



ASSET MANAGEMENT PLAN 2013

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1 INTRODUCTION

- 1.1 Council services are evolving in the context of rising public expectations, the localism agenda, increasing focus on improving services, whilst delivering value for money. Property is often the point of delivery for our services to the community. The suitability and condition of these property assets has an impact on the services that we deliver.
- 1.2 The Council's property is essential to service delivery and well managed property has clear service and financial benefits. The Council owns various operational and non operational properties.
- 1.3 This new Asset Management Plan (AMP) outlines the Council's property assets and its approach to property management. It also outlines how property assets link into the Council's longer term service and financial strategies.
- 1.4 Property assets also play a major role in the Council's finances. The AMP is closely linked to the Medium Term Financial Plan (MTFP). This is due to four key factors:
- the investment value of our property portfolio and the need to generate capital receipts.
 - the income generating potential of our investment properties.
 - the revenue required to maintain these assets in a fit state.
 - the capital investment required to replace these assets when they require major refurbishment or become life expired.
- 1.4 At a practical level, the Council will continue to seek innovation and spread good practice in property management. We will work jointly with partners where possible, particularly where sustainable gains can be achieved for the benefit of the wider community.

2. PROPERTY ASSETS

Asset Types

- 2.1 The assets held by MHDC can be grouped into the following broad asset types.
- **Office accommodation:** property held for occupancy by staff eg Council House
 - **Operational assets:** property held primarily to deliver a service and or services, eg Leisure facilities, car parks, toilets
 - **Investment assets:** property held to generate a revenue stream at a market rate of return for the Council. Property of this type may additionally benefit the Councils priorities such as economic development.
 - **Surplus assets (Non operational):** surplus property deliberately retained for strategic reasons or to provide community benefit, rather than to provide direct service delivery. Usually let at below market rent.

- **Surplus assets (Disposal):** any assets which no longer have a service delivery need or are not meeting performance needs under investment properties which are flagged for disposal.
 - **Community and Heritage assets:** assets held for the benefit they bring to the community as a whole or their wider heritage significance.
- 2.2 The main property assets held by the Council are listed in the table below and in more detail in Appendix A. The revenue property budgets for these assets exceed £500k per annum and have a book value of over £23M.

Table 1 MHDC Property Assets

Property asset category	No. of sites	Revenue Property Budgets £000	Accounting Value £000
Offices	3	191	1,106
Depot	1	36	247
Operational (Car parks)	12	92	3,659
Operational (Public toilets)	8	56	994
Operational (Leisure / Community)	4	40	5,676
Operational (Theatre)	2	0	8,626
Operational (TIC)	3	34	550
Surplus (Non Operational)	3	21	176
Surplus (Disposal)	1	25	495
Investment – industrial	3	5	1,612
Community / heritage	1	0	13
Total		501	23,154

3 CORPORATE APPROACH TO ASSET MANAGEMENT

Operational Management

- 3.1 The Council has a dedicated Property Services team of 2 FTE within the Resources Directorate.
- 3.2 The team manages the day to day operational issues of running a property portfolio – arranging repairs, maintenance, renewing leases, carrying out rent reviews and gathering and maintaining data on the portfolio.
- 3.3 The team also manages any capital works required whether these be major refurbishments or new builds.
- 3.4 The team also manages any property disposals, acquisitions or revaluations that are necessary.

Strategic Management

- 3.5 The Head of Resources fulfils the role of Corporate Property Officer (CPO).
- 3.6 The CPO monitors all aspects of performance of the land and properties through performance indicators and continually reviewing assets

- 3.7 The CPO refers important issues reported to the Senior Management Team, for information and approval, as necessary. The CPO has regular contact with the Portfolio Holder for Resources. Major decisions in respect of the property portfolio are referred to the Executive Committee.

