

TUESDAY, 1ST FEBRUARY 2022

REPORT OF THE ASSISTANT DIRECTOR ASSETS

UPDATE ON ASSET MANAGEMENT STRATEGY

EXEMPT INFORMATION

Not exempt

PURPOSE

To provide an update on the Asset Management work completed to date and to provide information on the next steps.

RECOMMENDATIONS

It is recommended that:

1. The content of this report be noted.
2. Further discussions should take place through the Asset Strategy Steering Group.
3. The current Asset Management Strategy should be formally updated taking account of new data.
4. Asset Management Plans for individual and groups of properties should be developed.

EXECUTIVE SUMMARY

This report relates only to land and building assets owned and/or managed by the Council, it does not include other assets such as plant, equipment, vehicles, play areas or items within the museum collection.

The Council owns a number of building and land assets across the borough; these land and building assets are owned for a number of reasons, including: -

- Social Housing (held within the HRA)
- Operational buildings
- Heritage assets
- Investment property
- Open spaces

The Asset Management Strategy should set out to define the reasons for holding land and building assets and should establish a mechanism for getting the most out of the assets held.

The Council has previously developed a written Asset Management Strategy and whilst this was never formally adopted the basic principles have been followed so far as existing resources allow.

As part of the review and update to the Asset Management Strategy external consultants were engaged to undertake a gap analysis of our existing approach along with carrying out a condition survey of our property.

A condition survey of Council Housing held within the HRA was completed in 2018/19 and has been used as the basis of the current HRA capital investment programme.

A condition survey of the non-housing properties was commissioned some time ago but unfortunately due to the pandemic the site-based work had to be delayed as access to properties was not readily available. This survey work was completed late 2021 and has resulted in a report giving some indicative costs for the investment required over the next 30 years to maintain the stock in a usable condition. In addition to this work a costed condition survey of Marmion House and the Castle had been completed by others and will be fed into the final costed plan, noting of course that there are specific plans for Marmion House within the Reset & Recovery project. It should also be noted that a separate piece of work is being done around the Town Hall and this will include both essential works and aspirational works.

The condition survey work carried out across all stock only takes account of maintaining the property to currently acceptable standards; there is no consideration given to future improvements that may be required in order to comply with changing legislation and this is an area of risk to consider, particularly in relation to achieving zero carbon targets. In developing the strategy consideration will be given to this and other potential cost pressures.

As detailed within the Corporate Capital Strategy, the next phase of the project will include: -

- Addressing the issues raised within the gap analysis and updating the strategy document.
- Identification of the resources needed (staff and financial) to deliver on the strategy.
- Mapping investment required against income received with a view to developing asset viability models that will assess 'whole life' performance and viability. These models will enable the Asset Strategy Steering Group to identify how properties perform with a view to developing retention and disposals strategies.
- Consideration of wider strategic aims and objectives
- Identification of other risks associated with the property portfolio and subsequent development of a risk register across the stock.

Options Considered

No other options were considered in relation to the completion of the costed surveys.

RESOURCE IMPLICATIONS

1. The stock condition survey of the HRA property portfolio has identified an investment need of circa. £128.2m over the next 30 years based on meeting the current Decent Homes Standard.
2. The stock condition of the non-housing properties has identified an investment need of circa. £5.6m over the next 30 years based on maintaining to a reasonable standard
3. Income from the investment property portfolio is circa. £1.6m per annum.

It is likely that in developing the Asset Management Strategy and plans additional staffing resources will be needed to both manage the stock and any investment programmes.

The condition data for the HRA property portfolio is fed in to the HRA business plan as part of the assessment of financial viability.

Financial viability of the investment property portfolio will need to be assessed.

Operational and heritage assets are likely to need continued investment.

LEGAL/RISK IMPLICATIONS BACKGROUND

1. Future requirements around achieving zero-carbon are likely to have a significant financial impact and may not be financially viable in many cases.
2. Building Safety is high on the agenda for housing properties and is likely to lead to additional investment being needed.
3. The investment property we currently hold may not meet the needs of business in future which would mean loss of income.
4. Failure to maintain our property could leave us in a position where we are not legally compliant.
5. Failure to invest at the levels required are likely to make our property unlettable.

EQUALITIES IMPLICATION

1. None directly identified as part of this project as it relates only to the physical aspects of property.

ENVIRONMENT AND SUSTAINABILITY IMPLICATIONS (INCLUDING CLIMATE CHANGE)

The costed surveys provided at this stage only consider maintaining the buildings to currently defined standards. We know that achieving zero-carbon is high on the agenda and that to achieve zero carbon is going to require significant investment. It is unlikely that the council as a landlord will see a return on investment for works relating to zero-carbon.

In relation to operational property, it is likely that the council will need to become carbon negative in some areas to offset those buildings and operations where it would be near to impossible to achieve a carbon neutral position.

The council is currently working on its zero-carbon policy, and this will have to feed into the management of property in future.

BACKGROUND INFORMATION

The Council has previously had a written Asset Management Strategy, but this was not formally adopted. Condition Surveys across the property portfolio have been completed to identify the current and future investment needs.

The reports assume that properties will need to be maintained at current standards and no assumptions have been made around investment that may be required to achieve higher standards that may come into force in future.

REPORT AUTHOR

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LIST OF BACKGROUND PAPERS

N/A

APPENDICES

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