

## REPORT TO EXECUTIVE

Date of Meeting: 6 October 2020

## REPORT TO COUNCIL

Date of Meeting: 20 October 2020

Report of: Director Net Zero Exeter & City Management

Title: Corporate Asset Maintenance

### Is this a Key Decision?

No

### Is this an Executive or Council Function?

Council

#### 1. What is the report about?

- 1.1. A number of asset maintenance priorities have been identified as a result of our ongoing asset inspection programme. This report summarises the various projects to give an overview of the scale of the investment required.

#### 2. Recommendations:

That Executive:

- 2.1. Recognises the priorities in this programme, the importance of good asset management and recommends to Council that the budgets identified for each project are set aside.
- 2.2. Recommends that Council approves the additional budget required for 2020/21 and notes the annual funding requirements for future years, which will form the basis of the capital programme for the next four years to be approved in February 2021:

	<b>Budget Required 2020/21</b>	<b>Budget Required 2021/22</b>	<b>Budget Required 2022/23</b>	<b>Budget Required 2023/24</b>	<b>Budget Required 2024/25</b>
<b>Condition Survey Backlog</b>	238,534	3,685,357	1,012,340	0	0
<b>Current Corporate Property Maintenance Requirements</b>	1,662,741	6,301,776	6,144,108	2,760,267	4,981,972
<b>Current Engineering Maintenance Requirements</b>	410,000	2,616,200	3,665,755	2,792,615	1,254,375
<b>Total Capital Budget Required Per Annum</b>	2,311,275	12,603,333	10,822,204	5,552,882	6,236,347

- 2.3 That Executive and Full Council note the overall cost of £37.5m is significant and approve an asset review programme to identify potential surplus assets, which may be made available for sale in order to finance the programme of works.

### **3. Reasons for the recommendation:**

- 3.1. To make sure that the assets belonging to the Council are safe, fit for purpose and kept in a condition which will maximise their longevity and value.
- 3.2. The condition survey backlog, which was first identified in 2015, has been given a three year budget profile as this is anticipated to be the quickest the varied works packages across the assets can be delivered. It is important to deliver this backlog prior to degradation increasing in quantity and severity.
- 3.3. The remainder of the budget requests have been profiled across five years. This balances the delivery of these essential works against resource availability and the phased closure of assets especially in the car park portfolio, where income and space availability have to be carefully managed.
- 3.4. Extending these funding profiles, especially where assets generate significant income or the works impact on service delivery, is not recommended as income streams and service delivery would be adversely impacted and costs would increase as further degradation of the assets occurs over time.

### **4. What are the resource implications including non-financial resources:**

- 4.1. Our Corporate Property and Engineering teams are already at resource capacity on other priority actions, therefore several of the schemes identified will require specialist external contractors and some will require project management resources to ensure performance compliance.
- 4.2. Delivery resourcing, either from consultant or temporary appointments, has been included within the request for funding.

### **5. Section 151 Officer comments:**

- 5.1 The proposed package of works is both essential and significant. In itself, the cost of £37.5 million, if fully borrowed, would add approximately £1.5 million a year to the funding gap of £6 million that the Council already faces and is unaffordable. However, a plan to identify surplus assets which may be sold to offset the costs along with a plan to identify alternative sources of funding, if available would bring this cost down.
- 5.2 In order to proceed at speed, members should note that the costs include staffing resources that can project manage the schemes and be charged against the capital programme.

