP and low energy LED lighting throughout.
- 7.3 The Extra Care housing scheme completed on Chesil Street last summer has incorporated PV on the roof, a CHP engine and low energy lighting. Low energy technologies are being incorporated in all new housing properties currently under construction for the City Council.
- 7.4 The Council's carbon footprint report for 2015/2016 identified that the Council produced 4646.3 tonnes of CO<sub>2</sub>e. Therefore, the target for 2020/2021 is a total of 3717.04 tonnes of CO<sub>2</sub>e. Draft figures for 2017/2018 indicate that Council's total carbon emissions will be in the region of 3700 tonnes of CO<sub>2</sub>e.



- 7.5 The early achievement of the Carbon Reduction target demonstrates the Council's strong commitment to carbon reduction and a reduced use of energy.

## 8 EQUALITY IMPACT ASSESSEMENT

- 8.1 Every development scheme considers the impact on those with protected characteristics. At times the Council will undertake development to particularly support a group of residents for example Chesil Lodge was completed in the

summer of 2018 and has been designed to provide a very high level of accessibility for residents.

9 DATA PROTECTION IMPACT ASSESSMENT

10 None

11 RISK MANAGEMENT

11.1 Each project has a risk assessment carried out. Some general risks are identified below.

Risk	Mitigation	Opportunities
<p>Property</p> <p>1). There is a risk that if insufficient funds are employed in maintaining and updating the operational estate on a regular basis, the value of the assets will be impaired as the cost of the backlog maintenance rises.</p> <p>2). There is a risk that if decisions relating to the development of new offices at the Carfax site are not made in the timescale required by potential tenants, they may be forced to move their businesses out of the City with a commensurate impact on the local economy.</p> <p>3). There is a risk that if the redevelopment of Central Winchester does not progress the condition of the property in Middle Brook Street will continue to decline and economic activity will reduce.</p> <p>4). There is a risk that the Council will have to</p>	<p>The works are quantified in detail in the Plan and prioritised against the available resources.</p> <p>The risk can be minimised by submitting an outline planning application for the development of the site to demonstrate the commitment to secure a high quality office development on the site</p> <p>The risk can be mitigated by regularly reviewing the anticipated life of the property.</p> <p>Continue to monitor the property and undertake</p>	<p>Opportunities to grow income should be identified during the Plan period.</p> <p>Work with prospective tenants to identify market demand.</p>

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
<p>undertake further investment in RPLC to ensure that it can remain operational pending the development of the new Leisure Park.</p> <p>5). There is a risk that a no deal Brexit may result in additional customs procedures for imported building materials which may delay their delivery and result in claims for an extension of time with resultant delay to the completion of projects.</p>	<p>maintenance work to the property to maintain its appearance and economic usefulness, proportionate to the remaining life.</p> <p>Monitor the situation and allow for longer lead in times. Look at alternative UK manufactured products</p>	
<i>Timescales</i>		
<p><i>Project capacity</i></p> <p>1). There is a risk that the Council does not have skills and capacity sufficient to address multiple major projects.</p> <p>2). There is a risk that the outcome of the Brexit negotiations causes EU nationals working in the building industry to return home, causing a skills shortage with implications for the ability to recruit</p>	<p>Review resources and bring in additional or specialist resource as required.</p> <p>The risk is borne by the contractors, but it has the potential to impact on pricing.</p>	

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
labour, with a knock on effect on project timescales		
<p><i>Financial / VfM</i></p> <p>1).There is a risk that the cost of individual projects exceeds the budgets.</p> <p>2). There is a risk that uncertainties around Brexit result in a fall in the exchange rate leading to additional costs for imported building products.</p>	<p>The risk can be mitigated by taking appropriate advice, reducing costs during the design phase and exercising tight control over expenditure. Value engineering should be undertaken to ensure that the projects remain on track to completion.</p> <p>Consider alternative UK manufactured products of the same quality.</p>	<p>Projects are managed well and are delivered within budget.</p> <p>The pound rises in value resulting in potential cost reductions for the contractor.</p>
<p><i>Legal</i></p> <p>There is a risk of legal challenges to development work</p>	<p>The risk can be minimised by appropriate risk management and engagement during the course of a project. Careful consideration should be given to all project related risks.</p>	
<p><i>Reputation</i></p> <p>1).There is the risk that the community will not support the developments proposed in the Plan.</p> <p>2).Public buildings have to be maintained to a high standard. Failure to maintain buildings can result in danger or injury to the public. Significant reputational risk would follow from an injury to a user of a public building</p>	<p>It is possible to mitigate the risk by appropriate and widespread engagement with residents across the District when major projects are proposed.</p> <p>The risk can be mitigated by a regime of inspection to highlight problems and to address them as part of a planned programme of work.</p>	<p>The AMP is delivered during the plan period.</p>

