

STAFFORDSHIRE MOORLANDS DISTRICT COUNCIL

Report to Cabinet

20th September 2016

TITLE:	Development of the Asset Management Plan - Asset Condition Surveys
PORTFOLIO HOLDER:	Cllr Edwin Wain – Portfolio Holder for Planning, Development and Property
CONTACT OFFICERS:	Paul Hare – Assets Manager Claire Hazeldene – Finance & Procurement Manager
WARDS INVOLVED:	Non-Specific

Appendices Attached: None

1. Reason for the Report

- 1.1 The purpose of this report is to set out the outcomes from recently completed condition surveys on the Council's assets and to recommend a way forward to determine the action emerging from them.

2. Recommendations

- 2.1 It is recommended that Cabinet:

- Note the high level findings from the recent stock condition surveys including the potential capital and revenue financial implications
- Assess and confirm the approach that provides for capital investment in each of the Council's key public buildings following full consideration of the options identified in section 12 of the report
- Review the public convenience and car park provision with a view to disposal of assets that are surplus to requirements
- Review the leisure asset portfolio in the context of the expiry of the existing leisure management contract with a view to reducing on-going asset and operating costs

- Review the operational depot asset portfolio in the context of the expiry of the waste collection contract and potential new operating model with a view to reducing overall costs
- Review the Council's strategic land holdings with a view to developing options to either generate additional capital receipts or opportunities to generate ongoing financial returns

3. Executive Summary

- 3.1 The Council holds a wide range of assets including both buildings and infrastructure. Provisions are held in the Council's Capital Programme and in revenue budgets to maintain these assets.
- 3.2 The Council is currently refreshing its Asset Management Plan and the starting point for this process is to ascertain the condition of the individual assets. Asset condition surveys have recently been completed. These ascertain the overall condition of the properties and establish the necessary capital investment required to ensure that they are maintained to an appropriate standard.
- 3.3 The overall outcomes of the surveys can be summarised as follows:
 - A number of the Council's operational assets are dated in appearance and require investment;
 - The Council's car parks require capital investment;
 - There are structural issues associated with a number of the Council's buildings which require resolution;
 - There are urgent works related to health and safety requirements that need to be resolved; and
 - Investment is required to the electrical and mechanical infrastructure of a number of buildings.
- 3.4 The investment required is significantly above the level which is provided in the Council's Medium Term Financial Plan (MTFP). This excludes any major investment in the Council's leisure centres and operational depots where it is assumed that investment will be deferred pending the major contract decisions that are due to take place over the next two to three years.
- 3.5 However, given the number of assets that the Council owns, and considering the age and condition of the leisure centres, significant capital investment is required over the next 30 years in order that these assets remain fit for purpose.
- 3.6 The indicative investment would have a significant impact on the Council's future revenue budgets and the analysis shows that the Council's property portfolio in its current form is unaffordable.
- 3.7 There are a number of actions that the Council could take to either reduce the amount of capital expenditure it needs to spend on its assets or to reduce the

impact of the necessary capital spending. It is proposed that these are considered before investment in each of the assets is made.

- Asset rationalisation
- Shared use of assets
- Reduction in specification and functionality
- Generate additional capital receipts
- Identify grants to support investment
- Generate additional revenue from asset holdings

3.8 The approach that is proposed is to:

- Assess and confirm the approach that provides for the early year investments (including the proposed strategy) for each of the key buildings;
- Review the public convenience and car park provision with a view to disposal of assets that are surplus to requirements
- Review the Leisure asset portfolio in the context of the expiry of the existing leisure management;
- Review the operational depot asset portfolio in the context of the expiry of the waste collection contract; and
- Review the Council's strategic land holdings with a view to developing options to either generate additional capital receipts or opportunities to generate ongoing financial returns.

4. How this Report Links to Corporate Priorities

4.1 The successful delivery of all Council services is dependent upon the effective management of the Council's assets. This report sets out the proposed approach to ensure the assets that support service delivery are fit for purpose.

5. Options and Analysis

5.1 The report sets out as number of options that are available to consider.

6. Implications

6.1 Community Safety - (Crime and Disorder Act 1998)
None.

6.2 Workforce
None.

6.3 Equality and Diversity/Equality Impact Assessment
This report has been prepared in accordance with the Council's Equality and Diversity policies.

6.4 Financial Considerations

The asset surveys show that the investment required to ensure that the Council's property assets remain fit for purpose is some £23.6 million over the next 30 years.

The investment required over the life of the current MTFP (2016/17 to 2019/20) is £2.1 million which is broadly in line with that currently included in the MTFP.

The additional revenue costs that would emerge from the future investments over the next 30 years would total approximately £948,000 per annum.

6.5 Legal

None.

6.6 Sustainability

None.

