



Cabinet 2 December 2009

Asset Management Plan: Planned Maintenance Programme and Cost Reduction Plan(Dec 09/05)

1. Summary and Reasons for Recommendations

- 1.1 This report is a follow on from the paper considered by Cabinet in 2005, to report on the positive trend of reducing the amount of backlog maintenance and improvement in the condition of the Borough Council's buildings, through the operation of the Planned Maintenance Programme and the Cost Reduction Plan.
- 1.2 Performance of the Borough Council's building stock has improved from 11% of buildings being rated in Condition A in 2003/2004 to 76% rated in Condition A by 2007/2008. Backlog maintenance has reduced from a peak of £11.1 million to £4.2 million. Much of this already has committed funding. By adopting the revised Cost Reduction Plan explained in this report, the backlog maintenance is virtually eliminated over the next five years.
- 1.3 It is important for the Borough Council to address the issue of maintenance of its property assets and for public buildings to be accessible in accordance with legislation. The proposed Cost Reduction Plan proposes a way forward and its adoption is in line with best practice asset management and meets the CAA Use of Resources criteria for financial management.

2. Recommendations

It is **RECOMMENDED** that:-

- (1) the Planned Maintenance Programme 2009/2010 to 2013/2014 be noted;
- (2) the capital allocation of £250,000 a year after the end of the approved budget period be continued, to further reduce the amount of backlog maintenance; and
- (3) the Cost Reduction Plan 2009/2010 to 2013/2014 be adopted to deal with identified backlog maintenance, to reduce it almost to nil.

3. Corporate Objectives

3.1 The recommendations meet the following as contained within the Corporate Plan:-

- (a) Corporate Priority: *'To raise corporate standards and efficiency'*; and
- (b) Cabinet Commitments: *'Improving efficiency'*.

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4. Key Issues

Background to the Planned Maintenance Programme and Cost Reduction Plan

- 4.1 In November 1995 the Borough Council adopted a method of financing and planning for the maintenance of corporate properties by establishing the Building Maintenance Reserve Fund (the Fund). Initially, an allocation was made each year, both from revenue and capital resources, equivalent to 1.4% of the insured value of the corporate building portfolio (1.1% for leisure assets). In 2005 the capital element was replaced with a fixed annual capital sum of £250,000 for major planned building maintenance (Paper W240 refers). The revenue element is now based on 1.1% of the insured value (0.8% for leisure assets).
- 4.2 A rolling 5 year Planned Maintenance Programme of Works (PMP) for all the Borough Council's operational buildings has been in operation since 1999. The PMP is based on regular inspections of condition and the works apply recognised life cycle expectancies of building components and contractual maintenance schedules. The works for each building are prioritised using the definitions applied for the national property performance indicators for condition and level of urgency. The money held in the Fund is not specifically allocated on a building by building basis, but applied according to priorities. This allows for more efficient and effective use of the Fund.
- 4.3 Both building condition and required maintenance are reported annually to Members, together with the amount of backlog maintenance. Backlog is calculated by comparing the total 5 year PMP against the anticipated 5 year allocation for the Fund. It is defined as the shortfall of identified works against money available.
- 4.4 Appendix 1 shows the improvement in the condition of the Borough Council's assets. In 2003/2004, only 11% of the stock was in Condition A (Operating effectively) and 71% was Satisfactory. By 2008/2009, 76% of the assets were in Condition A. This is a result of undertaking effective planned maintenance and by operating the Cost Reduction Plan approved in 2005, notably, by disposing of a number of high maintenance operational buildings.
- 4.5 Similarly, the amount of backlog maintenance has been decreasing (Appendix 1). In 2003/2004 it totalled £6.7 million. The sum increased significantly between 2004/2005 and 2007/2008, mainly due to completing Access Audits and identifying works to bring all buildings up to the required standard to comply with the Disability Discrimination Act. Additional works included installation of lifts, accessible doors, ramps, lowered counters to reception desks, signage, contrasting colour schemes and induction loops. The peak backlog was £11.1 million in 2006/2007.
- 4.6 The problems of an inadequate focus on maintenance and the drive to make efficiency savings had been recognised by both Sir Michael Lyons and the Government through the Gershon Review and the theme has been continued in the Comprehensive Performance Assessment (CPA) and Comprehensive Area Assessment (CAA) Use of Resources criteria. Although district councils are not required to complete the relevant asset management section of the CAA process, the Borough Council's established corporate approach to dealing with its property assets is seen as best practice, in being able to budget a regular sum each year as part of the Council's budget setting process and to plan and programme the maintenance work in advance and in priority order. In parallel, the systematic Asset Management Plan review of buildings and services has identified assets no longer fit for purpose, in terms of condition, costs, suitability and sufficiency. Options have been approved which has led to a reduction of the most poorly performing assets, improvement of others and effective and efficient use of new buildings.