4 MTFP AND CAPITAL PROGRAMME

- 4.1 The MTFP and Council budget are inextricably linked to the AMP. The Capital Programme is revised annually and agreed by Council following consideration by Executive Committee. It operates on a rolling 3 year basis so that schemes and spending can be properly planned.
- 4.2 One of the underlying principles of the current MTFP is that the Council will remain debt free and will not borrow monies to finance the capital programme.
- 4.3 To ensure that the Council can remain debt free the Council is building up an annual capital replacement fund financed from revenue. This will be contributing an additional £150k in 2012/13 rising to £250k in 2015/16.
- 4.4 The current MTFP identifies capital expenditure of £2.836M for the next three years, However **only** £0.6M is to be spent on property assets the remainder being required for housing grants £0.975M and vehicle replacements £0.961M.
- 4.5 The Current capital programme assumes capital receipts over the period of £1.150M.
- 4.6 The MTFP also identifies capital reserves of some £2.465M at the end of this period made up of unused capital receipts and the capital replacement fund.
- 4.7 To ensure that the Council remains debt free, a review of all Council assets has commenced with a view to identifying assets for potential disposal and thereby generating additional resources to finance the current and future capital programme. The MTFP will also have to keep under review the size and provision of the capital replacement fund.

5 REPAIRS & MAINTENANCE STRATEGY

- 5.1 The key aim of the repair and maintenance strategy is to maintain the council's property assets in a fit state for them to be used in their intended purpose. A robust repair and maintenance strategy will reduce the need for expensive capital replacement and or refurbishment in the future.
- 5.2 The current repair and maintenance budget as laid out in table 1 is £209,010 which is a significant increase from the 2007/08 figure of £61,890. Historic levels of repair and maintenance expenditure have not been sufficient to maintain the Councils entire property portfolio in an adequate condition.
- 5.3 Each property asset will be surveyed at least once every five years, to establish its condition. Surveys will categorise the building into A, B or C condition with

priority levels in accordance with the National Performance indicators. The surveys will cover a period of at least 10 years for each property.

5.4 Condition surveys will be detailed enough to ensure the elimination of any hazardous situation relating to condition which has health & safety implications and will also seek to ensure that all buildings:

- Are watertight
- Are hygienic
- Have satisfactory environmental conditions (heating, lighting & ventilation)
- Have satisfactory fire safety arrangements and an up to date fire risk assessment.
- Have essential work identified to prevent the serious decay in the fabric or building services
- Identify desirable work to maintain the asset

5.5 The Council has procedures for:

- Gas Safety: CP12 certificates are annually completed for all properties we maintain and are recorded on the property management system
- Electrical Safety: Safety surveys are undertaken for all properties we maintain as required depending on the type & occupancy of property, under the Periodic Inspection Report guidelines and are recorded on the property management system
- Asbestos records and duty holder register are recorded on the property management system. They have been undertaken for all properties and are updated as required.
- Water quality monitoring/Legionella: is completed on all properties that we maintain, as required by the "Approved Code of Practice & Guidance L8" and are recorded on the property management system

5.6 Surveys will also look at **SUITABILITY** of premises and focus on the ability of premises to meet service and customer needs. Particularly as customers expectations increase in respect of better standards for the delivery of services.

5.7 Surveys will also look at **SUFFICIENCY** issues related to the current use, which will focus on the quantity and organisation of premises, checking that they meet any plans for expansion of the service and whether they are under or over occupied items of an agreed standard.

5.8 Maintenance decisions will in future take account of full long term costs and benefits.

5.9 The repair and maintenance budgets will target works that will achieve a reduction in corporate property running costs to ensure value for money.

5.10 Efficiency gains on corporate operational building operating costs will be monitored annually by scrutinising the premises related costs like gas, electric, water and CO₂.

5.11 The Council will use annual statistics to monitor trends of expenditure and consumption, described above, and automatically review any variance of 10% or

more to establish what has caused the change and if there is a problem, e.g., leaking water service pipe which can then be rectified.

6 PROPERTY PORTFOLIO REVIEWS

6.1 The property asset portfolio will be reviewed annually to ensure the continued best use of assets and value for money.

6.2 The Council also reviews annually the running costs of all of its property assets, such as cleaning, gas, electric, CO₂ emissions, water services, business rates and repairs. This will help identify the scope for making efficiencies, a breakdown of costs can be found in Appendix A.

6.3 Office Accommodation

6.4 The current approach to office accommodation is to optimise its usage. Occupancy rates will be reviewed annually to ensure the best use is being made of the asset.

6.5 This is achieved by maximising the usage of the office areas used by its own staff, with the intention of disposing of surplus accommodation or letting it out to other organisations.

