Bath & North East Somerset Council

Asset management plan

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FOREWORD AND INTRODUCTION FROM THE CABINET MEMBER FOR COMMUNITY RESOURCES AND THE CHIEF PROPERTY OFFICER

OUR CORPORATE VISION FOR THE PROPERTY PORTFOLIO

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Welcome to the first Corporate Asset Management Plan produced since the elections in 2010 and publication of the refreshed vision which puts People and Communities first.

The council'sproperty resources are valued c£500million at current prices and the proper management of these resources gives rise tosignificant opportunities to provide facilities that are both fit for purpose and demonstrate Value for Money (VfM).

This is embodied in a truly corporate and strategic philosophy reflecting service delivery needs whilst encouraging collaboration with partner organisations. The revenue portfolio(c£200m) and all other non-operational assets are judged on purely financial criteria.

The vision for asset management is articulated through the Asset Management Plan(AMP) and in particular the Estates Strategy which sets down the programmesand other mechanisms which contribute to a 5 yearly programme of ongoing comprehensive challenge through the review of assets that reflects service action plans and other service delivery aspirations. Effective management in this way leaves departments to concentrate on developing services from the premises they occupy.

Our vision itself is built around 6 main themes as set out in the Appendix which gives examples of these themes.

1. Strategic and corporate assets
2. Fitness for purpose and VfM
3. Development potential
4. Collaboration and sharing
5. Sustainable assets
6. Investment returns

We continue to face challenging times however the AMP provides a key enabling mechanism to achieve the efficiencies that are required in the future.

OUR CORPORATE VISION FOR THE PROPERTY PORTFOLIO

Our aim is to develop a property portfolio which………..

Treats all assets strategically and corporately.	**Demonstrates Value for Money and Fitness for Purpose.**	**Realises development potential.**	**Encourages collaboration and sharing.**	**Promotes sustainable assets.**	**Produces acceptable Investment Returns.**
To ensure assets are managed strategically so as to support corporate priorities and supplement service delivery.	*To manage assets effectively and efficiently through constantly challenging levels of occupation and utilisation.*	*To use and develop assets in such a way that stimulates the economic activity and encourages the vitality of the area.*	*Encourage collaboration with local communities and partner organisations to bring forward savings through effective use of assets.*	*Minimise the effect on the environment by ensuring assets are sustainable in design, construction, maintenance and operation.*	*Ensure all non-operational assets produce a satisfactory level of financial return.*

Treats all assets strategically and corporately.	**Demonstrates Value for Money and Fitness for Purpose.**	**Realises development potential.**	**Encourages collaboration and sharing.**	**Promotes sustainable Assets.**	**Produces acceptable Investment Returns.**
Retain R&M as a corporately funded matter. Centralise all costs of occupation. Undertake 5 yearly programme of asset valuations. Integrate with Asset Register and Balance sheet. Complete the implementation of IFRS. Develop compliance arrangements with Building Officers. Centralise data management arrangements.	Challenge occupation and utilisation through asset reviews. Achieve rationalisation of the estate. Reduce running costs. Reduce R&M backlog. Benchmark performance. Introduce simple asset statements as part of preparation of service action plans. Suitability surveys as part of asset reviews or by separate programme.	Promote the single Bath Development Project. Maximise capital receipts through disposals and developments. Action individual projects as per approved project plans.	Total Place pilot mapping exercise. National Demonstrator Map. Engagement with partner organisations. Coal Authority data. DCLG Transparency Agenda Disposal policy towards partners.	Reduce energy and water consumption. Reduce CO2 emissions. Encourage sustainable design and construction including BREEAM. Sustainable travel and access policies. Sympathetic management of heritage assets. Recycling. Create local training and employment opportunities. Improve access to buildings through targeted DDA budget.	Calculate individual and portfolio IRR's as part of regular asset valuations. Compare IRR to hurdle/benchmark. Ensure all 3rd party occupations are on full market terms and any financial assistance is transparent and real. Dispose of underperforming assets. Consider investment needs for underperforming assets.

Corporate Asset Management Plan

Introduction

The Council's property asset base comprises some 1,200 assets with current asset (book) value of c£500m.

This significant resource is essential to assist in the provision of the vast majority of Council services provided in B&NES. The optimum benefit from these resources can only be achieved as a result of properly targeted and effective strategic asset management.

This Corporate Asset Management Plan (AMP) sets out arrangements necessary to achieve this through

- Clarifying roles and responsibilities between the Property Services Department and all other departments of the Council.
- Setting out clear responsibilities and financial accountabilities and
- Introducing structured arrangements for challenge and review which assist in dealing with underperforming assets through either disposal of surplus assets or rationalisation and improvement to reflect developing service aspirations.

By adopting these mechanisms Property Services undertakes to manage assets in a strategic and corporate way which allows departments to focus on the delivery of high quality services through the assets they use and occupy.

This AMP reflects the refreshed Council vision which was endorsed by the Council early in 2012.

Structure of the Plan

The Core Asset Management Plan has been reduced to 4 pages together with a number of associated documents as set out in the chart at the end. In order to access these additional papers please use the links provided.

Organisational Framework

The Property Board (PB) is the client body providing the strategic steer on all property matters. Terms of Reference have recently been reconsidered and are reproduced as part of the background information.

Delegated Authority for all property related transactions and expenditure is vested in the Chief Property Officer through the Constitution

The AMP reflects and responds to all current governance arrangements and performance requirements.

