

Peterborough City Council

Asset Management Plan

January 2019



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Foreword

Peterborough City Council has a continued commitment to creating vibrant local communities with a strong local economy and good provision of infrastructure, housing and employment. Buildings are important in creating a sense of place and the property assets which the council owns make a contribution to creating sustainable communities within Peterborough. This presents the Council with the challenge of reviewing its property portfolio to ensure that it is optimised in terms of its resources and so that it can contribute to community needs and the Council's budget. This document describes the Council's asset management policy and practice.

Executive Summary

The current operating context for public services is challenging and those challenges are exacerbated by demographic changes and financial pressures due to diminishing central government funding. Peterborough is a rapidly growing city which puts pressure on demand for housing, infrastructure, employment opportunities and council services.

The Council has a vision for a bigger and better Peterborough – for improving quality of life in its communities and creating a sustainable thriving place to live, work and visit. It also has aspirations to be the environmental capital of the UK. Accordingly, the asset management plan must have a continued focus on using property to support growth, inward investment and financial security whilst having a positive impact on the environment.

The Council and their joint venture partners need to be clear about their objectives for operational, investment, surplus and strategic assets. Any deficiency in resources required to manage the portfolio needs to be identified.

There should be a financial assessment of surplus assets to ensure that they are making contribution either from a financial or community perspective. Where they are not, the Council can consider refurbishment, redevelopment or disposal. Buildings need to be reviewed to understand whether operational costs can be mitigated. In some cases there will be synergies between environmental objectives and cost reduction. Efficient use of services such as sharing buildings between Council services should be considered. Efficient asset management can help to optimise property's contribution to the revenue budget and meet the Council's growth and regeneration priorities.

1 Introduction

1.1 Purpose & Scope of AMP

This Asset Management Plan (AMP) identifies the key strategic policy and resource influences affecting the Council and sets parameters for asset management over the medium term. The plan has a 5-year horizon with annual reporting on progress.

The AMP is to define how the Council:

- Integrates property decisions with wider Council policy
- Enhances the financial value from its property holdings
- Maintains and improves its assets
- Drives efficiencies within the portfolio
- Supports the Council's aspirations as an environmental city
- Listens and responds to its residents' evolving needs

1.2 Overview of the Portfolio

The Council owns a diverse property portfolio. These properties are:

- Operational – those supporting direct service provision
- Investment – those producing a positive financial return
- Surplus – property no longer used in service provision which are sublet or vacant
- Strategic land or property with growth and regeneration potential

1.3 Links to Other Plans

The AMP is aligned with a number of wider supporting policies, corporate and service strategies which are listed in appendix A.

2 Strategic Context & Direction

2.1 Influences for Change

National

At a national level there is a drive to promote sustainable communities and an aspiration to create vibrant, attractive places to live and work. Current policy has a strong emphasis upon encouraging community participation and place-shaping with a view to the Council and community working together to improve the character of an area.

The government's localism agenda has a focus on decentralisation – moving resources and decision-making towards individuals, communities and councils. Voluntary groups, social enterprises and parish councils now have a 'community right' to challenge local authorities over their services. New rights mean communities can ask councils to list certain assets as being of value to the community. Where a listed asset comes up for sale, communities have the right to bid for it.

Under Community Asset Transfer (CAT) initiatives there is also potential for the transfer of management, sometimes ownership of council property to community organisations in order to achieve a social, economic or environmental benefit.

There is a strong drive for partnership working - a policy exemplified by the One Public Estate (OPE) initiative. OPE is an established national programme coordinated by the Cabinet Office and the Local Government Association. Its objective is to encourage public sector partnerships and a strategic approach to asset management. By bringing national and local government together and supplying the necessary expertise, OPE has been able to achieve tangible results and is now working with over 300 councils. Their main aims and outcomes have been:

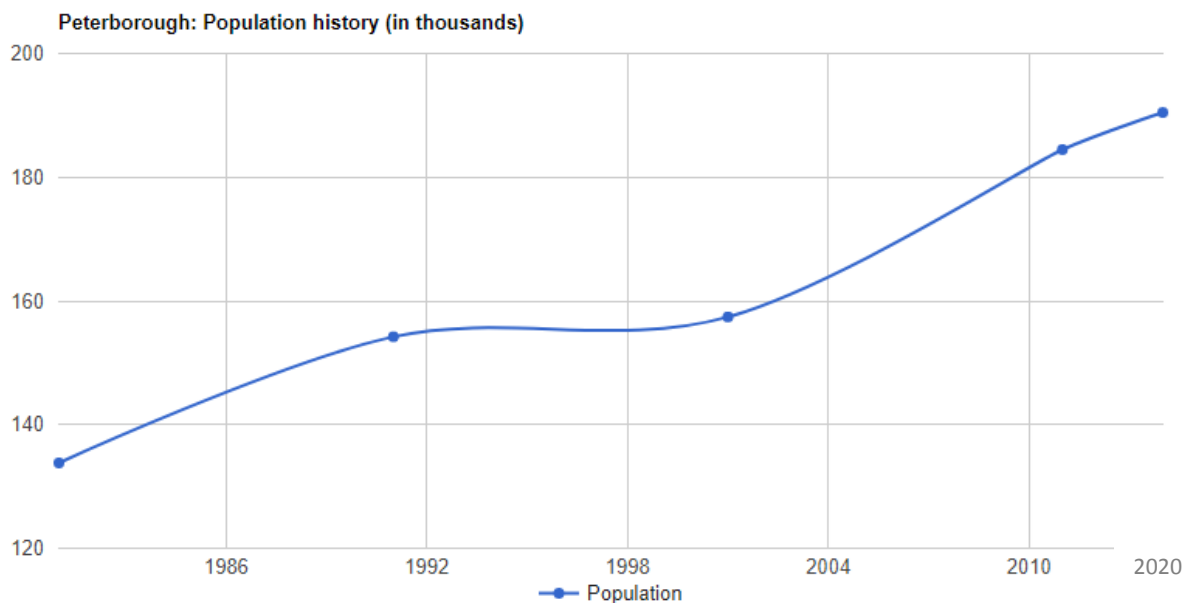
- Driving local growth and job creation
- Creating efficiencies and reducing cost
- Releasing capital to reinvest in communities
- Sharing best practice in asset management
- Using dedicated local teams to work on specific projects
- Freeing up sites to promote the building of new homes

Regional

Under the government's devolution agenda, the Cambridgeshire & Peterborough Combined Authority was created in March 2017; the Combined Authority has a directly elected mayor and more discretion on how services are provided. It has new powers and access to funding for new homes and infrastructure. The Council is part of the Local Enterprise Partnership (LEP) that covers Greater Cambridgeshire and Greater Peterborough. The LEP's role is to provide a broad vision for the area to explore ways of building infrastructure and to encourage the development of local skills.

Local

Peterborough has seen a period of sustained population growth with population for the Council's administrative area estimated to be c.200,000 in 2018 and 204,000 by 2020 (source - Office of National Statistics).



Whilst the number of migrants has contributed to this growth, the city also enjoys one of the highest birth rates and lowest death rates in the country. The area's proximity to London and good transport links continue to act as a draw to the area. This growth requires investment in infrastructure, especially housing and increases demand on essential services.

2.2 Council & Service Priorities

The key priorities underpinning the Council's vision are:

- Growth, regeneration and economic development of the city to bring new investment and jobs; supporting people into work and off benefits
- Improving educational attainment by developing university provision and employment opportunities
- Safeguarding vulnerable children and adults
- Pursuing the Environment Capital agenda to position Peterborough as a leading city in environmental standards

- Supporting Vivacity (Peterborough’s culture and leisure trust) to deliver arts and culture
- Keeping our communities safe, cohesive and healthy

There are a range of corporate strategies to which the Council’s property portfolio must align.

The most significant of these are highlighted briefly below.

