

Meeting not open to the public



District Council

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Agenda for Asset Management Forum Thursday, 14 August 2014; 9.30am

To: Members of Asset Management Forum; Heads of Service

Venue: Committee Room, Knowle, Sidmouth

Contact: [Chris Lane](#), 01395 571544 (or group number 01395 517546): Issued 6 August 2014

<u>Meeting of the Asset Management Forum</u>	
1. To confirm the report of the meeting of the Asset Management Forum held on 30 June 2014.	Attached
2. To receive any apologies for absence.	
3. Matters Arising.	
4. Tenanted Non Residential Property Review (TNRP) – Beach Huts and Chalets	Draft report for discussion
5. Whole life costing	Cabinet report for approval
6. Date of next meeting – Thursday 25 September 2014 at 9.30am in the Committee Room.	

[Decision making and equalities](#)

Can we take out the 'Donna Bests' in the 3rd columns and put for item 4 – Draft review report for discussion and for item 5 put the 'cabinet report for approval' in that column instead?

EAST DEVON DISTRICT COUNCIL

Confidential; Report of a Meeting of the Asset Management Forum held
at East Devon Business Centre, Honiton on Monday, 30 June 2014

Present: Councillors:
 David Cox
 Bob Buxton
 Graham Godbeer
 Andrew Moulding

 Mike Allen (item 3 below only)

 Officers:
 Richard Cohen
 Donna Best
 Simon Davey
 Nigel Harrison
 Alison Hayward (item 3 below only)
 Tammy Down (item 3 below only)
 Chris Lane

Apologies: Councillors:
 Paul Diviani
 Ian Thomas

 Officer:
 Laurelie Gifford

The meeting started at 2.00pm and finished at 4.45pm.

1 Minutes

Members noted the report of the meeting held on 9 May 2014.

2 Matters Arising

Dunkeswell Business Park

Nigel Harrison reported that he had spoken to Matt Dickens on the issue of the Dunkeswell link road, which there was not sufficient money to fund at present. It was noted that Dunkeswell may wish to promote this scheme through their Neighbourhood Plan. It was agreed that Nigel Harrison should facilitate a meeting between himself, Cllr Bob Buxton and Matt Dickens to discuss this scheme and the associated possible land acquisition opportunity at Dunkeswell Business Park.

3 East Devon Serviced Workspace Demand and Delivery –
Presentation by Iain Mulvaney – Carter Jonas

Members welcomed Iain Mulvaney, from Carter Jonas who along with Jim Whelan and Mike Taylor gave a presentation to members on East Devon Serviced Workspace Demand and Delivery. It was noted that the presentation would be circulated to members of the Forum in due course.

Iain Mulvaney, Jim Whelan and Mike Taylor were thanked for the excellent and informative presentation.

During discussions the following points were noted:

- that the preliminary findings confirmed the Forum's long held view of the need and demand for more serviced workspace units in East Devon;
- the lack of quality supply of these units, particularly in Exmouth and the west of the district, was an issue for East Devon;
- there was a good opportunity to add units in Honiton, including the possibility of buying existing space for short let;
- there was latent demand for office space in East Devon;
- the need to explore a variety of options for funding additional workspace provision in East Devon, including the private sector and joint public/private sector provision;
- The need for Carter Jonas to speak to Matt Dickins, Policy Manager regarding issues raised in the report.

It was anticipated that the interim report would be available next week and the final report on 18 July 2014.

4 Seaton Workshops Projects

Donna Best, Principal Estates Surveyor reported on the Seaton Workshops Project. Members noted that the Colyford Road planning application would be discussed by DMC on Tuesday 1 July 2014. Subject to the decision of DMC, the Estates Section would look at the Colyford Road and Harepath Road sites in combination and produce a report to the October/November meeting of Cabinet with recommendations, produced in the light of the Carter Jonas report - recommendations would be available on 18 July 2014.

Members noted that on the issue of the Riverside Workshops, there was the possibility of packaging up the site and selling it as a lot to a developer with sitting tenants. The aim in Seaton was to provide a net gain in the number and quality of workshop units.

5 Estates Team Systems Thinking Review

Donna Best, Principal Estates Surveyor reported on the Estates Team Systems Review. The Estates Team was identified as a priority project in the CAMP 2014/17 for a systems thinking approach to be considered in relation to the way the Team currently worked.