Segmentation

In order to understand clearly why we hold each asset, what performance and challenge criteria are relevant and how decisions around retention, management and disposal should be made, the entire asset base has been segmented. This takes into account the high level budgetary breakdown between the Commercial and Corporate Estates but also includes further portfolios dealing with specific asset groups.

Property Aims and Objectives – Asset Vision

Asset Management objectives in Bath & North East Somerset are influenced by

- Financial pressures on both the capital programme and the revenue budget.
- Developing service requirements and changing ways of working.
- The wealth of guidance and instruction from central government and the professional bodies.
- The Sustainable Community Strategy and the wider objectives of partner organisations.

Current property objectives revolve around the concept of best financial return which, in the case of the operational portfolio manifests itself in efficient and effective use whereas revenue properties are assessed directly by reference to internal rate of return (IRR).

The Council's vision for the asset base is built around 6 main themes

7. A model that treats all assets strategically and corporately
8. Demonstrating Fitness for Purpose and VfM
9. Realising Development potential where this is identified
10. Encouraging collaboration and sharing
11. Promoting sustainable assets
12. Non-operational assets that demonstrate acceptable investment returns

Asset Management Priorities for 2012

- The establishment of a cross departmental **asset management group** and the engagement of departmental **property champions**. These representatives provide the link between corporate **Asset Review** and departmental **Service Planning**.
- Closer **liaison with services** to work alongside them in developing the asset base to align with service action plans and other emerging service aspirations whilst recognising the corporate and strategic aspect of the estate.
- Increasingly **Asset Review** is moving towards consideration of geographical areas rather then discrete services and the programme in the **Estates Strategy** reflects this.
- Understanding **financial accountabilities** with a clear demarcation between budgetary responsibility and operational activity.

- The **Property Protocol** sets out clear roles, responsibilities and accountabilities between Property Services, occupiers and others. For historical and other reasons these arrangements have never been embedded in the Council however this will be a key outcome from the establishment of the Asset Management Group referred to above. This will also reduce any financial inconsistencies and reinforce the corporate client as the notional property landlord.
- Continuing to operate the programmes of Asset Reviews to understand the performance of assets or groups of assets so as to enable informed decisions around possible retention, management or disposal. The Asset Review is the culmination of the assembly of intelligence comprising condition, suitability and other factors arising from the various programmes of work contained in the **Estates Strategy**.

Process

The 5 yearly programme of Asset Reviews ensures that each and every asset is looked at comprehensively at least once during this timescale and a recommendation made around retention or other action including disposal.

Where a property satisfies the relevant portfolio performance criteria then it will be retained in the appropriate primary portfolio and brought forward for review during the subsequent 5 year cycle.

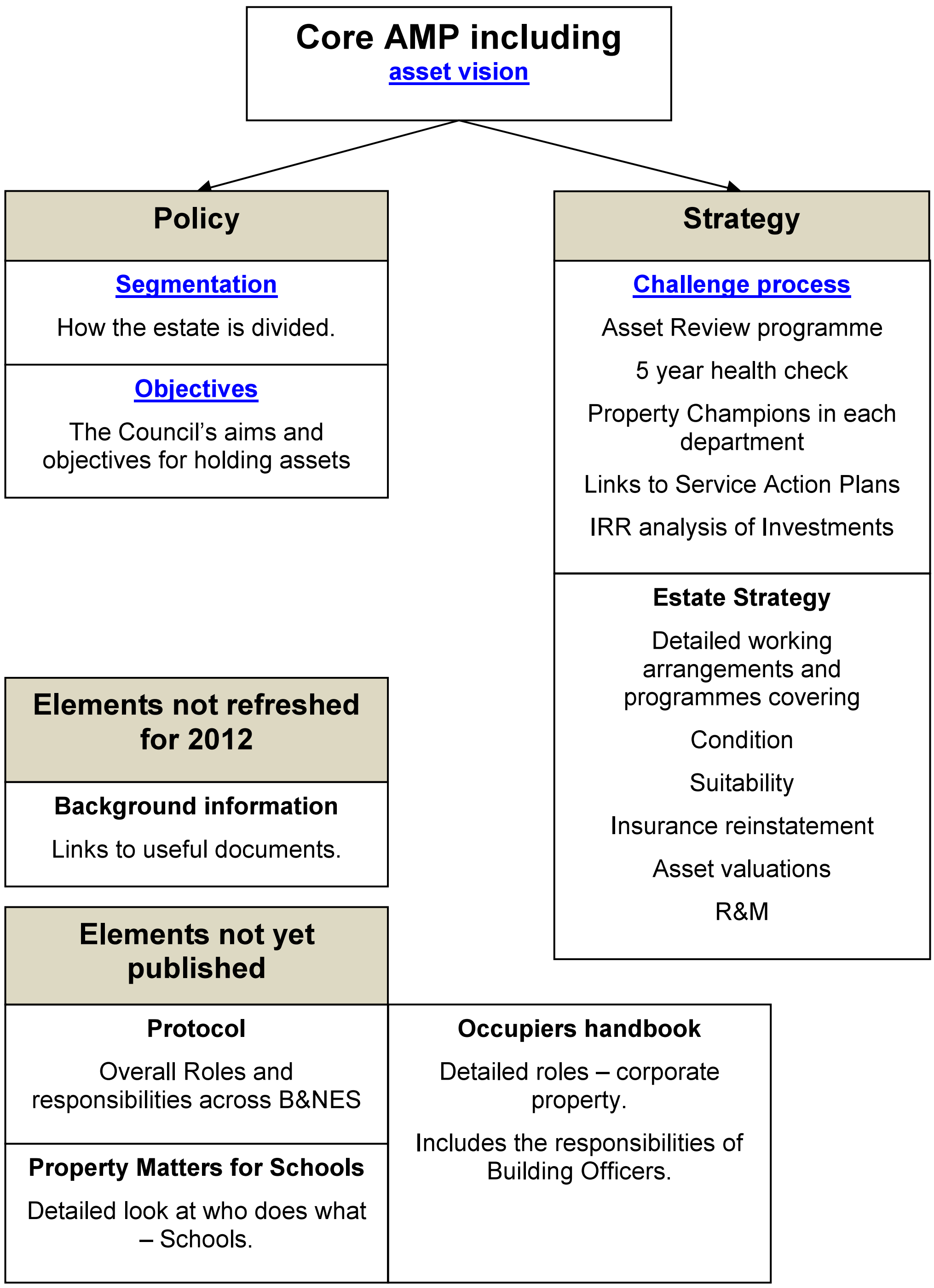
Where these criteria are not satisfied then the property will be considered for reallocation to one of the secondary portfolios for appropriate action.