- **People & Communities Strategy** – The Council will develop new models of service delivery working with constrained financial resources. The focus will be upon targeting services and moving further towards a commissioning model. There is a need to adapt service delivery with fewer services being provided directly by the Council, increasing ‘shared services’ provided by partner agencies and more use of community / voluntary resources. The Council will retain a regulatory role but it is likely to employ fewer staff in the future.
- **UK’s Environmental Capital** – The Council has a vision to be a sustainable city. Its aspirations are encapsulated in ‘*Creating the UK’s Environmental Capital: Action Plan*’.

This sets targets out themes which include:

- Reducing carbon emissions
- Sustainable water management
- Protection of wildlife
- Use of sustainable materials
- Sustainable food production
- Sustainable waste management
- Sustainable transport solutions
- Heritage preservation

All of these will impact how the Council manages and uses its property portfolio.

2.3 Service Strategies & Partnerships

There are a range of existing service strategies and partnerships which directly affect properties which the AMP addresses. These are shown in appendix B.

2.4 Resource Context

The Council's budget is set within a national context of continuing funding cuts and PCC is itself facing a significant funding gap. To meet this challenging environment it will need to operate more commercially and pursue efficiency savings wherever possible. Where there is no commercial, community or strategic case for retaining property, assets will be disposed of; the proceeds of which will be used to support the revenue budget. Within the operational portfolio there is a need to reduce cost through more efficient utilisation, sharing between services and use of energy.

2.5 Challenges in the Portfolio

A number of challenges have been identified in the portfolio which need to be addressed.

- Ageing Portfolio – The operational portfolio is ageing and thus has increasing maintenance and repair needs. There is a need to identify and agree Planned Preventative Maintenance (PPM) programmes and if appropriate dispose of assets which are a drain on resources. The capital expenditure budget for the portfolio is significant and for 2019 is circa £1.75 million.
- 'Portfolio Intelligence' and data management. The council has robust data from managing the property portfolio however it needs to ensure the information is collated to provide the necessary high level reporting. That will allow oversight of the portfolio and ensure strategic opportunities are maximised.
- Asset Management – A clear role for the Council's joint venture Estates and Strategic Asset Services Partner NPS Property Consultants is key to delivery of the actions identified in this AMP, as are clarity of roles within the Council's client function.

2.6 Strategic Direction

The context outlined suggests a requirement for asset management to focus on using property to support growth, inward investment and financial security. Going forward, there are specific objectives for the various elements of the portfolio.

For example:

- Operational portfolio.
 - Focus on core council assets
 - Increase sharing between services
 - Promote agile working
 - Use planned preventative maintenance to spread cost
 - Reduce energy use
 - Support provision of integrated public services with partners to create multi-agency service facilities

- Surplus portfolio:
 - Refurbish property where there is potential to create long term income and transfer the asset to a dedicated investment portfolio
 - Dispose of assets that are a drain on the Council's resources and where retention does not present a wider community or strategic benefit

