

Agenda Item No: **Report No:**
Report Title: **Annual report on the Non Housing Property Portfolio**
Report to: **Cabinet** **Date:** **21 November 2007**
Lead Councillor: **Councillor Ann De Vecchi**
Ward(s) Affected: **All**
Report By: **Director of Finance and Community Services**
Contact Officer(s): **David Heath, Head of Audit and Performance**

Purpose of Report:

To update Cabinet with the Annual Report on the Non Housing Property Portfolio.

Officers' Recommendations:

- 1 To note the position with regard to the resources available and commitments identified for the backlog maintenance programme for 2007/08 and 2008/09.
 - 2 To note the position with regard to disposal opportunities within the Non Housing Property Portfolio (Exempt at Appendix C).
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1 Reasons for Recommendations

The Council's Asset Management Plan is the corporate document detailing existing management arrangements, outcomes and planned actions to improve corporate asset use. As part of that plan officers have the responsibility to produce an annual report on the non-housing property portfolio. The purpose of this is to give up to date information on the assets, known data on condition and backlog maintenance and identify where there is potential for disposal of assets.

2 Annual report on the Non-Housing Property Portfolio

2.1 The Council has set in place its corporate approach to asset management as detailed in the Asset Management Plan. Forming an integral part of this is the annual review of the Non-Housing Property Portfolio.

2.2 Cabinet previously approved a budget to undertake a condition survey of these assets to identify the extent of future maintenance requirements. Hamson Partnership was appointed to undertake this survey which was completed in June 2003. This information has enabled the Council to plan more effectively its maintenance of the Non Housing Property Portfolio. The survey included most of the property

assets where the Council has a repairing liability. A number of property assets were surveyed separately as follows:

- ❑ Car parks which were not part of the grounds of a building – surveyed by the Property Service Section
- ❑ Southover Grange – a historical survey undertaken by an independent surveyor.
- ❑ Newhaven Fort – surveyed by an independent surveyor.

2.3 In November 2005 Hamson Partnership completed an update survey of the four leisure centres buildings in advance of them being transferred to the Leisure Trust. A further two surveys were also undertaken of mechanical and electrical equipment and the pools. Over a five year period the total expected value of works to buildings and associated equipment was estimated at £653,309. The costs of these works are being met by savings generated by the transfer to the Leisure Trust. A Leisure Trust Building, Plant and Equipment Reserve has been established for this purpose as explained in the report to Cabinet in February 2006. Backlog maintenance works of £83,284 were addressed in 2006/07 at the leisure centre buildings.

2.4 In January 2006 Cabinet received the report of the Scrutiny Panel on the Review of Assets (Land and Buildings). As part of this report a series of recommendations in relation to specific land and building assets in the non housing property portfolio, were made. These recommendations are shown against the relevant land or building asset in Appendix C.

2.5 The condition category, priority level and the estimated backlog maintenance for those buildings which were surveyed are shown in Exempt Appendix C. The definitions of condition category and priority level are defined by the Chartered Institute of Public Finance are shown in Appendix A.

2.6 The resources available within the current approved capital programme and the outstanding backlog maintenance requirements for the period 2007/08 to 2008/09 are shown in Table 1 below:

Table 1: Analysis of resources available and commitments identified for backlog maintenance for the period 2007/08 to 2008/09

	2007/08 £	2008/09 £	Total £
Funding in approved capital programme	602,430	0	602,430
Maintenance programme work undertaken to date for 2007/08	66,669	0	66,669
Outstanding maintenance programme	437,627	774,107	1,211,734
(Shortfall)/Surplus	98,134	(774,107)	(675,973)

NB: The above analysis excludes the backlog maintenance requirements for:

- a) leisure centres which are dealt with in paragraph 2.3 above and the amounts were set out in a report to the September 2006 meeting of Cabinet,
- b) Newhaven Fort for which the budget implications were considered at the April 2007 meeting of Cabinet, and
- c) car parks which are met from a separate reserve for maintenance of car parks.