Detailed assessment is undertaken using performance models however this exercise is not totally scientific and final decisions will become increasingly subjective depending on overall circumstances.

B&NES Asset Management Structure 2012

The following diagram illustrates the overall structure of the AMP for 2012. The links below can be used to access individual sections. These divide into 2 distinct threads

- static information covering core information, segmentation, objectives, roles and responsibilities etc.
- the dynamics of the challenge process and the programmes that support and inform this.



Segmentation

1 Why the estate has been segmented

In order to implement the various items of the AMP the entire estate has been segmented so as to understand clearly why we hold each asset, what performance and challenge criteria are relevant and how decisions around retention, management and disposal should be made. This is constantly evolving as assets are reviewed and circumstances change.

This segmentation has 2 elements

- Firstly all assets have been allocated to one or other of the Divisional Directors and recorded against that Director in the Asset Register. This takes the form of an allocation rather than ownership thus reinforcing the corporate nature of assets whilst giving clear stakeholder responsibilities pursuant to the Property Protocol.
- Secondly all assets have also been allocated to a portfolio which confirms the purpose for holding a particular asset. Portfolios are either primary or secondary; all assets are allocated to a primary portfolio initially.

This portfolio segmentation is expressed in diagrammatic form in the chart at the end of this document.

2 Primary Portfolios

- **Operational** Assets held primarily in support of service delivery. Performance assessment in this respect revolves around efficient and effective use, minimising costs of occupation and exposure to risk. Within this portfolio there is a further division to distinguish between conventional service delivery and services that are provided through a partner or other 3rd party organisation.
- **Commercial** Non-operational Investment Assets held in order to maximise direct financial return. Performance is judged in terms of internal rate of return (IRR). This comprises the core Commercial Estate and other non-operational assets which do not directly support service delivery but which are not appropriate for either development or disposal.

In addition the following, although primary assets, are not subject to review and challenge because they have no defined useful life and are incapable of realisation.

- Community assets - Includes Parks and Gardens, Play Areas etc.
- Infrastructure assets - Includes roads, bridges etc.

3 Secondary Portfolios

Pursuant to the programme of reviews described in the Estates Strategy or through service development, underperforming assets are identified and will be reallocated to one of the secondary portfolios for individual action. The potential secondary portfolios are set out below

- Development – properties identified for redevelopment, ie where potential alternative value exceeds existing use.
- Disposals - surplus land and buildings. In most cases the property will be available for immediate sale however in certain circumstances it would be appropriate to retain it in the short term to enable greater value to be realised from (eg) the grant of planning permission.
- Asset Protection assets which do not directly support service delivery but which are not appropriate for either development or disposal. Policy for ongoing retention surrounds mitigation of any risks and costs associated with that ownership.

Core Commercial Estate **(218)**	Surplus Assets **(23)**	Asset Protection **<u>(592)</u>**	Operational Assets - Council Occupied **(222)**
Non core Commercial Estate **(182)**	Development Assets **(40)**		Operational Assets – Tenanted **(89)**

Commercial	**Other non-operational**	**Operational**

Asset Management Objectives

1. Corporate Vision and Objectives

The Council's overall corporate vision has recently been refreshed around putting People and Communities first. This can be viewed via the Council Website at http://www.bathnes.gov.uk/news/visionandvalues2012/Pages/default.aspx The vision provides that

Bath and North East Somerset is an area:

Where everyone fulfils their potential

With lively, active communities,

With Unique places and beautiful surroundings.

This vision is linked to corporate objectives as below

Promoting independence and positive lives for everyone

Creating neighbourhoods where people are proud to live

Building a stronger economy

2. Property Objectives

The ways in which the above corporate objectives and priorities link to the asset base are set out at a high level in the vision for the property portfolio.

Property Board has given clear instructions that the property portfolio is to be managed so as to maximise best financial return. This can manifest itself in 2 ways depending on the primary portfolio.

- Operational property will demonstrate financial return through efficient use of assets, minimising operating costs and mitigating exposure to risk. Performance is assessed through a series of KPI's that reflect the corporate priorities and vision.
- Revenue property will be judged on pure financial return in the shape of the internal rate of return (IRR). Sub portfolios are assigned differing target rates to determine management actions. Other non-operational property will be managed with the aim of minimising risk and expenditure.