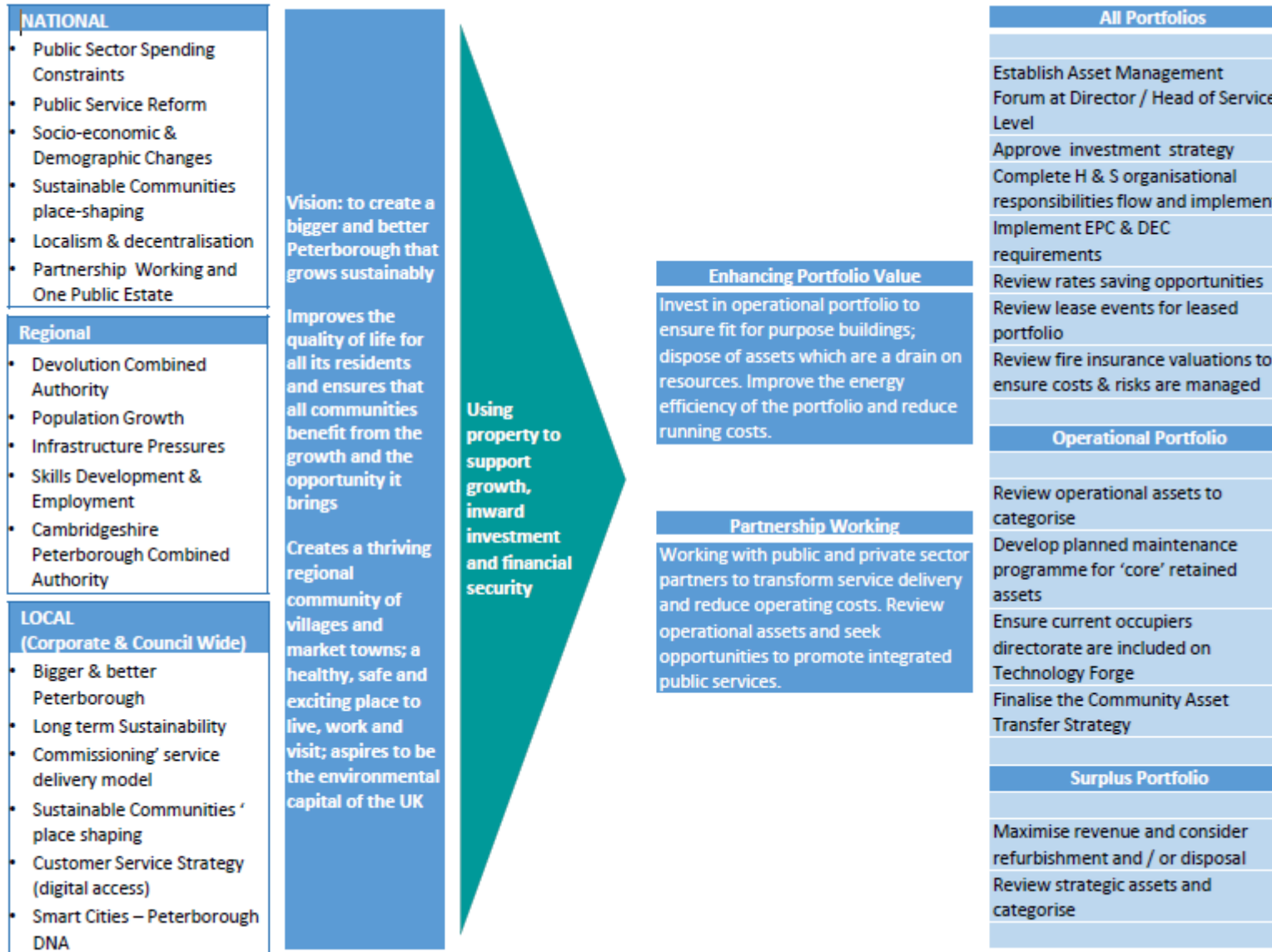
- Strategic land and property
 - Keep reviewing opportunities to meet growth and regeneration objectives, and potential opportunities to create income.

There are a number of actions required to respond to the challenges identified above. Given the Council's resource constraints it will need to determine the relative priority of each action and analyse the cost / benefit.

Key Actions

- Set out schedule of properties with status showing suitability for retention, disposal or review
- Review potential for shared use
- Establish an asset management forum at director level; meet quarterly with NPS to review portfolio
- Approve Investment Acquisition Strategy
- Clarify roles within 'intelligent client' and NPS Peterborough
- Review forthcoming lease events of the 54 leased properties and identify areas for cost reduction
- Review fire insurance valuations on a rolling programme to ensure costs & risks are managed
- Develop planned maintenance strategy for 'core' retained
- Finalise the Community Asset Transfer strategy for remaining community buildings
- Develop plan for strategic sites