Risk	Mitigation	Opportunities
which stemmed from a failure to adequately maintain it.		

## 12 SUPPORTING INFORMATION:

12.1 The Asset Management Plan was approved by Cabinet in December 2016 and is a very powerful management tool. The Plan identifies the extent of work that needs to be undertaken to maintain the existing estate and prioritises it against set criteria. The Plan responds to the issues facing the Council and these can be summarised as follows:

- The steep decline in revenue from Central Government meaning Councils need to maximise value from their assets;
- The need to maintain public safety in the operational estate;
- To address market failure and consider investment in offices, business premises and affordable housing;
- The need to reduce carbon emissions.

The plan at Appendix A identifies the work to be undertaken during the plan period. As envisaged in the plan it was necessary to respond to opportunities that arose during the year and this resulted in a need to change some of the priorities within the plan.

### ACTIVITIES DURING 2018

#### New Sport and Leisure Centre

12.2 Extensive work has been undertaken by a team managed by the Head of Programme, which culminated in the grant of planning permission for the development of a new sport and leisure centre at Bar End. The negotiations over the contract pricing are at an advanced stage and subject to the approval of the budget at Council, it is anticipated that a start on site could begin during March. The construction of the new leisure centre building is anticipated to be completed in January 2021. While the works are undertaken the contractor will be based in the offices on the former Bar End Depot site. This requires relocation of the Special Maintenance Team to a new property in Moorside Road, where an assignment of a lease is being negotiated.

12.3 Under the Contract a Site Supervisor is required who will report to the Corporate Head of Asset Management. The Site Supervisor will be responsible for working alongside the contractor to ensure that the facility is built in accordance with the plans and to report on the quality of construction.

## Station Approach

- 12.4 The viability of the office development proposed on the Carfax site has been tested by external valuation and cost consultants. The work has demonstrated that it is possible to achieve the development of approximately 140,000 sq. ft. of offices on the site with ancillary convenience store, pub/restaurant and café, with associated parking. Public engagement has been undertaken through out development of the proposals and it is anticipated that subject to the approval of the business case at Cabinet in March that an outline planning application will be submitted during March 2019.

## Central Winchester Regeneration

- 12.5 Significant progress has been made with the assembly of the site, following the acquisition of the former *Friarsgate Medical Centre* from the Anley Trustees and the conclusion of outstanding arrangements with Silverhill Winchester No1. This was a very complex transaction which allows the Council to progress the development of the area in accordance with the SPD.
- 12.6 Following a competitive process arranged with assistance from a RIBA adviser, Architects were appointed to develop a design for the refurbishment and extension of *Coitbury House*. Work on the design is progressing and is being considered by the Coitbury House Advisory Panel. The work undertaken to date indicates that it will be possible to both extend the space to approximately 11,000 sq. ft. and to deliver good quality open plan offices. The design will be tested for viability before it progresses and will follow the principles set out in the SPD.
- 12.7 Significant progress was made in developing meanwhile uses in the Central Winchester Area, with the letting of the former *Antiques Market* building to a The Nutshell Arts Community Interest Company, the opening of a Winchester Distillery's Blend Academy Gin School and the Bespoke Biking cycle café in premises on Middle Brook Street.
- 12.8 Procurement for Strategic Placemaking Consultancy Services is being led by the Head of Programme and the opportunity for multidisciplinary consultancies is currently being advertised with the deadline for tenders to be submitted, 18 March 2019.
- 12.9 The aim is to appoint a consultancy late April to aid and support the council initially with the Central Winchester Regeneration project but also to support other projects across the council. The relationship will ensure that the local experience and Winchester knowledge is combined with the latest and most up to date market information and opportunities from across the industry.
- 12.10 Services required include, but not be limited to, master planning, viability modelling, site assembly, compulsory purchase, business planning and partnership structuring.