4.7 The Government, through the Audit Commission, continues to prioritise issues around building condition and backlog maintenance. In a recent study published by the Audit Commission, it was reported that in 2003, maintenance expenditure represented just under 6% of the Gross Domestic Product. Total expenditure on maintenance was over £62,000 million and repair and maintenance accounts for almost half of all construction output.

4.8 This challenge of backlog maintenance, and the particular problem of accommodating access to public buildings was identified in the report to Cabinet on 21 September 2005 (Paper W244 refers). The Borough Council adopted the Cost Reduction Plan. It is appropriate to revisit the Plan to identify how backlog maintenance may be reduced to, and thereafter kept at, nil.

The Planned Maintenance Programme 2009/2010 to 2013/2014

4.9 Appendix 2 shows the 5 year PMP for each Borough Council asset for which it has repairing liabilities. This includes some of the tenanted non-operational portfolio, although for the majority of the let buildings, this responsibility is passed to the tenants through the lease covenants. The table shows the total 5 year contribution to the Fund and the amount of backlog (or surplus) for each building. As explained in paragraph 4.2, the individual revenue allocations based on insurance values calculated for each building are not actually allocated in this way, but are put into the Building Maintenance Reserve Fund and applied on a priority need basis. As The Apex is not yet completed, it is not included in the current PMP.

4.10 The cost of maintenance required for the period 2009/2010 to 2013/2014 is over £9 million. Total estimated backlog, as of 1 April 2009 was £4.2 million. The table also includes approved contributions to the backlog. These include the annual capital allocation of £250,000 for 2011/2012 to 2013/2014, the sum held in the Fund Reserves, specific capital allocations and estimates of tenants' contributions included in leases. These deductions amount to £2.6 million. The identified unfunded net backlog maintenance liability for the Borough Council is therefore £1.6 million.

Cost Reduction Plan 2009/2010 to 2013/2014

4.11 In order to facilitate the maintenance programme a Cost Reduction Plan (the CRPlan) was approved in 2005. It consisted of a number of elements. These are identified below, performance is measured and the elements are reconsidered to take the Plan forward to 2014. Some new elements are also proposed:-

(a) Specific Capital Allocation

- (i) The Council has made specific capital allocations for one off projects which are beyond the scope of the funding for maintenance works. Recent examples of this approach are improvements and maintenance repairs to the Haverhill Leisure Centre and the Athenaeum.
- (ii) Currently, the approved allocation of £450,000 for the refurbishment of the Hollands Road industrial units, arising from the sale of the Vision Centre in Bury St Edmunds to MENTA, is contained within the Capital Programme. Work on a phased basis is under way.
- (iii) The condition of the Borough Council's building stock is now predominantly operating efficiently and compares well against other district authorities. There are no large scale refurbishment schemes identified and it is unlikely that major capital allocations will be necessary

in the next few years.

- (iv) One alternative source of capital contributions may be forthcoming through the implementation of the Community Infrastructure Levy (CIL), to be introduced by the Borough Council. At this stage, no bid has been prepared for inclusion of backlog maintenance in calculating the amount of CIL for developer contributions.