2.7 Making it Happen – A Framework for Action



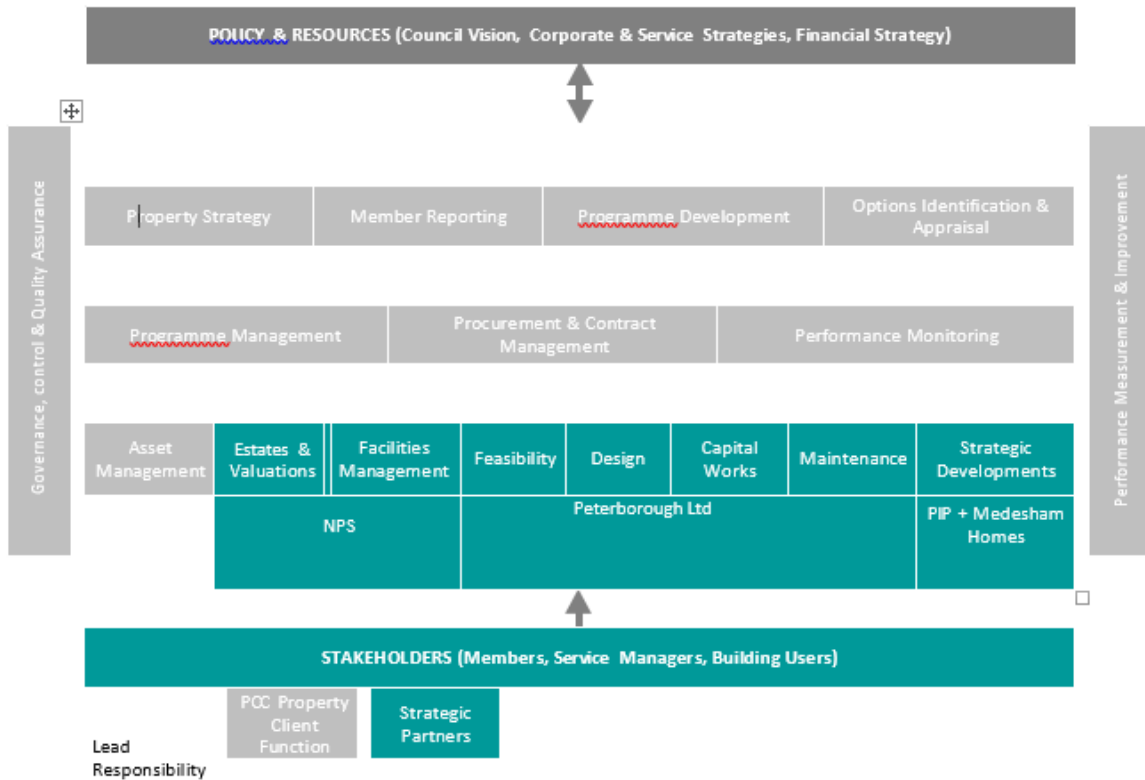
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3 Asset Management Policy & Practice

3.1 Organisational Arrangements

The main professional property services are conducted through NPS Peterborough Ltd for the broad range of estates and valuation services and Peterborough Ltd carry out design, capital works, facilities and property maintenance. The Peterborough Investment Partnership (PIP) – a 50/50 joint venture with the private sector established in December 2014, supports growth and regeneration through the development of strategic sites. Medesham Homes and Cross Key Homes work with PCC to deliver social housing. The Council also has partnerships with Skanska for highways work and Vivacity for culture and leisure services.

The Council’s operating model is shown in the diagram below.



3.2 Governance & Decision Making

The Cabinet Member for Resources has the lead political role for property matters and acting under delegated powers reports on property issues. The Cabinet or the Cabinet member acting with the Corporate Property Officer (CPO) are responsible for decisions on acquisitions, use and disposal of assets and for ensuring asset management policy and actions are consistent with the Council's corporate strategies and objectives.

The prioritisation of projects in the capital programme is undertaken as part of the budget setting process. The responsibility for service buildings and their operating budgets lies with service departments. Service managers can place orders directly with strategic partners, without necessarily involving property staff and this may mean at times works can be placed without appropriate professional advice. Client managers within the Council oversee the specific contracts and budgets for the various joint ventures that underpin the delivery of the Council's property activities. This approach will be reviewed.

3.3 Consistency with 'Best Practice'

The Council working with East of England LGA undertook a 'health check' of its asset management governance arrangements, processes and practice in 2013; with a further analysis of asset management services in 2015. This review acknowledged the Council's areas of good practice and innovation in asset management but also identified some areas of risk where further development work was required. The Council has made progress in addressing the identified deficiencies. Appendix C provides a review of the Council's existing practices against 'best practice' in asset management as a reference point to help clarify further development according to the Council's priorities and resources.