6.6 Operational Assets

6.7 Operational assets are reviewed as part of the annual management plan process to ensure that they are still fit for purpose. The performance of the asset should be tested against the appropriate benchmarks

6.8 Changes to the service may see the use / role of the asset also change, or it may become surplus to requirements

6.9 Investment Assets

6.10 The performance of investment assets will be reviewed annually. Market rent reviews will be undertaken on a rolling basis to ensure that the Council continues to generate a sufficient return. Any recommendations for changes to the investment portfolio will be made to Executive Committee as appropriate.

6.11 Surplus Assets (Non Operational)

6.12 The rationale for keeping non operational assets will be reviewed annually. Any asset which no longer meets these criteria will either become surplus or transfer to the investment asset portfolio.

6.13 Surplus Assets (Disposal)

6.14 Surplus assets will be marketed for disposal.

6.15 Community and Heritage assets

6.16 These assets will be kept where they are of strategic importance for the district. Any transfer of ownership will need to be considered carefully. The Council will weigh the potential community benefit against the potential loss of future capital receipts and revenue income.

7. REPLACEMENT STRATEGY

- 7.1 All property assets have a usable life without major refurbishment. Some specialised assets by their nature have a finite usable life. The replacement cost of these assets is likely to be very high and in some cases unaffordable without significant prudential borrowing.
- 7.2 It is important for the Council to have in place plans to either replace these assets when they become life expired or to reengineer services so that they are no longer dependant upon the use of a local authority provided asset.

8. DISPOSAL STRATEGY

- 8.1 The Council needs a healthy flow of capital receipts in order to finance the capital programme. Without this the Council would need to use prudential borrowing to finance its capital ambitions and commitments.
- 8.2 The Council's AMP and property review activities are designed to identify areas of mismatch between existing asset provision, current and future requirements, both corporately and within specific service areas. This naturally identifies property that can be declared surplus.
- 8.3 Before a property is disposed of the Council will consider whether it could be reused by another service within the Council or possibly by another public body.
- 8.4 A disposal programme of surplus property is maintained to inform both the MTFP and rolling three year capital budget.
- 8.5 The Disposal Programme does not rule out windfall disposal decisions, which can arise through tenant changes, lease expiry, special market conditions or an approach from a special purchaser.
- 8.6 All capital receipts released from the sale of assets are returned to the "corporate pot". There is no ring fencing of a capital receipts for a specific project.
- 8.7 The policy on disposal of all surplus land or buildings will be to sell them on the open market, using the most appropriate method to achieve a satisfactory sale for the best price possible. The Local Government Act 1972 Section 123 requires that disposals will be for the best consideration that can be reasonably obtained. However, there may be exceptions to this such as Community Asset transfers and Affordable Housing sites as long as this does not have a detrimental effect upon the ongoing financial strategy of the Council.

9. ENERGY EFFICIENCY

- 9.1 The Council accepts that our property assets make a significant impact on our carbon dioxide (CO₂) emissions.
- 9.2 In March 2012 the Executive Committee approved the Energy Efficiency Plan 2012-17. This sets a target of reducing CO₂ emissions by 30%

9.3 The Energy Efficiency Plan covers the following areas to reduce carbon emissions from Council buildings:

- Specific energy conservation measures to Council buildings, including:
 - low energy lights,
 - new heating systems and controls
 - Generating electricity from pv cells.
 - Improved glazing
 - Waste minimisation

10 JOINT WORKING

10.1 Joint working with other councils and public sector organisations on asset use and asset management can be particularly rewarding for the Council and such opportunities should continue to be explored.

10.2 This Council has already established three Hubs, at Malvern, Tenbury and Upton which offer services to the community that traditionally were delivered through by various agencies from different buildings. This sharing of buildings has saved running costs and improved service to the customer.

10.3 This Council adopted the Worcestershire Partnership Capital and Assets Strategy in 2011. This committed the council to the following steps:

- Adopting a proactive approach to working collaboratively with partners to improve services and reduce the assets (and related costs) utilised in their delivery,
- Before this Council purchases, constructs or makes major investment in its existing buildings for its sole or principal use it will firstly explore alternative collaborative and joint use options.

10.4 The Council recognises the need to consult with the community on certain asset issues to ensure the most appropriate outcome. The Council will consider all requests for a community asset transfer but will need to have a clear understanding of the benefits before agreeing to such a transfer which will usually be on a leasehold basis.