6.7 External Consultation

Any changes in the use or provision of key public buildings or assets will need to be the subject of public consultation

6.8 Risk Assessment

The understanding of the overall condition of the Council's property portfolio has been flagged as a key risk and the completion of the surveys is the action that has been taken to mitigate this risk.

Each of the surveys has been completed by taking into account the key risks associated with each asset.

Any new programme of refurbishment would have to be developed in the context of an overall evaluation of the risks.

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Background Papers

Location

Contact details

Various background working papers

Moorlands House

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7 Introduction and Background

7.1 The Council holds a wide range of assets both buildings and infrastructure. The main assets are as follows:

- 3 Leisure Centres
- Moorlands House
- Biddulph Town Hall
- 3 Shops
- 33 Industrial Units
- 13 Public Conveniences
- Leek Bus Station
- Manifold Valley Visitor Centre
- Fowlchurch Depot
- 2 cemeteries
- Leek Butter and Trestle Market
- 39 car parks
- 6,632 metres of watercourses
- 6 ponds and reservoirs
- 3 culverts
- 10 buildings in parks

7.2 These assets need to be maintained and consequently provisions are held in the Council's Capital Programme to provide for major repairs and allocations are made in the revenue budgets for the day-to-day responsive maintenance costs.

7.3 The Council also has a small number of strategic land holdings for which there are minimal costs of ownership.

7.4 The Council is obliged to maintain an Asset Management Plan which should describe the Council's approach to management of all assets and provide links to the operational and technical details that underpin the overall strategy. The Asset Management Plan is intended to provide the framework for decision-making across the property portfolio and for individual buildings, and shape delivery of a resource at the heart of the Council's current and future service offer to residents.

7.5 The Council is currently refreshing its Asset Management Plan and the starting point for this process is to ascertain the condition of the individual assets. Asset condition surveys have recently been completed and the purpose of this report is to set out the outcomes from these surveys and to recommend a way forward to determine the action emerging from them.

8 Current Capital Programme Provision for Assets

8.1 The current Capital Programme, which was approved in February 2016, has the following provisions for maintaining the Council's assets:

Capital Schemes	2016/17	2017/18	2018/19	2019/20	Total
	£	£	£	£	£
Asset Management Plan (AMP)					
Council Offices/Public Buildings	378,600	236,990	216,000	245,000	1,076,590
Leisure Centres	160,000	590,000	-	-	750,000
Car Parks	15,000	367,310	70,000	300,000	752,310
Infrastructure	111,490	79,000	-	154,510	345,000
Total	665,090	1,273,300	286,000	699,510	2,923,900

- 8.2 The overall Capital Programme is financed partially from capital receipts i.e. income derived from the sale of buildings or land. A summary of the income estimated to be received from capital receipts is summarised below:

Year	Total Receipts
	£
2016/17	-
2017/18	6,000
2018/19	12,000
2019/20	190,000
Total	208,000

9 Condition Surveys

- 9.1 In order to provide a baseline for the development of a new Asset Management Plan the Council has recently commissioned and coordinated the following work:

- Individual condition surveys for all assets
- A review of all health and safety inspection actions
- Establishment of the details of all backlog repairs
- A limited amount of options appraisals for each category of asset
- Full structural surveys
- A full analysis of all mechanical and electrical plant
- An analysis of the levels of income generated from each asset

- 9.2 A key outcome of this work was to ascertain the necessary capital investment required to ensure that the Council's assets are maintained to an appropriate standard.

10 High Level Summary of Findings

10.1 There are detailed outcomes for each of the Council's assets, which can be explored in detail, however the overall outcomes can be summarised as follows:

- A number of the Council's operational assets dated in appearance and require investment;
- The Council's car parks require capital investment;
- There are structural issues associated with a number of the Council's buildings which require resolution;
- There are urgent works related to health and safety requirements that need to be resolved; and
- Investment is required to the electrical and mechanical infrastructure of a number of buildings.

10.2 Given the number of assets that the Council owns, significant capital investment is required over the next 30 years in order that these assets remain fit for purpose.

10.3 The Council does have choices in terms of the assets that are maintained to support its functions. In the context of the current financial position it is essential that the cost effectiveness of each asset is challenged. This challenge needs to be made with a clear understanding of the on-going costs related to those assets.

10.4 The indicative capital investment required can be summarised as follows:

SMDC - Capital Investment Required	2016-17 - 2019-20 (MTFP)	2020-21 - 2045-46 (26 Years)	TOTAL
	£	£	£
Public Buildings	1,010,850	2,761,600	3,772,450
Car Parks	754,000	4,293,431	5,047,431
Public Conveniences	181,400	415,800	597,200
Waterways & Infrastructure Assets	479,361	448,761	928,122
Leisure Centres	310,000	10,005,995	10,315,995
Depots and Parks Buildings	97,070	2,355,714	2,452,784
Industrial Units	80,380	392,050	472,430
TOTAL	2,913,061	20,673,351	23,586,412

10.5 Current capital programme agreed by the Council for 2016/17 to 2019/20 totals £2,923,900. The above analysis shows that the current Medium Term Financial Plan (MTFP) provision is broadly in line with the requirements.