3.4 Supporting Policies & Procedures

This AMP is amplified by a range of further property policies and procedures. These are referenced through Appendix A.

4 The Property Portfolio

4.1 Summary dimensions of the portfolio

The Council has a diverse property estate spread throughout its administrative area. The bulk of the estate is operational property used for direct delivery of services for which the Council has a statutory or discretionary responsibility and is predominantly freehold.

The broad dimensions of the portfolio are:

- The portfolio comprises 1741 land and property assets
- £3.8m rent generated per annum
- Is worth £425.5 M in terms of book value (*December 2018*)
- Incurs running costs of 18.8m per annum

4.2 Tenure & Use

The portfolio is predominantly in freehold ownership. There are 54 leasehold buildings currently and these will be reviewed to identify what opportunities there may be to terminate leases in order to reduce the running cost of the portfolio.

4.3 Condition & Fitness for Purpose

It is important to survey and record the condition of the building stock in order to be aware of immediate health and safety issues in the portfolio, risks and liabilities to the Council, its service delivery obligations and statutory requirements. It is also an important element of 'Best Practice' within current asset management guidance. Currently the Council's maintenance spend is directed predominantly to reactive maintenance. An important aim of the asset management strategy should be to formalise a maintenance programme with a view to reducing reactive maintenance costs. Regular review of property can reveal whether or not a property is fit for purpose or is in need of refurbishment or even replacement.

A backlog summary is given in Appendix D.

4.4 Value, Cost & Income

The objective should be to minimise property expenditure in order to release revenue for service priorities. Property running costs for the entire portfolio are £18.8 M (2017/18), whilst the Council’s utilities costs for 2017/2018 were £4.6 M.

The asset value of the portfolio is £425.5M. The asset value is a ‘notional value’ required for capital accounting purpose and reported on the Council’s Balance Sheet through the annual statement of the accounts. It does not necessarily represent the achievable market value of the portfolio. See Assets Investment Receipts Summary at the end of this report for further details about the capital receipts figures expected in 2018/19 and 2019/20.

| Profile of Capital Receipts (£m) | | | | | | | |
|----------------------------------|--------|--------|--------|---------|----------|--------|-------|
| Achieved | | | | | Expected | | |
| 13/14 | 14/15 | 15/16 | 16/17 | 17/18 | 18/19 | 19/20 | 20/21 |
| £1.489 | £1.769 | £1.027 | £5,978 | £12.738 | £2.922 | £4.319 | Nil |

4.5 Sustainability & Energy

Energy use in buildings is becoming increasingly important, as organisations lead by example in reducing carbon emissions to meet the UK’s national target of reducing carbon emissions by 80% by 2050. The Council also has an aspiration to reduce its carbon emissions and the energy efficiency of Council buildings is important as these represent a significant element of the Council carbon emissions. The Council has entered into an Energy Performance Framework agreement with Honeywell Control Systems with the intention to make energy efficiency improvements to Council properties; with the potential of widening the scheme to other local authorities and partners.

4.6 Statutory Compliance

Ensuring the portfolio conforms to statutory obligations is a high priority of the Council. Failure to do so may expose Council staff and clients to health and safety risks or expose the Council to financial risks. The statutory obligations for the portfolio and related professional services are varied and subject to continued revision and therefore need to be monitored closely.

- Asbestos Management - Asbestos surveys of all properties have been undertaken. Asbestos removal work is carried out on a reactive basis as and when required for refurbishment or demolition.

- Display Energy Certificates (DECs) and Energy Performance Certificates (EPCs). Ensuring these are kept up to date and property meets the necessary legislative requirements.
- Water Safety – water management testing (including legionella) is undertaken on a systematic basis in accordance with legislative requirements.
- Fire Safety – Fire Risk Assessments are undertaken within the Council’s corporate buildings to identify risks, issues and whether mitigation is required. Remedial works to address issues identified from the surveys are undertaken as required.