5 Estates Team Systems Thinking Review (Cont)

In practice, the project had evolved into a much larger undertaking than 'systems thinking' alone and was now referred to as 'Estates Transformation'. This was largely owing to the need to include the use of technology available to act as powerful tools to increase efficiency, increase output and enable the consideration of expansion in professional services provided.

The Forum noted the recommendations contained in the draft report to Cabinet on 3 September 2014, which would include:

- introduction of a Business Tenants' Information Pack;
- introduction of a questionnaire for new business tenants;
- introduction of an explanatory leaflet for the process of purchasing Council property and acquiring other interests in land;
- approval of the introduction of a charging regime in consideration of processing applications to purchase Council property or acquire other interests in Council owned land.

6 Whole Life Costing

Donna Best, Principal Estates Surveyor reported on Whole Life Costing. Under the Council's Corporate Asset Management Plan 2014 -2017, the Council was committed to embedding whole life costing analysis into its property decision making processes. The draft report to Cabinet set out details relating to whole life costing appraisal and a proposal which would enable the Council to take the first steps to start using the technique.

During discussions, members of the Forum felt that there was the need to provide specific examples of how whole life costing would work and the report should be delayed until October 2014 in order that such examples could be provided, such as the Younghayes Centre, Cranbrook.

7 Date of next meeting

The next meeting of the Asset Management Forum would be held on **Thursday 14 August 2014** at 9.30am in the Committee Room.

East Devon District Council – TNRP Review

Chalets and Beach Huts Cluster

July 2014



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A. Background

The Council, assisted by CIPFA Property is undertaking a review of its Tenanted Non Residential Property portfolio. The approach taken has been to partition the portfolio into manageable chunks, or “asset clusters”, and to review each in turn, making recommendations in a series of reports.

The asset clusters identified are:

1. Industrial Estates
2. Sports & Activity Clubs
3. Private Halls
4. Depots
5. Café and Kiosks
6. Chalets and Beach Huts
7. Cinemas and Theatres
8. LED Leisure Facilities

The Council's corporate Property Asset Management Plan identifies the need for a review of the TNRP portfolio. Through an assessment of efficiency, effectiveness and affordability, the Council aims to challenge and review its asset ownership.

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B. Chalets and Beach Huts

B1 Review Areas

This cluster comprises 20 separate geographical sites, and these have been considered in terms of:

- Management arrangements
- Income
- Demand
- Condition and Maintenance
- General Observations

B2. Summary Conclusions and Recommendations

- 1** The management of the beach huts is split across three separate areas including Estates team, Streetscene and Tourist Information. This is due to the differences in the type of letting and also the customers it delivers to. The use of short term lettings by the TIC is considered to meet the needs of short term visitors to the district. The seasonal lettings by Streetscene meet the demand from those who seek a longer term option and is primarily of use to local residents. The lettings by the Estates team are on formal agreements for a longer term and are for a number of beach hut sites let to a single operator who in turn lets the individual sites. It is considered that the current management process is suitable for the purpose and there is no proposal to alter this.
- 2** Building on the outline analysis set out later in this report, the Council should have a better understanding of the true life cycle cost of holding the beach huts including management and maintenance. This will not be possible until the financial systems are in place to be able to capture accurate costings. Since the implementation of job codes, the financial information available has improved. However, there remain certain costs that are difficult to record against individual properties and locations, for eg staff costs. All figures provided in the report are based on hire charges for the financial 2014/15. Costs have been based on figures available for 2013/14 and estimates.
- 3** Timber beach huts have a relatively short life of approximately 10 years. Historically 10 huts per year were being replaced from maintenance budget. However, due to budget cuts this no longer happens. This has resulted in increased spending on reactive repairs. If the Council wishes to retain this service, it would be advisable to consider establishing a sinking fund to ensure huts can be replaced at the end of their life.
- 4** In order to protect the huts over the winter months, those managed by the Council and TIC at Budleigh Salterton and Seaton are taken down at the end of the season and erected again at the start of the new season. The cost for this is met by the Council. The huts taken down usually suffer damage while being dismantled, hauled to store and then re-erected. However, some years they have been left up. If the huts are left up they suffer winter damage from the sea/frost/storms, this means an increased cost for repairs in the Spring and potentially, a shorter life.