### Tourist Information Centre Refurbishment

12.11 The refurbished Tourist Information Centre was opened in June 2018. The space was redesigned by a local architects practice and has proved to be a considerable success, with the bright airy design attracting significantly higher numbers of customers. The new facility offers an attractive environment for retail sales and acts as a booking venue for events in the Guildhall.

### City Offices Refurbishment

12.12 The works to refurbish the City Offices and to create a new reception culminated in the opening of the new reception area in January 2019. The office working environment has been significantly improved and allied with new working practices which have reduced the need for storage; much better use is being made of the space.

12.13 The reception refurbishment has delivered a much more professional front face for the Council supporting the move to digital services.

12.14 The works in City Offices have extended the life of the building for up to ten years.

### 158-160 and 163-165 High Street, Winchester

12.15 This prominent terrace of properties was acquired from The Anley Trustees at the same time as the Friarsgate property. As part of the purchase the vendor agreed to carry out works to 165 High Street to extend the shop and allow this to be detached from the residential accommodation above. A new self contained maisonette would be formed and other works undertaken to provide a rear access to the property.

12.16 The vendor has extended the planning consent which was due to expire in March and is expected to start work on the property during March. Following the completion of the works it is anticipated that the tenant will refit the shop and the maisonette above will either be let or sold on a long lease.

### Replacement Surgery

12.17 The design of the proposed new surgery has been progressed by the design team to enable a detailed cost assessment to be produced to assist with the revaluation of the development.

12.18 Negotiations continue with the NHS and the GP practice to secure a new GP Practice in 2020. Preliminary works are due to start on site in mid February which will protect the planning permission.

### Bishops Waltham Depot

- 12.19 A scheme for the development of three industrial units has been developed for the former Depot site in Bishops Waltham. Following the erection of a board on the site 45 enquiries have been received for small light industrial premises for new and emerging businesses.
- 12.20 A planning application for the development has been submitted and the application has been referred to committee for determination. A marketing exercise is underway and as set out in the Cabinet paper of June 2018, the Corporate Head of Asset Management will determine the most appropriate tenant in consultation with the Deputy Leader and Portfolio Holder for the Economy, Corporate Head of Engagement and the Strategic Director (Resources).

### Essential Repairs to River Park Leisure Centre

- 12.21 The condition of the Leisure Centre is monitored regularly to ensure that the building remains in a satisfactory condition for use until such time as the new Bar End Leisure Centre is available. Works have been undertaken to the fixed wiring, structure and plant. The introduction of a UV water treatment system has improved the quality of the water in the pool and has significantly reduced the use of chemicals.

### Portfolio Management

- 12.22 The first rent review on a large office in the City has been agreed, which saw the rent increased from £170,000 a year to £200,000 a year exclusive, an increase of 17.6%. Of the five other rent reviews which were completed during 2018, the rent average rent increase was 16.28%.

### Delivering the Plan

- 12.23 The plan for the period 2016 - 21 which was included in CAB 2870 of 7 December 2016 is attached at Appendix A. The right hand column identifies delivery. Members will note the very considerable progress that has been made in delivering the plan objectives.
- 12.24 Each year a detailed plan of the construction and maintenance works for the remainder of the plan period is prepared to ensure that the plan objectives are delivered. Works are recorded on the Uniform system which is being further developed to assist with reporting.
- 12.25 A detailed report on the use of utilities is produced each year to monitor the delivery of the carbon reduction initiative. The carbon emissions data is assembled annually and is then submitted to independent auditors for checking.