(b) **AMP process**

- (i) The Borough Council has sold £24 million of assets between 2003 and 2008, many of which have been declared surplus through AMP review processes. A number of recent disposals and demolitions have been of operational buildings which have not been fit for purpose and which have had high maintenance costs. For example, the Borough Offices and St Edmundsbury House. The costs of maintaining West Suffolk House are likely to be limited in the first few years to maintenance of plant and equipment, and those costs will be shared with the County Council.
- (ii) There are likely to be opportunities to further reduce maintenance liabilities through future AMP reviews. However, most of the poorest condition buildings have now been sold.
- (iii) The AMP review of community centres in 2007 identified the option of community management and ownership of the centres by local groups. With the exception of the Chalkstone Community Centre, the centres are leased to community organisations, but repairing liabilities remain with the Borough Council. The PMP totals over £380,000, with a further £140,000 for Chalkstone. At the time of the review, consultation with the community showed a reluctance of organisations to take a broader management role. This needs to be revisited as part of the CRPlan, although the approved Dynamic Review – Innovation, Value and Enterprise (DR-IVE) saving of £90,000 has been included in the CRPlan.
- (iv) Other assets considered in the CRPlan are the Corn Exchange and the Guildhall.

(c) **New build and Partnerships**

- (i) West Suffolk House is an exemplar case study of efficiencies in property management and service delivery and the Borough Council now has the expertise to lead on any future projects. One of the main strands of the Government's Operational Efficiency Programme is 'Total Place'. This key area encourages collaboration and innovation and 12 local authorities are trialling how property can support joined up services at the local level, to facilitate public sector collaboration and joint working through Local Strategic Partnerships and Local Area Agreements.
- (ii) An opportunity has been identified in Haverhill and this may lead to reduced maintenance costs. Savings have been approved in the DR-IVE initiative. Other opportunities may develop through Total Place with public sector partners, but it is unlikely that savings can be made during this CRPlan period, as the lead-in time is extensive.
- (iii) A small partnership project which has been completed this year is the sale and leaseback of the Tourist Information Centre, 6 Angel Hill. The

Borough Council's liabilities are now limited to internal repairing of the ground floor and basement, and this has been reflected in the PMP. Bury St Edmunds Town Trust is currently working on the repair and refurbishment of the upper floors, for conversion to residential use.

(d) **Funding issues**

(i) The Borough Council may make additional funds available to be used to address general maintenance matters as opposed to specific projects.

Examples of this approach are:-

- (1) in order to comply with legislation such as the Disability Discrimination Act; and
- (2) to undertake and implement an action plan from findings of asbestos surveys.

(ii) This element was not included in the CRPlan 2005. It is not proposed for this Plan. However, it is important for the Borough Council to consider investing in the leased portfolio, in order to have an asset base which meets future tenant demands. An example of this could be in developing a portfolio which can offer 'green leases'. Recent national research undertaken by the Royal Institute of Chartered Surveyors (RICS) indicates that buildings which incorporate better energy saving facilities can be more competitive and may attract higher rents. Further investment will be necessary to meet green criteria, particularly in the industrial portfolio. One source of revenue could be by committing a percentage of the rental income to an 'improvement fund'. This would need to be considered further.

(e) **Deferment of programme**

(i) A further approach could be to defer the PMP. This could be addressed in the following ways:-

- (1) spread programme over a longer time span; or
- (2) only undertake high priority work.

(ii) This element was included in the CRPlan 2005. It is not proposed for this Plan (see (h) below).

(f) **Revision of percentage basis for the Fund**

(i) Alternatively, the Borough Council could agree to increase the percentage of insurance value which dictates the annual level of the Fund. As a general indication, increasing the contribution by 0.1% would add annually around £50,000 to the Fund, assuming no change to the portfolio. This would be required to be funded as a growth item. This element was not included in the CRPlan 2005. It is not proposed for this Plan.

(g) **Continuation of fixed capital sum to the Building Maintenance Reserve Fund**

(i) A total of £750,000 capital allocation is already included in the budget. The continuation of these arrangements for replacing the capital element of the insurance value by a fixed sum of £250,000 would help reduce the amount of backlog maintenance to nil. The CRPlan below shows that sum being applied for the following 2 years, although the PMP will need to be monitored after the current period, as other AMP decisions are implemented.

(h) **Ring fencing of the Fund reserves**

- (i) Due to redeployment of key staff on major projects, the PMP has slipped in the last year. There were £1.34 million reserves in the Fund as at 1 April 2009. It is proposed that this be applied to the CRPlan and any future monies at each year end be ring fenced to reduce backlog maintenance.