The income for the provision of huts, does not cover the costs. The cost of providing huts for rental is therefore significantly subsidised by the rental of sites only at these locations. It is therefore proposed that huts will be provided for the 2014 season from the existing stock and at the end of the season, occupiers will be advised that sites only will be provided from April 2015. The occupiers will be charged the annual season hire cost, which will include the transfer of the ownership of the hut. In 2016/17, the charge will be for site only. This proposal will include huts at Budleigh and at Seaton West Walk. The proposal does not include block built huts such as those at Exmouth and Jacobs Ladder, Sidmouth. The fees and charges will continue to be reviewed annually to ensure best value and be subject to 5 year leases.

- 5 An alternative option to this proposal would be to terminate all existing agreements and offer the sites to the open market, including the existing huts. It is estimated that if 25 year leases were offered for a premium on the 80 huts and sites, a capital receipt of between £1,200,000 and £1,600,000 million could be realised. This option is unlikely to be popular with existing occupiers.
- 6 The hire charges have been reviewed as part of this work and variations to charges are being brought into line by using stepped increases. The 2013 Fees & Charges Taff reviewed the changes to beach hut fees and charges and they were happy with increases to date and recommended that an annual review be continued.
- 7 The huts at Budleigh Salterton are stored in a workshop unit off Station Road during the off season and there are further cost implications linked to this. If Members approve the recommendation at 4 above, the unit will no longer be required for the storage of beach huts. It could be disposed of to realise a capital receipt or let to provide a revenue income.
- 8 Huts that remain under the Council's ownership at Exmouth and Sidmouth will continue to be the subject of condition surveys under the existing three year programme. When next surveyed, detailed location plans will be acquired to assist operational management.
- 9 The beach huts at Jacobs Ladder are reaching the end of their economic life. The site is considered ideal for the provision of huts of a better style and design for the location. It is therefore recommended that a planning application is submitted for an enhanced provision for huts which are then let on a long leasehold basis. In addition to the redevelopment at Jacobs Ladder, it is proposed that an additional site on the beach at Sidmouth, between end of the Esplanade and Chit Rocks, be established for the provision of 10 sites for beach huts. This will be subject to planning permission and viability assessment.
- 10 The searchlight emplacement at Seaton is currently vacant and considered to be in a relatively poor state of repair. The option to demolish the structure has been discounted as this would involve significant further works to secure the cliff face. As there has been previous interest from local groups regarding a possible transfer of the structure, it is proposed that this be investigated further in order to establish the feasibility of this option. If not feasible, it is proposed that the structure be offered for sale on the open market.
- 11 The chalets at Exmouth will form part of the Exmouth Town Centre and Seafront Masterplan Foxholes Hub project.

- 12** Although there are no built structures to maintain, an assessment of the condition of the sites should be undertaken to include the East Shelf and access steps at Seaton.

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C. Portfolio Analysis

Portfolio Findings

C1 The Beach hut and chalet assets

- 1 The assets are located across 20 geographic sites within 5 coastal towns in the District: Exmouth, Budleigh Salterton, Sidmouth, Seaton and Beer.
- 2 In total the Council owns and lets 257 beach huts and 241 beach huts sites. An additional 70 beach hut sites are provided through the 4 formal leases that the Council has granted to individuals who operate them as a concession business.
- 3 All of the leased sites (sub-set 1) are in Beer.
- 4 Details of the assets, the management arrangements and rental levels are set out in the table below. Please note that the hire charges shown in the table above (other than the Chalets at Exmouth) are inclusive of non domestic rates which the Council is required to pay on the premises.

Location	Hut or Site	Sub-set	No. of Huts/Sites	Management Arrangements	Annual / Season Hire Cost 2014/15	Income from Lease
Exmouth	Brick Hut	2	117	Directly by EDDC 12 month letting	£541.45	N/A
Exmouth Chalets	Brick Hut	2	20	Directly by EDDC 12 month letting	£1,023.35	N/A
Budleigh Salterton	Timber Hut	4	12	Through TIC Seasonal Concession	£549.40 small, £568.70 large	N/A
Budleigh Salterton	Timber Hut	2	33 (large)	Directly by EDDC per season	£650.90	N/A
Budleigh Salterton	Timber Hut	2	16 (small)	Directly by EDDC per season	£542.40	N/A
Budleigh Salterton	Site	3	93	Directly by EDDC per season	£358.50	N/A
Sidmouth	Timber Hut	2	24	Directly by EDDC per season	£511.50	N/A
Seaton	Former Searchlight	2	1	Previously leased but now vacant	N/A	Vacant