5 Performance & Monitoring

5.1 Measurement of Portfolio Performance

The Council could adopt a simple reporting approach which is based on each of the principle asset types:

- Asset types
 - Operational
 - Investment
 - Surplus
 - Strategic

These will concentrate on a small number of indicators chosen to review each portfolio which will provide a framework for the management of each portfolio.

5.2 Review Arrangements

The AMP will be reported upon annually to Cabinet and updated periodically with progress reported to Cabinet through the Corporate Property Officer. These will concentrate on the progress of the specific Key Actions identified in the AMP.

Appendix A – Asset Management Policies and Partnerships

Strategies & Policies

- Asset Management Plan
- Investment Strategy
- Capital Strategy
- Community Asset Transfer Policy
- Farms Estate Strategy
- Disposals Strategy
- Service asset strategies (to be improved)
- Carbon Reduction strategy
- Protocols, Procedures & Partnerships
- Skanska Highways Partnership
- NPS Peterborough Partnership
- Cross-Keys Housing Joint Venture Partnership
- PiP – Peterborough Investment Partnership

Appendix B - Service Strategies and Portfolio Implications

| Asset Type | Number Of Assets | Existing & Future Perspectives of the Portfolio |
|---------------------------|------------------|--|
| Operational Assets | | |
| Car Parks | 12 | The Council has 12 designated paying car parking sites, the majority of which as surface car parks. There is a need to review the car parks to assess car parking capacity against current and future demand and to identify whether individual car parking sites may have some strategic development potential. |
| Offices | | The development of a modern work environment for the Council has been completed, along with strategic partners in the form of a new 90k square foot office scheme at Fletton Quays. This is the largest office built in the city for over 20 years. The Council have taken a new long term lease, using its covenant strength to support regeneration of this part of the city. The office forms a key part of the 17 acre regeneration site adjoining the river, south of the city centre. In addition, it will include a 160 bed hotel, 400 residential units (mainly apartments) a further 60,000 sq. ft. of offices, a 410 space multi-storey car park and 90 space surface car park (now complete), new retail units and Listed goods shed which become a distillery and visitor centre. This will be complemented by new public realm works including riverside walkways, new public square and improved cycle routes. |
| Libraries | 10 | The Council has recently reviewed its library service and implemented Open+ technology enabled facilities which will allow libraries to stay open for longer hours. Libraries are open for a set number of staffed hours with additional hours operating on a self-service basis. The mobile & library at home service has not changed. The Open+ technology is designed to allow libraries to stay open for longer. The future direction for the library service is to encourage greater and more innovative use of the library facilities to promote neighbourhood based multiuse facilities. Reductions in the existing number of libraries are not anticipated. |

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Community Assets

Community assets are those properties in the Council's ownership which have a community use or from which a community based activity or service is delivered. The Community Asset Transfer Strategy aims to encourage retention of local facilities without the use of Council funds, increase effectiveness of community assets through local community management and to explore innovative ways to enhance existing community facilities. The Strategy sets out the Council's objectives for community assets and the process and criteria around the transfer of assets to community bodies.

Farms

- The Council has developed a strategy for its Rural Estate which is focussed on retaining it as a viable land holding, providing opportunities for new entrants into farming, farm amalgamations to create larger more financial sustainable holdings and service provision for environmental and educational objectives.
- An annual Action Plan is drawn up from the Management Strategy with input from councillors, Country Land and Business Association and the tenants themselves to explain in practical terms how the Strategy will be delivered each year, and where amalgamations and capital expenditure will be targeted.
- Repairs are proactive rather than reactive, with an emphasis on drainage schemes – this in term supports more robust rents.
- Capital receipts are generated from the disposal of small areas of garden extension land, and realising the potential of old buildings unfit for agriculture which can be converted under Class Q (of permitted development regulations) to residential dwellings.

Strategic Assets

The focus of developing the Strategic portfolio is to retain market awareness of potential opportunities and to intervene where there are strategic opportunities to support the regeneration of the city.