(i) **Tenant contributions**

- (i) Recent estates management practice has been to impose a service charge on new leases where the Borough Council has a liability to maintain externally. An alternative approach could be to add external repairing liabilities to the tenants, but due to the short term nature of many commercial leases today, and the economic climate, enforcing this covenant is likely to be a challenge. It would also lead to piecemeal repairs and redecoration, which would impact on overall appearance for terraced buildings such as the Lake Avenue shops and Hollands Road starter units.
- (ii) It is proposed to continue this practice and increase the sum collected as new leases are agreed. The existing and additional sums are included in the CRPlan. An additional source of tenant's contributions is the application of the rent of 79 Whiting Street to the CRPlan.

4.12 Appendix 2 identifies the cost of maintenance required for the period 2009/2010 to 2013/2014 as £9.07 million. The Fund covers around £5 million of this cost. There is a potential backlog of £4.215 million. However by applying the elements of the proposed CRPlan, including those already approved or accumulated, it is possible to reduce that amount over the next 5 years by:-

Approved specific Capital Allocation	£0.45 million
AMP process	£0.5 million
New build and Partnerships	£0.3 million
Funding issues	£0
Deferment of programme	£0
Revision of percentage basis for the Fund	£0
Approved additional capital sum	£0.75 million
Extension of fixed capital sum	£0.50 million
Ring fencing of Fund reserves	£1.34 million
Tenant contributions (existing and new)	£0.18 million
TOTAL	£4.02 million

By adopting the above Cost Reduction Plan the potential backlog maintenance is significantly reduced, to around £200,000.

4.13 There are a number of leisure assets not included in the PMP, such as pitches and playground renewals, roads and pathways. These will be brought to a future meeting of Cabinet early in 2010, to form a PMP of leisure and recreation assets, if feasible.

5. Other Options considered

5.1 The options for dealing with required maintenance are contained in the Cost Reduction Plan. The Plan will be constantly reviewed, in association with successive PMPs. It will form an integral component of asset management planning.

6. Community impact <i>(including Section 17 of the Crime and Disorder Act 1998 and diversity issues)</i>
6.1 <u>General</u>
6.1.1 The effective use of property assets will assist in enhanced customer satisfaction to service delivery.
6.2 <u>Diversity</u>
6.2.1 The 5 year PMP includes completing works to comply with DDA, following access audits of the majority of the Council owned operational buildings used by the public.
7. Consultation
7.1 Consultation has been undertaken with service managers in preparing the PMP.
8. Resource implications <i>(including asset management implications)</i>
8.1 The Building Maintenance Reserve Fund indicates a £4.2 million shortfall over the current 5 year PMP. However, by adopting the Cost Reduction Plan, this almost eliminates the backlog.
8.2 The plan does rely on undertaking further AMP reviews to identify opportunities to dispose of or work in partnership with others, to reduce maintenance liabilities for buildings not fit for purpose. It will require annual review and if any of the elements identified to manage the backlog are not delivered then a bid for capital funding may be made in accordance with the prioritisation process, or a growth bid made for additional revenue funding.

9. Risk Assessment *(potential hazards or opportunities affecting corporate, service or project objectives)*

Risk area	Inherent level of Risk (before controls)	Controls	Residual Risk (after controls)
	High/Medium/Low		High/Medium/Low
Failure to maintain the fabric and services of buildings which may cause injury to users and/or may result in non-compliance with relevant legislation	Medium	Commit adequate resources to the PMP	Low
Failure to maintain the fabric and services of buildings which may cause health risks to users and/or may result in non-compliance with relevant legislation (eg fire, legionella, asbestos)	Medium	Commit adequate resources to surveys and implementation of the PMP	Low

10. Legal or policy implications

10.1 The Borough Council as employer and provider of services has a duty to ensure that the corporate buildings are properly maintained and comply with all Health and Safety legislation, including DDA. The proposed Cost Reduction Plan seeks to ensure that funds are available to meet this duty to those buildings which are to be retained.