Location	Hut or Site	Sub-set	No. of Huts/Sites	Management Arrangements	Annual / Season Hire Cost 2014/15	Income from Lease
	Emplacement					
Seaton West	Timber Hut	2	31	Directly by EDDC per season	£480.10	
Seaton West	Timber Hut	4	4	Through TIC per season	£568.70	
Seaton West	Site	3	50	Directly by EDDC per season	£239.00	N/A
Seaton East	Site	3	42	Directly by EDDC per season	£239.00	N/A
Beer East & West	Site	3	44	Directly by EDDC per season	£309.40	N/A
Beer East Shelf	Site	3	12	Directly by EDDC per season	£437.80	N/A
Beer East	Site E1	1	23	7 year lease terminates on 31/3/2017	N/A	£650
Beer East	Site E2	1	23	6 year lease terminates on 22/6/2020	N/A	£750
Beer East	Site E3	1	12	7 year lease terminates on 31/3/2017	N/A	£395
Beer East	Site W1	1	12	7 year lease terminates on 31/3/2017	N/A	£1,500

Key to sub-set

- 1 Those arrangements where there is a formal lease in place to an individual who then manages a number of beach huts/sites as a concession business. The Council has no control over the day to day management of the huts and no influence over the charges set. An annual rent is received from the tenant. The tenant is responsible for payment of non domestic rates for the period of their use. The tenant is responsible for repairs and maintenance to the huts.
- 2 Those beach huts which the Council directly manage and let for the season on an individual hut basis. The Council set the charges and manage the huts day to day. The Council are responsible for repairs and maintenance to the huts and payment of non domestic rates.

- 3 Those sites which the Council directly manage and let for the season on an individual site basis. The Council set the charges and the site owners are responsible for repairs and maintenance of their own huts
- 4 Those beach huts which The Council own but which are managed on their behalf by the Tourist Information Centres in the area. The Council set the charges and Tourist Information look after the daily management of the huts for which they receive 15% of any income received. The Council are responsible for repairs and maintenance to the huts and payment of non domestic rates.

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C2 Exmouth Beach Huts



Management Arrangements and Income

- 9 There are 117 brick huts managed directly by the Council which are let on an annual basis. The annual hire charge for the 2014 season is £541.45. This provides a potential gross income to the authority of £63,350.

Income	Expenditure	Description	
£63,350		Gross income 117 beach hut lets	
	£28,080	Planned & reactive maintenance, depreciation and 10 year replacement	
	£143	Insurance	
	£10,597	Non domestic rates	
	£12,700	Management/ administration costs	
£63,350	£55,157	Net income	£11,830

Condition and Maintenance

- 10 The Exmouth huts are of permanent construction and were built in phases in the second half of the 1990's. They are laid out in a series of terraced blocks of 7 or 8 huts per block. The external walls are of solid blockwork, (render finished), floors solid concrete, and roofs timber structure (bitumen membrane finished). Each hut has a pair of outward opening softwood timber painted doors, which are redecorated on a planned basis approx. every 2 years. The internal dimensions of each hut are 1.8m wide x 2.6m deep and they do not have any mains services. In 2013, the roof coverings to all of the huts were renewed and timber fascia boards capped with PVC to reduce on going maintenance. The timber doors and their handles/locks need very regular maintenance due to the extreme weathering, sand, sea and salt air that they endure.

Demand

- 11 Demand for these huts is reasonable and Exmouth is the only area in East Devon where there is no waiting list. It is generally thought that the letting level is due to the specific location of the huts relative to the main road, rather than the fact they are in Exmouth. In contrast there are chalets in Exmouth which have a substantial waiting list (see next section).

C3 Exmouth Chalets



Management Arrangements and Income

12 There are 20 brick built chalets which are managed directly by the Council. Current annual hire charges are £1,023.35 per chalet which is exclusive of non domestic rates paid directly by the lessee. The chalets are fully booked and bring in an income of £20,467 per annum. All of the chalets have a water supply and power, with good views of the sea.