The portfolio as a whole does not support corporate priorities directly however across the board it supports all priorities through providing a financial contribution to the Council.

In addition to the above factors the following statements support the Council's vision for assets

The Council will

- Use and develop assets to help deliver corporate priorities, service delivery needs and the wider objectives of the Sustainable Community Strategy.
- Collaborate with partner organisations to ensure the needs of the community are reflected in all asset decisions.
- Improve the accessibility to properties in response to the community's choices.
- Wherever possible utilise Council assets to enable community empowerment.
- Make a significant investment in the quality of operational property, whilst optimising the utilisation of land, buildings, energy and other resources.
- Protect assets by active management to eliminate encroachments, claims for adverse possession or any other difficulties.
- Ensure fitness for purpose and value for money.
- Ensure that the revenue portfolio achieves financial targets established and managed by reference to industry standard performance indicators.
- Manage all properties in the most economic, effective and efficient manner.
- Support the Council in the progression of its major property based strategic developments.
- Maintain the contribution to the built environment and the tourism economy derived from the Council's property assets.

Review and Challenge

4 Challenge Objectives

Proper and effective challenge of the performance of assets provides the cornerstone of the AMP. Every Asset is subject to full scrutiny at least every 5 years in accordance with the programme set out in the strategy. Additional challenge may result from the need to review discrete groups of assets either on a geographical or service basis. Typical outcomes are summarised below.

- release of capital for re-investment or debt reduction;
- improved running costs;
- better public service provision by improved propertyand co-location of services;
- property in good condition;
- improved property utilisation and bringing togethersimilar uses into the same property, ratherthan providing them separately;
- improved productivity, changes in corporate cultureand facilitation of corporate change;
- improved delivery of community objectivesthrough the more effective use of property;
- innovative strategic procurement.

The Council is experiencing pressures on both the revenue budget and the capital programme.Effective challenge and the above results will help to ease these pressures as well as providing the opportunity to support the Council's corporate and service objectives.

5 Possible outcomes

Where a property satisfies the predetermined criteria set for the portfolio in question then it will be retained in the appropriate primary portfolio and brought forward for review during the next 5 year cycle.

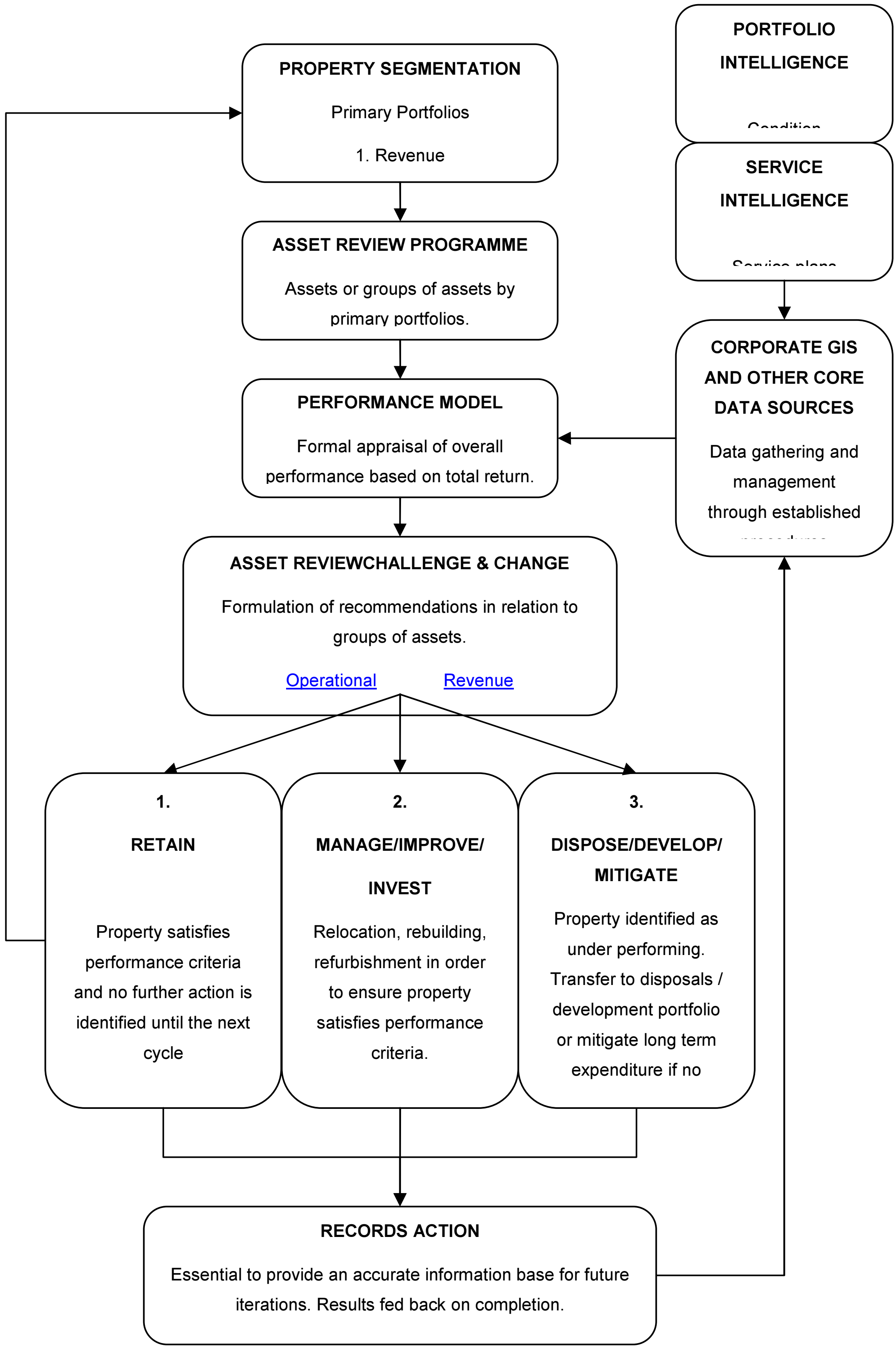
Where these criteria are not satisfied however, then the property will be considered for allocation to one of the secondary portfolios for appropriate action.