## Proposed additions to the Plan

- 12.26 As a result of the acquisition of the Vaultex site in Bar End and the High Street portfolio, significant additional works have to be incorporated into the plan. The Vaultex site was acquired to enable additional edge of town parking facilities to be provided. The building was let back to Vaultex for a year to enable them to deal with a short term storage issue. The company will vacate the property during May allowing progress to be made on the development of a new car park.
- 12.27 The bank vault will be demolished and while this work is being undertaken, a new car park will be designed and a planning application submitted. The building is unsurprisingly very solidly built and it is anticipated that the demolition work will take up to three months to complete. At the same time proposals will be brought forward for the formation of up to 15 coach bays in the St Catherine's Park and Ride car park.
- 12.28 The High Street properties include 158/9 High Street which surveys have identified is in very poor condition. Architects will be appointed to develop proposals for the site, which will incorporate the upper floors of 160 High Street which have also been vacant for over a decade. The funding for this project was outlined in the acquisition report.
- 12.29 Refurbishment will continue in the City Offices estate in the West Wing. The project work will follow the theme developed in the City offices, of new carpets, decoration, LED lighting and kitchen upgrades. Some glazing will be upgraded to improve the retention of heat in the building. This will prolong the life of the building for the City Council.

## Abbey House

- 12.30 Essential repairs will be undertaken to Abbey House this year, which are intended to be to ensure the fabric of the building is maintained to a suitable standard. The following works will be undertaken with a commencement on site in early Summer 2019 :
- All the external timberwork including, windows, doors, and bay windows will be repaired and redecorated.
  - Repairs and redecorations of painted stonework mouldings,
  - Gutters and downpipes will be cleared, repaired and redecorated, plastic downpipes will be replaced with cast iron to match.
  - High level brickwork repairs will be carried out to stabilise the front parapet wall, along with localised brickwork repairs around the building, including repairing the loose brickwork arches above windows.
  - Lead flashings and soakers in poor condition or missing will be replaced with new leadwork.

- Localised roof tile repairs and replacement will be carried out to match the existing.

12.31 In order to carry out the repairs it will be necessary to erect a full scaffold around the building.

#### Depot Site

12.32 The former Bar End Depot site will be used as a base for the contractors undertaking the development of the new Sports and Leisure Park. While the development is being undertaken opportunities for the future of the site will be considered.

#### Relocation of Special Maintenance Team

12.33 An extensive search was undertaken to identify a new base for the Special Maintenance team to enable the Depot site to be brought forward for a disposal. A suitable property has been identified in Winchester and negotiations for an assignment of the lease to the Council are underway.

#### Carbon Reduction

12.34 A programme of works based around the use of tried and tested technologies have been undertaken to reduce energy consumption in Council operational properties and to reduce operating costs. The works have included the introduction of insulation in roof spaces and around pipework, adapting windows to reduce drafts, more sophisticated controls for heating systems, the introduction of efficient condensing boilers and the replacement of lighting systems with LED lighting.

12.35 A PV installation will be erected and commissioned on City Offices during March which at its peak will generate 48kW of electricity. This installation will deliver 41,000 kWh of electricity a year, with an anticipated financial benefit of over £5,500 in electricity savings and from the feed in tariff.

12.36 As part of the future carbon reduction programme, the Energy Manager is investigating the potential to install a 50kW PV array on the roof of the depot at Barfield Close. In addition consideration is being given to the financial viability of installing solar car ports on the car park it is proposed to build on the Vaultex site.

#### Asset Challenge

12.37 A programme for the review of assets has begun the objective of which is to determine whether assets should be retained, invested in or disposed of. So far three general fund assets have been identified as having the potential for disposal.

12.38 The process will continue to review assets held by the Council; a number of which have the potential to be disposed of to generate capital receipts or additional rental income.

## CONCLUSION

12.39 Work on the delivery of the AMP priorities is progressing, with numerous elements completed resulting in benefits to the public and to the financing of the authority. The AMP is a dynamic document and as can be seen from this report is subject to re prioritisation should other work become pressing.

12.40 The early achievement of the Councils carbon reduction commitment is to be welcomed. The installation of solar panels on the roof of the City Offices later this year will reduce emissions by 21 tonnes a year and this will be further reduced when new more efficient refuse freighters anticipated to arrive under the new contract are brought into service.

## 13 OTHER OPTIONS CONSIDERED AND REJECTED

13.1 As this is a report updating members with progress toward the delivery of an agreed plan other options were not appropriate. Where options for the delivery of the individual projects exist, they are set out in the individual project reports.

## BACKGROUND DOCUMENTS:-

### Previous Committee Reports:-

CAB 2870 - Asset Management Plan 2016-2021 - 7<sup>th</sup> December 2016

### Other Background Documents:-

## APPENDICES:

Appendix A – Update of the Plan