10.6 In developing the above indicative analysis however there has been a focus on large investments in the public facing assets which:

- Carry high repair costs;
- Have high running costs;
- Contain structural defects;
- Have health and safety issues; and
- Are continuing to significantly deteriorate and will present greater costs in the longer term if not addressed.

10.7 The programme includes early investment (2016/17 to 2019/20) in the following buildings, where it is considered that investment will significantly reduce on-going capital costs and will support partnership usage in the buildings:

- Moorlands House (£452,000)
- Biddulph Town Hall (£395,000)

10.8 The approach also includes the following early investments:

- Car parks with outstanding health and safety actions
- High use public conveniences
- Waterways to mitigate increased future costs
- Bridges and structures with structural risks
- Operational assets which have structural or H&S risks

10.9 There is minimal investment in the early years where there is uncertainty and potential change. Major investment has been deferred in respect of:

- Leisure centres due to the leisure management contract expiry; and
- Operational depots due to the potential change in the service delivery arrangements for waste collection and street cleansing.

10.10 The costs associated with maintaining the Council's leisure centres in the longer term is significant. This is due to the age of the centres which are coming to a point of which large investments are required in a number of major building components.

11 Affordability of Requirements

11.1 If the indicative programme detailed in section 10.4 was put into place it would have a significant impact on the Council's future revenue budgets. The estimated impact of the indicative capital projections is detailed below:

SMDC Estimated Revenue Consequences - Cumulative Impact	2016-17 - 2019-20 (MTFP)	2020-21 - 2045-46 (26 Years)	TOTAL
	£	£	£
Fit for Purpose Standard works - Cumulative Cost	115,959	943,653	1,059,612
Current MTFP - Cumulative Cost	(111,403)	-	(111,403)
Additional Budget Requirement	4,556	943,653	948,210

11.2 The above analysis shows that providing the investment in the longer term to maintain the Council's property portfolio in its current form is unaffordable.

11.3 It also needs to be recognised that there are limited resources available to deliver a programme as outlined above and if such a programme were implemented additional staffing and / or professional support resources would be required. The cost of these would also need to be provided for.

12 Sustaining the Asset Holdings

12.1 There are a number of actions that the Council could take to either reduce the amount of capital expenditure it needs to spend of its assets or to reduce the impact of the necessary capital spending. The main options are as follows:

- **Asset rationalisation** – dispose of or commit to a voluntary transfer to another organisation; this approach has been used in the past e.g. the disposal of the former council offices at Cheadle
- **Shared use of assets** – making the buildings multi-functional which enables the sharing with other organisations in order to spread the cost of maintaining the asset; the potential for this is being exploited for Moorlands House where the asset has been shared extensively with the County Council and other partners
- **Reduction in specification and functionality** – changing the functionality of a building to reduce the scope of the major capital works hence reducing the cost
- **Generate additional capital receipts** – identifying surplus land that can be sold off to generate a receipt which can be used to finance expenditure on buildings or other assets; this could include joint ventures with other interested partners
- **Identify grants to support investment** – seeking grant support for capital investment;

- **Generate additional revenue from asset holdings** – use or develop assets to generate additional revenue in order to offset the revenue costs that result from capital investment; the development of industrial units is an example of where this has been used in the past

13 Proposed Way Forward

13.1 It is essential that the Council maintains an asset base, which delivers the ambitions of the Corporate Plan. The challenge for the Council is that this needs to be affordable.

13.2 This challenge is becoming increasingly more difficult due to two factors:

- The age of a number of the Council's key public buildings; and
- The shrinking amount of financial resources available to support service delivery.

13.3 The recommended approach is therefore as follows:

- Assess and confirm the approach that provides for the early year investments as outlined in 10.6 to 10.8 above including the proposed strategy for each of the key buildings; this needs involve a consideration of the options identified in section 12 of the report.
- Review the public convenience and car park provision with a view to disposal of assets that are surplus to requirements; there needs to a focus upon demand and cost effectiveness.
- Review the Leisure asset portfolio in the context of the expiry of the existing leisure management contract with a view to reducing on-going asset and operating costs;
- Review the operational depot asset portfolio in the context of the expiry of the waste collection contract and potential new operating model with a view to reducing overall costs.
- Review the Council's strategic land holdings with a view to developing options to either generate additional capital receipts or opportunities to generate ongoing financial returns.