## 6. What are the legal aspects?

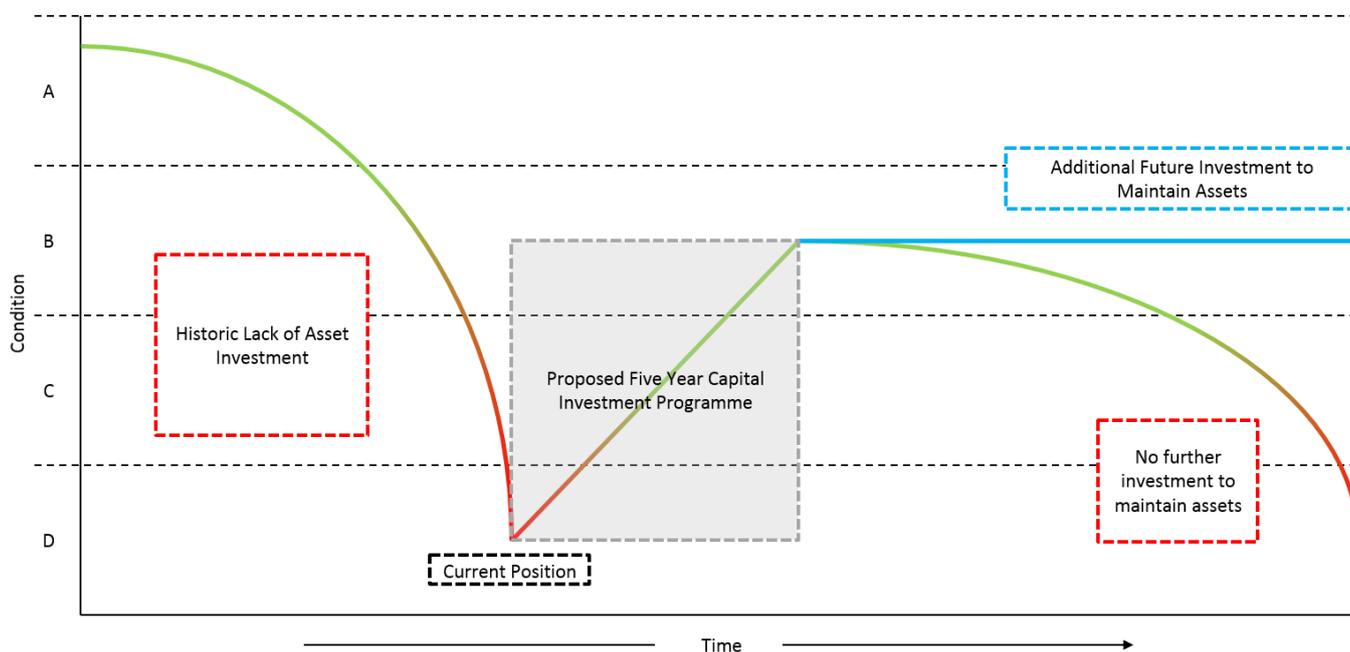
None identified

## 7. Monitoring Officer comments:

This report raises no issues for the Monitoring Officer.

## 8. Report details:

- 8.1. The condition of the Council's Corporate Property and Engineering assets has been declining for many years due to a lack of investment to keep assets fit for purpose and protect income. The graphical representation below highlights the position and shows how the investment set out in this report and continued future investment in the Council's assets can turn this position around.



### 8.2. Property Asset Maintenance Backlog

- 8.2.1. Standardised asset management plan condition grading is split into four levels of condition, A – Good – Performing as intended and operating efficiently; B – Satisfactory – Performing as intended but exhibiting minor deterioration; C – Poor – Exhibiting major deterioration and/or not operating as intended; D – Bad – Life expired and/or serious risk of imminent failure.
- 8.2.2. For a property to remain effective, safe and resilient it needs to be consistently maintained to a sufficient standard. Therefore, Corporate Property recommends that property needs to be maintained to a condition no less than B.
- 8.2.3. The legacy position of the Council has been to repair property only when it fails. Responding only to failure causes unmanaged operational impact and presents risks

to users of the building and general public and gives rise to claims from leaseholders.

- 8.2.4. The ongoing effect of failing to consistently maintain property before it deteriorates has resulted in a cumulative worsening of overall property condition and a significant backlog of maintenance to return the Council's property assets to condition B.
- 8.2.5. Properly maintained assets will be more resilient to future degradation, fit for purpose, provide an enhanced user experience and provide greater income potential.
- 8.2.6. Failing to address this backlog will result in further degradation in the Council's assets, increased costs when the backlog is eventually addressed, increased health and safety risk, reduced income potential, increased impact to service delivery and a greater likelihood of leaseholder claims.
- 8.2.7. The maintenance backlog detailed in appendix A is derived from data generated from historic condition surveys. Whilst representative of the condition of the Council's corporate property portfolio, this is only a snapshot of the condition and cost requirements of part of the Council's overall corporate property portfolio.
- 8.2.8. This request does not include for any backlog maintenance to the leisure portfolio. These are currently being assessed as part of the contract handover.
- 8.2.9. The total funding request to address the legacy backlog maintenance requirement, set out in appendix A, is £4,936,232.