The potential courses of action include

- Retention for operational need – the asset satisfies the criteria and will be retained.
- Development – properties identified for redevelopment, ie where potential value exceeds existing use value.
- Disposals - surplus land and buildings. In most cases the property will be available for immediate sale however in certain circumstances it would be appropriate to retain it in the short term to enable greater value to be realised in the future.
- Retention other than for operational need – where disposal is not a realistic option then it may be necessary to retain ownership of an asset and mitigate any risks and costs associated with that ownership.

This whole process is illustrated in the flowchart on the following page. Operational and Revenue assets exhibit differing characteristics and the flowchart includes links to more detail by primary portfolio.

(a) Asset Review Flowchart



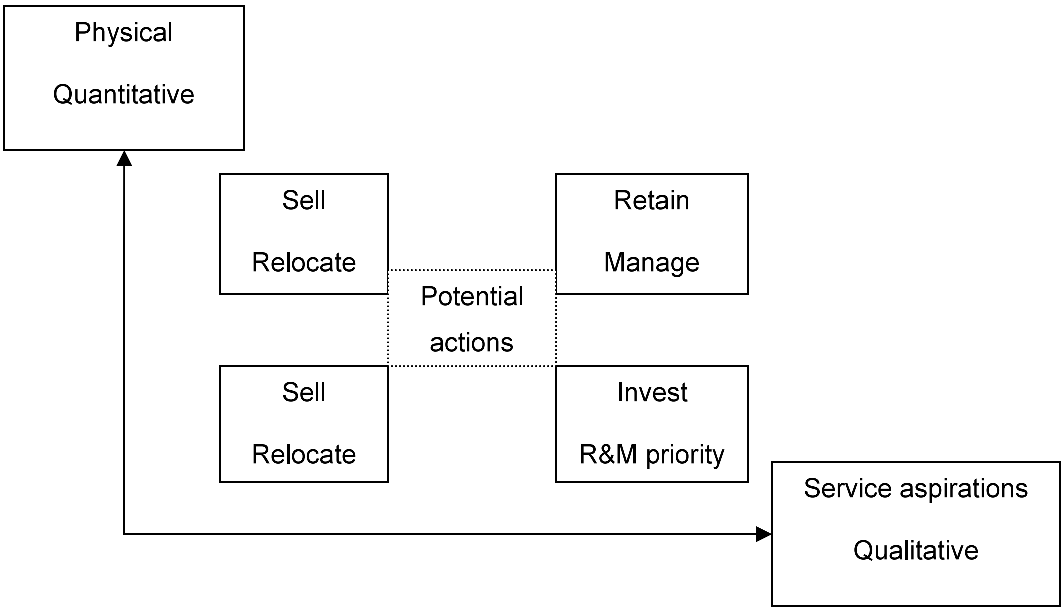
Review and Challenge - Operational Portfolio

6 The property performance model and asset review

6.1 Introduction

Ongoing challenge of the occupation of the operational portfolio is facilitated by information gathered pursuant to procedures explained elsewhere in this AMP. This information then needs to be analysed through a model which will produce an objective assessment of the various factors leading to an overall score by which properties can be assessed, compared and appropriate recommendations made. The model judges performance on a combination of quantitative, ie physical, and qualitative, ie subjective, factors.

This is represented diagrammatically below.



6.2 Components of the Model

The factors which need to be considered fall into the 2 main headings described above, ie quantitative and qualitative. Within these 2 large areas the following gives an indication of the sorts of considerations that may apply:

a) Running costs.
b) R&M and Condition.
c) Legal Title.
d) Development and Planning.

e) Suitability.
f) Council Policy.
g) Service objectives.

6.3 Outcomes

The model can produce a straightforward score per property however where a group of properties is being considered (at a geographical or service level) the results will become more subjective and contribute to informed decisions embellished by service needs and any other relevant factors.

Hence a property that is inherently fit for purpose and suitable from the occupier's perspective but in poor condition should be targeted in terms of Repairs & Maintenance and other investment wheras a property in good condition but which is in a poor location or unsuitable for other reasons is unlikely to be retained and consideration should be given to relocation and/or disposal of the asset.

At the completion of any review the options will present themselves as a combination of the results from the model tempered by more overall considerations including political, service delivery, cost and timing. Possible recommendations could include

a) Retain as existing - do nothing.

b) Invest/improve.

c) Amalgamate service areas or properties.

d) Reallocate or rehouse.

e) Dispose of surplus property.

Review and Challenge – Commercial Portfolio

7 The property performance model and asset review

7.1 Introduction

In contrast to the operational portfolio, the revenue portfolio is judged on financial performance based around an assessment of the Internal Rate of Return (IRR) and whether such IRR is greater than a pre determined hurdle.