Income	Expenditure	Description	
£20,467		Gross income 49 beach hut lets	
	£6,000	Planned & reactive maintenance, depreciation and 10 year replacement	
	£79	Insurance	
	£0	Non domestic rates	
	£46	Water	
	£4,093	Management/ administration costs	
£20,467	£10,218	Net income	£10,249

Demand

13 There is limited turnover of tenants. The chalets are fully booked and there is a substantial waiting list.

Condition and Maintenance

14 The 20 Foxholes Chalets are of permanent construction and were built in c. 1988. They are laid out in a curved terrace of 11 bays. The external walls are of cavity masonry, floors solid concrete, and roofs dual pitched finished with colour coated profiled metal sheeting. There are a pair of outward opening softwood timber part glazed painted doors to each, which are redecorated on a planned basis approx. every 3 years. The internal dimensions of each chalet are 2m wide x 2.9m deep, and each has a kitchenette with lighting, power, water, and drainage.

15 Within the next 10 years, the roof coverings and doors will be due for replacement at a budget cost in the region of £60,000 + VAT. Due to their age, the external concrete paved paths directly in front of the chalets are starting to deteriorate and will require significant repairs within the next 5 years, at a budget cost in the region of £10,000 + VAT.

- 16 With some redesign, the layout of chalets would offer potential for refurbishment and conversion that could be sold on a long leasehold basis for a premium or secure a higher revenue income. These options will be considered as part of the Foxholes Hub Exmouth Masterplan project. In the meantime, the approaches to modern beach hut arrangements, for example at Shaldon (shaldonbeachhuts.net), Bournemouths 'super huts' and Boscombe Overstrand remain aspirational.

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C4 Budleigh Salterton



Management Arrangements and Income

17 There are 49 beach huts of timber construction managed directly by the Council. Of these, 10 were added in 2010 to cope with increased demand. The annual hire charge for the 2014 season is £650.90 (Large hut) and £542.40 (Small hut). This provides a potential gross income to the Council of £30,158.

18 In addition to the beach huts, the Council also manage 93 sites. The annual hire charge for the 2014 season is £358.50. This provides the Council with a potential gross income of £33,340.50. The Council pays the non domestic rates, maintenance and management costs.

19 As well as the beach huts and sites managed directly by the Council, the Tourist Information Centre manages 12 huts, 6 large and 6 small.

20 The 2014 charges for **large beach huts** are as follows:

Per Day	£ 21.65 + VAT (£26.00 with VAT)
Per Week	£ 67.00 + VAT (£80.44 with VAT)
Per Season	£ 568.70 + VAT (£682.44 with VAT)

21 The 2014 charges for **small beach huts** are as follows:

Per Day	£ 19.10 + VAT (£22.90 with VAT)
Per Week	£ 60.33 + VAT (£72.40 with VAT)
Per Season	£ 549.40 + VAT (£659.28 with VAT)

22 The commission paid to the TIC is 15% on the gross income plus £200.00 for the key service.

23

Income	Expenditure	Description	
£30,158		Gross income 49 beach hut lets	
£33,341		Gross income 93 site lets	
£6,709		TIC managed income	
	£5,880	Taking down & reassembly of huts	
	£970	Winter storage (inc rates & ins but not	

		including loss of rent)	
	£11,760	Planned & reactive maintenance, depreciation and 10 year replacement	
	£23	Insurance	
	£2,999	Non domestic rates (Sites)	
	£1,707	Non domestic rates (huts)	
	£12,700	Management/ administration costs	
£70,208	£36,038	Net income	£34,169

Demand

- 24 The beach huts and sites in Budleigh Salterton are fully booked and there is a substantial waiting list which is currently closed to new applicants.

Condition and Maintenance

- 25 The Budleigh huts are of demountable timber shed type construction. The pitched roofs are finished with a bitumen based felt membrane and walls with tongue and grooved softwood boarding. They are redecorated on a planned basis approx. every 2 years. They have a limited life span and require replacement on average over a 10 year cycle.
- 26 Using an average replacement cost of £1,200 per hut this means that over a 10 year period, the Council will need to find £85,200 to replace the 61 huts it owns at Budleigh Salterton.