Wards affected	ALL	Portfolio Holder	Economy and Asset Management
Background Papers	Papers W244 and W240, Cabinet 21 September 2005	Subject Area	Property Management

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PLANNED MAINTENANCE PROGRAMME - THE NATIONAL PROPERTY PERFORMANCE MANAGEMENT INDICATORS

pPI	Description	St Edmundsbury 02/03	St Edmundsbury 03/04	St Edmundsbury 04/05	St Edmundsbury 05/06	St Edmundsbury 06/07	St Edmundsbury 07/08
1	<u>Condition and maintenance indicators</u>						
1A	% gross internal floorspace in each condition						
	A Operating effectively	11%	11%	40%	40%	56%	76%
	B Satisfactory	71%	71%	42%	42%	40%	23%
	C Poor	18%	18%	18%	18%	4%	1%
	D Life expired	0%	0%	0%	0%	0%	0%
1Bii	% of total cost in each priority level						
	1. High risk – urgent	34%	32%	57%	57%	35%	35%
	2. Medium risk – essential within 2 years	27%	29%	25%	25%	41%	54%
	3. Low risk – desirable within 3-5 years	39%	39%	18%	18%	24%	11%
1Biii	Total cost of required (backlog) maintenance	£4,180,000	£6,662,000	£10,919,000	£9,282,000	£11,050,000	£10,436,000
	Total cost of required (backlog) maintenance per sq m				£176/sq m	£209/sq m	£198/sq m

PLANNED MAINTENANCE PROGRAMME PMP) AND UNFUNDED BACKLOG					APPENDIX 2
PLANNED MAINTENANCE PROGRAMME AND UNFUNDED BACKLOG	INSURANCE VALUE AS AT 1ST APRIL 09	TOTAL 5 YEAR REVENUE CONTRIBUTION	PMP LIABILITY 2009-10 TO 2013-14	AMOUNT OF BACKLOG MAINTENANCE 2009/10	NOTES
Borough Offices, Angel Hill - sold	£6,316,039	£69,476	£3,000	£66,476	One year's contribution
Haverhill Council Offices	£1,350,279	£74,265	£447,550	-£373,285	
St Edmundsbury House - demolished	£3,771,565	£41,487	£500	£40,987	One year's contribution
West Suffolk House	£7,500,000	£412,500	£297,000	£115,500	50% of total ins & costs
Alwyne House, BSE - sold	£959,076	£10,550	£3,400	£7,150	One year's contribution
BSE Bus Station	£1,678,164	£92,299	£173,250	-£80,951	
Angel Hill, Shopmobility Centre, BSE	£110,752	£6,091	£33,000	-£26,909	
PCs, Ram Meadow Carpark, BSE	£99,399	£5,467	£57,250	-£51,783	
PCs, Abbey Gardens, BSE	£448,745	£17,950	£66,225	-£48,275	
PCs, Haverhill Recreation Ground	£451,833	£18,073	£119,275	-£101,202	
Temporary PCs, Risbygate Street, BSE	£90,337	£4,969	£8,000	-£3,031	
Gainsborough Playing Fields, BSE	£67,553	£2,702			See Total playing fields north
Tollgate Playing Fields, BSE	£131,632	£5,265			See Total playing fields north
Total, playing fields north		£34,288	£410,850	-£376,562	
Total, playing fields south		£28,333	£156,000	-£127,667	
Jubilee Walk, Haverhill Bus Station	£263,264	£14,480	£59,075	-£44,595	
Multi Storey Carpark, + misc buildings	£7,400,933	£407,051	£296,050	£111,001	
Abbey Gardens Buildings, BSE	£410,776	£16,431	£163,375	-£146,944	
Chalkstone Changing Rooms, Haverhill	£332,933	£13,317			See Total playing fields south
Hardwick Heath Changing Rooms, BSE	£568,876	£22,755			See Total playing fields north
Haverhill Pavillion, Motts Field	£286,272	£11,451			See Total playing fields south
Oakes Road Changing Rooms, BSE	£89,129	£3,565			See Total playing fields north
Puddlebrook Changing Rooms, Haverhill	£89,129	£3,565			See Total playing fields south
Victory Sports Ground, BSE	£265,008	£10,600	£0		
West Stow Anglo Saxon Village	£733,654	£29,346			See Total West Stow
West Stow Country Park	£126,421	£5,057			See Total West Stow
West Stow Museum/Cafeteria	£1,031,297	£41,252			See Total West Stow
West Stow Pump House	£273,586	£10,943			See Total West Stow