7.2 Assessment of the objectives for the revenue portfolio

Current objectives are now formulated around the concept of total financial return. The mechanics of this is known as Internal Rate of Return (IRR) which is the rate of return that equates to a Net Present Value (NPV) of zero taking into account the capital value of the asset, all rental flows and other relevant physical and management costs.

7.3 Consideration of the portfolio mix

The revenue portfolio comprises many different types of property, which each exhibit subtly different characteristics and therefore requires differing strategies to maximise performance. Details of the portfolio mix are contained in the Estate Strategy Appendix 2

7.4 The process of Asset Review

Asset Review in relation to the revenue portfolio includes the following stages

- An ongoing assessment of the current objectives.
- Analysis of the mix of properties within the portfolio to enable individual strategies to be formulated. Each property category will have different characteristics that require different considerations.
- The construction and implementation of a Property Performance Model (PPM) to carry out an analysis of total financial return.
- Ongoing reassessment and review of properties either individually, geographically or by sector/category.
- The creation of a re-investment mechanism to provide resources for projects to improve the estate as a whole.

7.5 Property performance model

The model will have two purposes:-

- To provide an objective decision making framework for comparison of properties in order to analyse the costs and benefits of holding a non-operational property portfolio.
- To provide a basis for year-on-year measurement of the past performance of the portfolio.

The PPM will essentially comprise two levels of assessment.

Level 1:

An analysis of the current and projected income streams using a discounted cashflow approach. The resulting IRR will then be compare against a benchmark or hurdle rate.

Where an asset exhibits an IRR above the benchmark or hurdle it will be retained and brought forward for reassessment in the next cycle.

Level 2:

All properties that do not achieve the primary financial benchmark will need to be considered further in the context of the Council's wider service and strategic objectives. This will include an examination of whether an asset should be retained, improved, appropriated or sold.

Depending on the outcome of this further examination properties may be reallocated to one or other of the secondary portfolios for further action.

(b) Internal rate of Return

Discounted cash flow (DCF) analysis may be used to assess the internal rate of return (IRR) received from a property asset. By applying an anticipated income stream over a given holding period, while allowing for growth and outgoings, the DCF will calculate a discount rate that will produce the equivalent capital value. The IRR accordingly represents the overall annual rate of return that the investment will generate.

The DCF comprises three basic elements:

Entry Value.

Income and expenditure stream over the holding period

Exit Value

The DCF starts with an entry value, which represents the opportunity cost of acquiring that asset. This value is generally taken as the current asset value of the property. An income stream is then applied over a specified holding period, net of any expenditure. A growth rate will be selected which can then be applied to the property's full rental value at any review of rent during the holding period. At the end of the holding period the DCF will show an exit value, calculated by applying a reversionary yield to the FRV with applied growth as at the exit date.

(c) The "Hurdle" Rate

The internal rate of return produced from a property asset will be assessed against a hurdle rate. If the property produces an IRR, which exceeds the hurdle rate then it can be deemed to be performing well as an investment asset and should be retained.

It is proposed that the hurdle rate is represented by either the opportunity cost of an alternative investment or the cost at which the Council could borrow capital.

It is suggested that further consideration is given to identifying and eventually selecting the most appropriate indicator to use as the "Hurdle" rate.

Estates and R&M Strategy

Introduction

This Strategy provides the implementation arrangements for the Corporate Asset Management Plan (AMP) and includes all relevant programmes which contribute to the assessment of the overall performance of assets. Reporting mechanisms for these programmes, where relevant, follow the timetable for Capital Strategy Group (CSG), Projects Programme Board (PPB), Property Board and the Change Programme Board as well as individual project boards.

Programmes generally are managed under a project management philosophy including establishment of project plans incorporating milestones, gateways and individual reporting arrangements.

Details of individual programmes are not published however an explanation of the methodology is given below together with a summary detailing the mechanisms for management. Detailed monitoring is undertaken at project/programme level.

The overall aim of the strategy is to contribute to the efficient use of assets through the regular programme of asset review which is informed by the assembly and confirmation of accurate intelligence surrounding subject assets. The elements of intelligence are set out in the following sections.

A. Condition Surveys

B. Repairs & Maintenance

1. **Capital Planned Maintenance**
2. **Revenue Planned Maintenance**
3. **Service Contracts**
4. **Equality (formerly DDA) improvements**
5. **Responsive**

C. Asset Valuations

D. Insurance Reinstatement assessments

E. Development Sites

F. Surplus Property (disposals portfolio)

G. Asset Protection

H. Asset Review

A. Condition Surveys

Every asset owned by the Council is subject to a full elemental Condition Survey every 5 years. The surveys are used to populate core systems with ORMS (outstanding repairs & maintenance items) which form the base intelligence for prioritisation of repair programmes in order to minimise responsive expenditure. This is set out further in the R&M Strategy below.

The full 5 yearly surveys are supplemented by an annual inspection and compliance check which updates existing ORMS and ensures all statutory responsibilities are discharged.

B. Repairs & Maintenance

Strategy

Aims and objectives

The aim of this strategy is to articulate the ways in which Property Services manage Repairs and Maintenance (R&M) and how this contributes to the best use of property by understanding the condition of the stock, the priorities for dealing with maintenance requirements leading to the most efficient allocation of scarce resources.