### **8.3. Current Property Maintenance Requirements**

- 8.3.1. Building on the requirement to maintain our property assets to the recommended condition, funding for the following projects is required to ensure these assets remain safe, achieve improved performance or guard the council against excessive additional costs. Maintaining the Council's assets before significant degradation occurs will ensure that in the longer term these assets remain resilient and fit for purpose.
- 8.3.2. Guildhall  
The roof coverings on this grade 1 listed asset are failing and require replacement. This historic property is a key part of Exeter's heritage and Mayoralty function of the Council. It is essential to maintain this asset ahead of any failure to prevent irreparable damage to the fabric within. The service using this asset generates an income in the region of £25,000 per annum and provides a valuable tourist attraction for visitors to the city and location for Civic events.
- 8.3.3. RAMM  
The roof coverings over part of this grade 2 listed asset are failing and require replacement. Further areas of the roof require drainage improvements. This historic property is a key part of Exeter's heritage and a significant tourism attraction. It is essential to maintain this asset ahead of any failure to prevent irreparable damage to

the fabric or exhibits within.

#### 8.3.4. Multi Storey Car Park (MSCP) Portfolio

The Council's MSCP portfolio includes Mary Arches Street, Guildhall, Cathedral and Quay, Harlequins, John Lewis, King William Street/Leighton Terrace, Princesshay 2 and Princesshay 3.

Section 8 of the report detailed in appendix B sets out the structural repair requirements for Cathedral and Quay MSCP and further covers the wider maintenance requirements and security enhancements that are required to maintain and grow the income generated by this car park. Cathedral and Quay MSCP provides critical infrastructure to support the tourism and business on the Quay.

The remaining car parks listed all require a significant programme of maintenance to bring them up to a standard that provides both a resilient foundation to continue to generate a reliable income stream and a safe and attractive user focused experience. The maintenance required includes deck resurfacing, drainage improvement, lighting enhancement, structural repair, expansion joint replacement and redecoration.

The maintenance required is of a significant level because the legacy position of not investing in these assets has led to a continual decline in performance, which has now reached a critical point requiring urgent attention to protect the Council's income.

The typical income that these works will protect and give the potential to increase is Mary Arches £1,100,000; Guildhall £1,500,000; Harlequins £168,000; John Lewis £760,000; King William Street/Leighton Terrace £300,000; Princesshay 2 £310,000; Princesshay 3 £440,000.

Harlequins has potential for mitigation if the wider site is redeveloped by the shopping centre leaseholder.

#### 8.3.5. Commercial Property Ancillary Accommodation

Flat roof coverings to ancillary parts of leasehold premises require replacement due to ongoing continued degradation and failure.

The Council has a contractual obligation to maintain these assets and failure to address these obligations can result in claims against the Council and a reduction to income.

#### 8.3.6. Bradninch Place

Additional actions are required to enable potential asset transfer. These actions include heating system improvement, roof access safety enhancements and removal of the Council linked building management system to enable building specific control of plant and equipment. These works are in addition to the condition survey backlog of £598,000

#### 8.3.7. Wat Tyler House

This leasehold asset is subject to long standing water ingress issues. Despite

numerous attempts to resolve the variety of issues it has been determined that the only long term solution to address ongoing issues is to install a new rainwater system to prevent rain water draining through the building. The Council has a contractual obligation to maintain this asset and failure to address these obligations can result in claims against the Council and a reduction to income.

#### 8.3.8. Verney House

This leasehold asset requires safety improvements to roof access and rainwater drainage needs to be redesigned to drain water externally to prevent ongoing water ingress. The Council has a contractual obligation to maintain this asset and failure to address these obligations can result in claims against the Council and a reduction to income. Potential for mitigation if asset transferred for residential development opportunity

#### 8.3.9. Commercial Properties

Minimum Energy Efficiency Standards require the Council to achieve a minimum energy performance rating to let premises and from 2023 to continue to let premises. Capital improvements to asset performance will be required in future years to maintain rental income. This funding request is to enable these improvements as they arise over the next four years.