2.7 The 2007/08 funding shown above (£602,430) is from capital receipts received.

2.8 Exempt Appendix C is the Non Housing Property Portfolio and provides the following information:

- Category of asset (in bold)
- Asset details including location
- The area within which the asset is located
- Department responsible for the operational management of the asset
- The Condition Category of the Asset (where applicable or information available)
- The Priority Level (where applicable or information available)
- Backlog Maintenance of the Asset (in cost where applicable or information available). The cost is adjusted to take account of the value of any works completed in the current or previous years. Furthermore this figure will be adjusted to take account of revised estimates or tender prices for works.
- Maintenance works undertaken in 2006/07
- Maintenance Programme for 2007/08 (Identifies those assets where work is planned for 2007/08)
- Repairing Liabilities
- Information on the asset
- Whether there is potential for the disposal of the asset
- Comments by the operational manager of the asset & recommendations of the Scrutiny Panel, Review of Assets (Land and Buildings)

The list of non housing assets has changed in the past year due to a building no longer being leased by the Council and a portable building being used to house the staff as shown at Appendix B.

2.9 The Council's Capital Strategy sets out the policy relating to use of capital assets and that policy has five elements as follows:

1. Hold assets that generate revenue and support the revenue budget
2. Retain essential operational assets
3. Retain assets inherited from former councils and developers where no other agency or body can be found which can more appropriately hold the asset

4. Regularly review our asset portfolio to keep our overhead costs to a minimum
5. Identify opportunities for asset disposal so that resources can be generated to address key priorities

Where a “No” has been identified in the column entitled “Is there potential for the asset to be disposed of”, at Exempt Appendix C, the number of the relevant policy element above is provided as the reason for retention.

3 Financial Appraisal

- 3.1 If the Council decides to dispose of any of its assets this could have both revenue and capital implications.
- 3.2 The main financial implication is the challenge to realise capital receipts or secure external funding in order to tackle the backlog maintenance.

4 Risk Management Implications

- 4.1 Addressing of the backlog maintenance of the Council’s non housing property portfolio prevents further deterioration of these assets. Failure to maintain the assets is likely to result in significantly higher levels of expenditure than that previously identified and the potential for buildings to become unusable. The proper funding of a comprehensive programme of maintenance will mitigate this risk providing a low level of residual risk.

5 Environmental Implications

- 5.1 The Environmental Implications Questionnaire has been completed. This report is exempt from the requirement because it is a progress report on Asset Management.

6 Background Papers

- 6.1 Asset Management Plan and Capital Strategy.

7 Appendices

- 7.1 Appendix A - Chartered Institute of Public Finance definitions of Condition Category and Priority Level
- 7.2 Appendix B - Property Assets removed from or added to the property portfolio since October 2006.
- 7.3 Exempt Appendix C - Non Housing Property Portfolio November 2007.

Chartered Institute of Public Finance definitions of Condition Category and Priority Level

(a) Condition Category

A: Good – Performing as intended and operating efficiently

B: Satisfactory – Performing as intended but showing minor deterioration

C: Poor – Showing major defects and/or not operating as intended

D: Bad – Life expired and/or serious risk of imminent failure.

(b) Priority Level

1: Urgent works that will prevent immediate closure of premises/or address an immediate high risk to the health and safety of the occupants and/ or remedy a serious breach of legislation

2: Essential work required within two years that will prevent serious deterioration of the fabric or services and/or address a medium risk to the health and safety of the occupants and/or remedy a minor breach of the legislation

3: Desirable work required within 3 to 5 years that will prevent deterioration of the fabric or services and/or address a low risk to the health and safety of the occupants and/or a minor breach of the legislation.

Appendix B

Property Assets removed from or added to the property portfolio since October 2006

ASSETS REMOVED FROM THE PROPERTY PORTFOLIO		
Asset Details	Area	Details
Clinton Place Tourist Information Centre	Seaford	This asset was leased to Lewes District Council by a private landlord. The lease terminated in 2007. The Tourist Information Centre moved to a portable office in the West Street Car Park on the 2 July 2007.
ASSETS ADDED TO THE PROPERTY PORTFOLIO		
Seaford Tourist Information Centre portable office, West Street Car Park.	Seaford	Temporary accommodation until new shared offices with the Citizens Advice Bureaux and Police are completed.
Denton Island Business Centre.	Newhaven	