This is achieved by setting out the broad processes by which the Council's maintenance needs are identified, managed, monitored and reported. This leads to constant improvement and an understanding of how Repairs and Maintenance (R&M) contributes to service delivery and ultimately the Council's core values. This is undertaken largely through a series of programmes, more details of which are set out below.

Introduction/Background

The Chief Property Officer (CPO) through Property Services is the custodian of the Council's building assets and has ultimate responsibility for ensuring that they are maintained to an appropriate level.

Maintenance has previously been subject to the regulatory backdrop pursuant to the Key Lines of Enquiry (KLOE) under CPA 2008 and CAA 2009. This governance framework no longer endures however many of the performance standards remain.

Particular to B&NES and the City of Bath is the physical characteristics of the stock, being within a World Heritage Site and subject to Conservation Area and Listed Building regulations.

This has 2 effects; firstly to increase the level of expenditure necessary to put in place effective maintenance but in contrast giving the opportunity for the Council to demonstrate exemplary practice in maintaining its own buildings as a way to encourage other landowners to do the same.

Roles and Responsibilities

As set out above, Property Services is responsible for all R&M. For all operational properties other than schools this is administered through either the revenue R&M budget or via the Capital Programme. Schools have their own arrangements depending on the status of the school and in limited cases budgets have been devolved to occupying departments.

In the case of the revenue portfolio many of the leases are on fully repairing terms which means that the responsibility for repairs rests with the tenant however in certain circumstances the Council retains responsibility for the repair of the main structural components and common areas such as staircases. Some leases also contain provision for the recovery of R&M expenditure through service charges or by direct recharge.

Need

Buildings require maintenance over a period of time for a variety of reasons. These needs may be categorised in a number of ways including

- In order to retain a level of comfort and satisfaction from the occupier's perspective.
- To prevent deterioration of the stock.
- For Health and Safety reasons.
- To satisfy legislative requirements.

Types of R&M

The R&M Budget is divided into 3 distinct elements

- Planned
- Responsive
- Servicing and regular inspections of plant and equipment.

R&M expenditure, like all other, is also divided into Capital and Revenue. The definition of Capital Expenditure is governed largely through accounting rules and relies on the expenditure prolonging the life of the asset, ie going beyond simple replacement and repair of existing.

In terms of undertaking R&M, all revenue expenditure is funded through the R&M Budget and subject to ongoing financial control and management. Capital expenditure on the other hand is sourced from the Capital programme and is subject to the PID process which provides for an annual approved programme which is managed in accordance with established project management arrangements.

Planned maintenance may include regular servicing but also items that occur less frequently such as redecorating and replacing roof coverings. The latter provides an irregular pattern of expenditure over time and is usually discharged through an approved programme of works. Such programme is based on settled intelligence derived from ORMS held within Property Services core data systems. Each year the priority list of planned maintenance is formulated and approved by the Property Board.

Good practice dictates that a high level of planned maintenance as opposed to responsive will result in

- A more orderly process.
- A more cost effective solution.
- Less disruption for occupiers.

The strategy is therefore geared to reducing responsive maintenance and increasing the level of planned maintenance.

Intelligence and Methodology

Condition Survey Programme

The previous section explains the high level programme of Condition Surveys. This takes the form of a full 5 yearly elemental survey. In the intervening years this intelligence is updated through annual (largely) desktop surveys which also verify compliance with statutory obligations and analyse risk of non-compliance.

Surveys also have regard to the terms of any occupation and identify where responsibilities have been devolved to tenants or other occupiers.

(d) Scoring

The condition rating has two components; the first is a condition grading from A-D and the second a priority rating from 1-4. This standard methodology is derived from a number of sources including that emanating from central government, particularly in relation to schools, but also guidance from CIPFA and other professional bodies.

(e) Condition

Grade A - Good. Performing as intended and operating efficiently.

Grade B - Satisfactory. Performing as intended but exhibiting minor deterioration.

Grade C - Poor. Exhibiting major defects and/or not operating as intended.

Grade D - Bad. Life expired and/or serious risk of imminent failure.

(f) Priority grading

Once the condition of premises has been assessed, priorities are allocated to each item according to the seriousness of the condition revealed and the urgency associated with any need to repair, taking into account all factors including potential breaches of legislation or other regulation.

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

Priority 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 occupants and/or remedy a less serious breach of legislation.

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

Priority 4. Long term work required outside the five year planning period that will prevent deterioration of the fabric or services

Thus a rating of D1 represents the most urgent items with a rating of C3 representing work required in the medium term. Items rated A4 being the least onerous in terms of the urgency of any repair works.

(g) Work programmes

Results from the Condition Surveys and the resultant ORMS form the basic intelligence upon which to prepare and manage programmes of necessary repair. See below for details of the programmes that currently operate.

(h) Procurement

All R&M is subject to the Council's financial and procurement rules depending on the nature of the work involved. This governance structure includes

- Financial Regulations,
- Contract Standing Orders,
- The scheme of delegations within Property Services.

At the smaller end of the financial spectrum individual items are procured by simple maintenance order using established approved contractors, wheras in the case of larger value matters more formal arrangements are dictated including where relevant formal tenders with full legal documentation.

(i) Performance

The above processes are geared around understanding the needs and requirements and ensuring that resources are spent in the most efficient way in response to those needs. Much of this will be achieved through traditional budgetary and cost control but increasingly a formal project management methodology is being adopted.