C5 Sidmouth



Management Arrangements and Income

27 There are 24 timber beach huts managed directly by The Council. These are built directly on to the seafront adjacent to Jacob's Ladder. The annual hire charge for the 2014 season is £511.50. This provides a potential gross income to the authority of £12,276.

Income	Expenditure	Description	
(£12,276)		Gross income 24 beach hut lets	
	£2,880	Planned & reactive maintenance, depreciation and 10 year replacement	
	£11	Insurance	
	£513	Non domestic rates	
	£2,455	Management/ administration costs	
(£12,276)	£5,859	Net income	(£6,417)

28 10 of these huts were previously managed by a concession which expired in September 2011 and has not been renewed. These were previously let by the concession on a more short term basis.

Demand

29 The beach huts are highly sought after, are fully booked and there is a substantial waiting list which is now closed. In addition to the redevelopment at Jacobs Ladder, it is proposed that an additional site on the beach at Sidmouth, between end of the Esplanade and Chit Rocks, be established for the provision of 10 sites for beach huts. This will be subject to planning permission and viability assessment.

Condition and Maintenance

30 The 24 Jacobs Ladder huts are built in the form of 2 blocks of 12. They are of semi-permanent timber frame construction, sitting on raised concrete platforms. The roofs are shallow monopitch and finished with a bitumen based felt membrane, last renewed in January 2013. The walls and doors are softwood timber.

- 31 They are redecorated on a planned basis approximately every 2 years and require a considerable amount of annual maintenance and repairs to prepare them for each season. They are believed to be over 20 years old and are generally at the end of their economic life. Significant damage during the February 2014 storms necessitated major repairs, which have now extended their useful life by a further 2 to 3 years.
- 32 Using an average replacement cost of £1,600 per hut for block built timber huts, means that within the next few years the Council will need to find £38,400 to replace the 24 huts it owns at Sidmouth. Alternatively a more permanent structure could be used to replace the existing huts and provide better accommodation. The Jacob's Ladder location is significantly hindered by the lack of easy vehicle and pedestrian access from the Highway, and no mains services.
- 33 Subject to the Council approving the recommendation proposed in the Summary and Recommendations part of this report (Page 6, Paragraph 9), various options will be considered under cover of a separate report.

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C6 Seaton West



Management Arrangements and Income

34 There are 31 timber beach huts managed directly by The Council. The annual hire charge for the 2014 season is £480.10. This provides a potential gross income to the authority of £14,883.

35 The Council also manages 50 sites. The annual hire charge is £239 for the 2014 season. This provides the Council with a potential gross income of £11,950.

36 In addition to the beach huts managed directly by the Council there are 4 beach huts which are managed by the Tourist Information Centre (TIC). The charges for 2014/15 are as follows:-

Per Day	£ 19.60 + VAT
Per Week	£ 67.00 + VAT
Per Season	£ 568.70+ VAT

37 Again this is inclusive of non domestic rates. The Council receives 85% of the income from these huts with TIC retaining the remaining 15%.

38 In 2013, the gross income from the TIC let huts was £2,334.20.

39 A breakdown of the costs and expenditure are provided in the table below

40

Income	Expenditure	Description	
(£14,883)		Gross income 31 beach hut lets	
(£11,950)		Gross income 50 site lets	
(£2,334)		TIC managed income	
	£2,660	Erection of huts	
	£3,000	Take down and winter storage	
	£9,920	Planned & reactive maintenance, depreciation and 10 year replacement	
	£528	Insurance	
	£4,276	Non domestic rates	
	£5,367	Management/ administration costs	
(£17,217)	£25,751	Net income (deficit)	£8,534

Demand

- 41 The beach huts are highly sought after, are fully booked and there is a substantial waiting list which is now closed.

Condition and Maintenance

- 42 The Seaton huts are of demountable timber shed type construction, the pitched roofs are finished with a bitumen based felt membrane and walls with tongue and grooved softwood boarding. They are redecorated on a planned basis approx. every 2 years. They have a limited life span and require replacement on average over a 10 year cycle.
- 43 Using an average replacement cost of £1,200 per hut, this means that over a 10 year period the Council will need to find £42,000 to replace the 35 huts it owns at Seaton West, representing an annual depreciation of around £120 per hut per annum.