#### 8.3.10. Civic Centre Phase Three

This leasehold asset requires safety improvements to roof access and roof covering replacement to prevent ongoing water ingress. The Council has a contractual obligation to maintain this asset and failure to address these obligations can result in claims against the Council and a reduction to income.

#### 8.3.11. City Wall

Section eleven of the City Wall, at the City Gate Pub, has suffered a partial collapse. The remaining parts of the wall have been shored up, but this is a temporary solution and continues to impact on the trading position of the business. The wall requires rebuilding and, along the entire length, improvements made to the foundations of the wall to prevent future collapse. Following initial consultation with Historic England and the Council's Conservation Officer a scheme has been developed to make the wall safe and preserve the heritage of this important asset. Grants from Historic England are being explored to contribute to this funding requirement.

Further City Wall priority and condition survey actions will be the subject of a separate report.

8.3.12. This request does not include for any works to the leisure portfolio. These are currently being assessed as part of the contract handover.

8.3.13. The total funding request for current property maintenance requirements, set out in appendix C, is £21,850,864.

### **8.4. Engineering Asset Maintenance Requirements**

- 8.4.1. Funding for the engineering projects detailed in appendix C is required to ensure these assets remain safe, achieve improved performance or guard the council against excessive additional costs. Maintaining the Council's assets before significant degradation occurs will ensure that in the longer term these assets remain resilient and fit for purpose.
- 8.4.2. The total funding request for current engineering maintenance requirements, set out in appendix D, is £10,738,945.
- 8.5. Our finances are currently uncertain and these maintenance liabilities only add to this problem, but they need to be considered now for the next five year period because the reported issues are already a backlog. Over the next five years greater requirements will come to light in these assets and if maintenance liabilities are not addressed now assets may need to close.
- 8.6. Priorities for all repairs are determined in conjunction with the Corporate Property Maintenance Strategy Priority Matrix, set out in appendix E
- 8.7. Report Appendices  
Appendix A - Condition Survey Backlog for all currently surveyed operational and commercial properties  
Appendix B - Cathedral and Quay Multi-storey Car Park Structural Repairs Report  
Appendix C - Current Corporate Property Maintenance Requirements  
Appendix D - Current Engineering Maintenance Requirements  
Appendix E - Corporate Property Maintenance Strategy Priority Matrix

## **9. How does the decision contribute to the Council's Corporate Plan?**

This decision will contribute to the Council providing value for money services, through both enabling the expansion of our commercial activity to generate more income and providing improved management of our built assets and maximising longevity.

## **10. What risks are there and how can they be reduced?**

The individual risk for each project should be examined in detail but in general not investing in our assets will

- Lead to increased health and safety risks and the assets eventual closure.
- Result in loss of income or increased additional costs
- Result in loss of service provision for the City and its residents.
- Lead to increased risk of Legal action for non-performance of Council lease obligations

## **11. Equality Act 2010 (The Act)**

- 11.1. In recommending this proposal no potential impact has been identified on people with protected characteristics as determined by the Act.

## **12. Carbon Footprint (Environmental) Implications:**

- 12.1. All construction and repair generates carbon (concrete, steel, site activities and the like). The repairs set out in this report will make the assets more efficient and hence a reduction in carbon footprint will be achieved.
- 12.2. The coordinated delivery model enabled by this investment is a more efficient way of managing our repairs, which has a lower carbon impact than historic reactive approaches.

## **13. Are there any other options?**

- 13.1. Lower priority property assets could be postponed, but the condition of these properties will only worsen further as more time passes and the cost to rectify will increase.
- 13.2. Where an asset has the potential for disposal this has been indicated in the report and efforts will be made to mitigate expenditure by the Council where possible.

Director Net Zero Exeter & City Management - David Bartram

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## **Local Government (Access to Information) Act 1972 (as amended)**

Background papers used in compiling this report:-

None

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