West Stow Visitors Centre	£322,807	£12,912			See Total West Stow
West Stow contents	£0	£0			See Total West Stow
West Stow - Collection Centre	£681,005	£27,240			See Total West Stow
Total West Stow		£126,751	£252,000	-£125,249	
Great Churchyard (Monuments etc)	£366,827	£14,673	£71,000	-£56,327	
BSE Cemetery Buildings + walls etc	£895,979	£35,839	£158,625	-£122,786	
Haverhill Cemetery Buildings etc	£460,609	£18,424	£91,500	-£73,076	
6 Angel Hill, BSE note 2	£1,407,066	£56,283	£66,000	-£9,717	
Moyses Hall / 41 Cornhill, BSE	£3,331,528	£133,261	£107,225	£26,036	
St. Saviours Hospital, BSE	£196,912	£7,876	£17,000	-£9,124	
Athenaeum, BSE	£4,940,505	£271,728	£346,200	-£74,472	
Corn Exchange, BSE (incl shops)	£7,118,725	£391,530	£452,000	-£60,470	
Guildhall, BSE	£2,725,796	£149,919	£271,575	-£121,656	
Nowton Park 'Temporary' Facilities	£158,617	£6,345	£103,850	-£97,505	
East Town Park , Haverhill	£278,788	£11,152	£47,250	-£36,098	
Chalkstone Community Centre, Haverhill	£565,225	£22,609	£141,500	-£118,891	
Leiston Community Centre, Haverhill	£0	£0	£157,500	-£157,500	
Moreton Hall Community Centre, BSE	£0	£0	£0	£0	
Newbury Community Centre, BSE	£0	£0	£5,000	-£5,000	
Southgate Community Centre, BSE	£0	£0	£160,500	-£160,500	
Westbury Community Centre, BSE	£0	£0	£59,500	-£59,500	
BSE Leisure Centre	£9,695,549	£387,822			
Haverhill Sports Centre	£6,700,915	£268,037	£83,000	£185,037	
West Suffolk Athletics Track, BSE	£2,315,709	£92,628			With Leisure Centre
Total BSE Leisure Centre		£480,450	£678,000	-£197,550	
St. Edmundsbury Depot, Olding Road	£5,322,815	£292,755	£1,088,250	-£795,495	
New Haverhill Depot	£733,390	£40,336	£108,150	-£67,814	
Severn Road	£250,335	£13,768	£79,375	-£65,607	
Hollands Business Centre	£1,132,724	£62,300	£41,100	£21,200	
West Front	£5,115,984	£281,379	£80,000	£201,379	
Caretakers bungalows	£263,696	£14,503	£23,000	-£8,497	
Gloucester Road shops	£538,408	£29,612	£504,250	-£474,638	
South Parade shops (incl flats)	£1,512,453	£83,185	£282,650	-£199,465	
Strasbourg Square	£302,118	£16,616	£141,500	-£124,884	
Bunting Road	£5,402,609	£297,143	£180,000	£117,143	
Hollands Road	£5,044,116	£277,426	£797,500	-£520,074	
Art Gallery (incl Barclays)	£2,347,054	£129,088	£84,250	£44,838	

Eastgate Nursery (incl 141 Eastgate St)	£516,946	£28,432	£19,000	£9,432	
Nowton Nursery	£465,068	£25,579	£48,500	-£22,921	
79 Whiting Street	£230,734	£12,690	£28,000	-£15,310	
Total estimated PMP liability and backlog maintenance			£9,068,550	-£4,215,148	
CONTRIBUTIONS (capital & service charges)					
Capital allocation				£750,000	£250,000 p.a.allocated 2011-14
PMP Reserves				£1,340,522	Reserve as at 01/04/2009
Bunting Road				£15,000	Est £3,000 p.a.
Hollands Road				£450,000	Approved capital allocation
Severn Road				£15,000	£3,000 p.a. service charge
South Parade				£23,000	£4,600 p.a. service charge
Total estimated additional contributions				£2,593,522	
Total estimated backlog maintenance				-£1,621,626	