Appendix C - Consistency with Best Practice; key themes and requirements

| | | | |
|---|---|--|---|
| Roles & Responsibilities | Current corporate asset management plan | Running cost performance known | Statement of data needs & priorities |
| The council has a designated corporate property function | AMP linked to corporate objectives | Statutory obligations met | Processes to ensure data quality |
| There is Corporate Property Officer with defined responsibilities | Asset management integrated with service planning | Targets set for running costs | Organisational focus for data management |
| Corporate Property Officer reports to a strategic committee | Key areas for change in the portfolio defined | Suitability of buildings assessed | Information easily available to users (cost, suitability etc) |
| Cross-service forum established on property matters | Commercial portfolio strategy identified | Satisfaction with buildings measured | Non-core data available |
| Property occupiers / users role defined | Capital programme management | Review of need, utilisation and cost | Property IT systems periodically reviewed |
| Group to oversee development of AM practice & AMP | Option appraisal / prioritisation / whole life costings | Profile of capital receipts | Performance management |
| Cabinet member lead on property matters | Outcome targets for capital spend | Systematic review programme | Reporting on national performance indicators |
| Decision making and consultation | Processes for identifying projects | Criteria to challenge retention | Portfolio performance reported to members |
| Clearly defined decision making processes on property matters | Projects assessed using an agreed methodology | Incentives to release property | KPIs related to defined property objectives |
| Consultation process on the AMP | Authority-wide group to oversee programme | Identification of under-utilisation | Agreed targets for KPIs |
| Views of service users & occupiers sought | Process for post-project evaluation | Specific organisational focus on property review | Comparisons made with others |
| Public consultation on property matters | Projects completed on time & to budget | Disposal processes monitored | Local KPIs in place |
| Full member reporting | Managing properties in use | Shared use of buildings promoted | Improvement plan (informed by performance data) |
| Partnership Working | Maintenance backlog know and reported to members | Framework for assessing performance of the portfolio | Data management |
| Integrated approach to assets with other agencies | Periodic assessment of building condition | Identifying property needs | Inventory & core data available |
| Policy on community asset transfer | Maintenance spend prioritised | Defined aims & objectives for asset management | |

Appendix D – Summary of Property Portfolio

| Portfolio | Sub-Portfolio | Type / Use | Number | | | |
|-----------------------------------|--------------------------------|----------------------------|------------|----------------|-------|--|
| Operational | Operational (excl. Schools) | Car parks | | | | |
| | | Children's Centres | | | | |
| | | Day centres | | | | |
| | | Depots / stores | | | | |
| | | Libraries | | | | |
| | | Sports Centres | | | | |
| | | Play centres | | | | |
| | | Pools | | | | |
| | | Public Conveniences | | | | |
| | | Residential homes | | | | |
| | | Waste / Infill sites | | | | |
| | | Youth Centres | | | | |
| | | Operational (Schools) | | | | |
| | | Administrative | Offices | | | |
| | Community assets | Allotments | | | | |
| | Cemeteries | | | | | |
| | Community Centres | | | | | |
| | Community related asset land | | | | | |
| | Open Spaces (incl Section 120) | | | | | |
| | Recreation grounds | | | | | |
| | Community Use | | | | | |
| | | | 744 | | | |
| Investment | Industrial | | | | | |
| | Public House | | | | | |
| | Retail | | | | | |
| | Farms Estate | | | | | |
| | | Farms / Agricultural land | 156 | | | |
| Growth | | Options to PIP Dev Partner | 3 | | | |
| Miscellaneous | | Former housing land | | | | |
| | | Land | | | | |
| | | | 838 | | | |
| Summary of Repair Backlog (£000s) | | | | | | |
| Condition | Total Value | % | Category | Total Value | % | |
| A-Good | £292. | 0.63 | Urgent | £2,812 | 6.05 | |
| B-Satisfactory | £8,831 | 18.99 | Essential | £11,331 | 24.37 | |
| C-Poor | £28,37 | 61.02 | Desirable | £23,370 | 50.25 | |
| D-Bad | £9,004 | 19.36 | | | | |
| | £46,505 | | | £37,513 | | |

Note: The backlog figures are based on the assumption that all properties in the portfolio have a useful life of at least 10 years if all works are progressed as scheduled and do not allow for inflation. These assumptions may not be applicable to the existing portfolio and financial budgeting.