Performance outputs link to corporate need but within Property Services a set of KPI's is in the course of being introduced that will inform performance of the asset base as well as elements within it, either geographically, by type or through other segmentation. This performance reporting also forms part of the overall asset review programme intended to identify assets for retention, management or disposal.

(j) Programmes

As indicated above R&M is categorised at a high level as planned or responsive with an overall aim of increasing planned with a consequent reduction in responsive. Where the element of R&M is provided through a programme the detail of that programme is set out below.

1) Capital Planned Maintenance

To confirm, what qualifies as capital expenditure is set out within accounting arrangements. Outputs from the Condition Survey process are split between capital and revenue and the capital items used as the basis for a capital programme of R&M. All capital expenditure is subject to the Council's capital planning arrangements which require the submission and approval of a Project Initiation Document (PID) before any commitment to the capital programme can be made.

2) Revenue Planned Maintenance

All revenue expenditure is managed within service budgets, and in the case of R&M this is managed within the overall Property Services budget structure. Although not subject to the Council's capital arrangements, in practice this budget is managed in a similar manner.

3) Service Contracts

Certain elements of R&M are undertaken through regular contractual arrangements. The existence of a new contract is recorded and the anticipated spend against that contract profiled on an annual basis with a retrospective reporting and analysis regime per contract.

4) Equality (formerly DDA) improvements

Works to satisfy the Equalities Act 2010 (formerly the Disability Discrimination Act) are regarded as capital and dealt with in exactly the same way capital planned maintenance above.

The works to satisfy this legislation rely on access audits as the basis of intelligence. These audits were put in place some while ago and the overall compliance in this area is good however a refresh of the access audits is now due. This will reflect changes to the legislation and additions or changes to the physical assets.

5) Responsive

Although not strictly a programme it is considered that this is an area where the potential for efficiency savings is greatest. This area of expenditure is currently subject to a retrospective reporting regime as the means of cost control and budget management.

C. Asset Valuations

In accordance with CIPFA and other requirements a programme of RICS Red Book Asset Valuations are carried out at least every 5 years and more frequently in the event of a material change in the assets and/or its value. These valuations are recorded on Property Services core systems and used in the preparation of the Balance Sheet every year.

D. Insurance Reinstatements

Insurance reinstatement cost assessments are undertaken by Building Consultancy in accordance with an agreed programme based on regular output from ECS. This programme is based on a 5 yearly iteration with individual instructions in the case of new buildings, substantial changes to existing assets and the sale of surplus assets. The assessed reinstatement cost is then used as the basis for cover arranged by Insurance within 3 main policies, Commercial, General and Schools.

E. Development Sites

Development sites are characterised by the difference between potential values compared to that based on the existing use.

Each potential site will be assessed by the preparation of individual project plans which set out anticipated outcomes and key milestones throughout the project period.

Targets include projected outcomes in terms of both capital receipts and/or enhanced revenue flows both of which being reported to Property Board, Capital Strategy Group and Projects Programme Board. Project plans also include arrangements for collection of income and payment of outgoings during the project period.

Delivery of projects includes management of building contracts, building agreements and leases.

(k) Aims and objectives

- Identify Opportunities for development opportunity.
- Prioritise competing claims and bids.
- Produce detailed project plans for all development schemes
- Reflect opportunities in terms of capital receipts and/or revenue flows

F. Surplus Property

All property assets of the Council are allocated to one or other of the Divisional Directors.

Where assets or groups of assets are considered surplus, either through service planning, formal asset review or by other means they are processed through the surplus land procedure. This circulates all details to all Divisional Directors and other stakeholders inviting expressions of interest. This results either in the property being reallocated or, in the event of no interest, considered further with the aim of disposal.

(l) Aims and objectives

- Operate surplus land procedure pursuant to the AMP
- Reallocate assets to most appropriate user.
- Where no interest process disposal
- Identify appropriate method of disposal
- Report through the Council's governance.

G. Asset Protection

The majority of assets of the Council will be held either for operational reasons, ie to support front line service delivery or for revenue reasons in order to maximise real income.

Certain assets do not share these characteristics however and will be held for asset protection objectives. The main focus in the management of such assets will be to prevent deterioration, unnecessary expenditure and exposure to risk. Many of the reasons for holding these assets will be historical.

Identification of asset protection issues and any proposals for regularisation will form part of the asset review process.

(m) Aims and objectives

- The focus of estate management action will be to minimise risks associated with the asset and take such action as is necessary to protect the value and integrity of the asset.
- This may result in regularisation of encroachments and other occupations.
- Alternatively this will demand cessation of any unauthorised activity.

H. Asset Review

i. Operational portfolio asset challenge

The cornerstone of this aspect of the strategy is the combination of all the asset intelligence to provide a clear challenge of each and every property asset held by the council.

An indicative programme has been prepared alongside the 5 yearly programme for Asset Valuations across the whole Estate. This is based on service areas as designated in the

Asset Register however future programmes may include an element of geographical reviews.Formal reviews can be undertaken on an individual basis, or alternatively using a service or geographical approach.

ii. Commercial portfolio asset challenge

The commercial or revenue portfolio provides the Council with income to support the delivery of its services. This portfolio has now been split between core commercial investments largely in the retail centre of Bath, other revenue assets in more peripheral locations and revenue producing assets which are more closely linked to service delivery aspirations. In a small number of cases revenue producing assets are held pending development or disposal and in those cases revenue expectations are set out in the individual project plans.

The key driver for core commercial investments is to maximise income through total financial return.