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C7 Seaton East



Management Arrangements and Income

44 The Council manages 42 sites at the East End of Seaton. These sites are let at £239.00 per annum. This provides the Council with a potential gross income of £10,038.

45

Income	Expenditure	Description	
(£10,038)		Gross income	
	£14.06	Insurance	
	£1,230.30	Non domestic rates	
	£2,007	Management/ administration costs	
(£10,038)	£3,251.36	Net income	(£6,786.64)

Demand

46 These sites are located on the beach shingle and are fully booked with a substantial waiting list, which is currently closed

Condition and Maintenance

47 Although there are no built structures to maintain an assessment of the condition of the sites should be undertaken.

C8 Seaton Former Search Light Emplacement



Management Arrangements and Income

- 48 This building is currently vacant/unused and does not provide any income to the Council.
- 49 A local group has previously approached the Council to request that the asset is transferred to them to preserve it as it is of local historical interest as a WWII searchlight emplacement.

Demand

- 50 Other than the request from the local group there have been additional enquiries to purchase the building.

Condition and Maintenance

- 51 The search light emplacement is believed to have been built c.1940 and is of very basic construction, similar to a pillbox. The walls are solid masonry and the roofs and floors are concrete. In size, it is approx. 3.8m wide x 5.9m and the internal floor level is approx. 3m above that of the esplanade (West Walk). The structure has been partially cut into the cliff face and as such, cliff slope stability could be an issue should it be demolished. There is currently no formal access route to the building, and no steps or ramps to give safe access. It is redecorated (white) on a planned basis approx. every 2 years. It also requires regular reactive maintenances due to vandalism/graffiti. A new galvanised steel entrance gate was installed in 2007 to increase security.

C9 Beer



Management Arrangements and Income

52 The Council manages 44 sites at Beer East and West. These sites are currently let at £309.40 per annum. This provides a potential gross income of £13,613.60. The Council has a further 12 sites on the East Shelf. These sites are let at £437.80 per annum. This provides a potential gross income of £5,253.60.

53

Income	Expenditure	Description	
£13,614		Gross income (East & West)	
5,254			
	£0	Insurance	
	£2,457	Non domestic rates	
	£3,774	Management/ administration costs	
£18,868	£6,231	Net income	£12,637

54 Due to the fact that the sites are now further away from the sea, the risk of flooding to the huts has abated. This means that the tenants no longer remove the huts at the end of the season, meaning that they can effectively occupy them all season.

55 In addition to the huts the Council have also granted 4 leases to individual tenants for beach huts site concession businesses. Details of these are set out in the table below:

56

Details	Term	Expiry Date	Rent	Next rent review	Notes
Site East 1: Site for 23 beach huts, 11 on beach and 12 on platform	7 years	31/3/2017	£650 per annum	31/3/2014	
Site East 2: Site for 23 beach huts	6 years	22/6/2020	£750 per annum	N/A	Tenant holds deckchair concession at same location
Site East 3: Site for 14 beach huts	7 years	31/3/2017	£395 per annum	31/3/2014	Tenant holds deckchair concession at same location
Site East 4 Site	7 years	31/3/2017	£1,277 per	31/3/2014	Tenant holds

for 12 beach huts			annum		deckchair concession at same location
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Demand

- 57 These beach hut sites are fully booked and there is a substantial waiting list, which is currently closed.
- 58 Occupancy levels for those sites which are the subject of the 4 leases granted by the Council are high.

Condition and Maintenance

- 59 Although there are no built structures to maintain an assessment of the condition of the sites should be undertaken to include the East Shelf and the access steps .

END

Susan Robinson MRICS	CIPFA	Rob Harrison MRICS	EDDC
Chris Brain FRICS	CIPFA	Andrew Hancock	EDDC
		Simon Allchurch	EDDC
		Pauline Druce	EDDC
		Jamie Murrell	EDDC
Donna Best MRICS	EDDC		

Report to: Cabinet
Date of Meeting: 01 October 2014
Public Document: Yes
Exemption: None



Agenda item: To be completed by Democratic Services.

Subject: **Corporate Asset Management Plan 2014-17**
Progress report on priority task: Whole Life Costing

Purpose of report: To provide progress in relation to the project and to seek endorsement of initial proposals arising from the work to date

Recommendation:

1. **That the Council adopt assessment of whole life costing appraisal for**
 - 1) For capital expenditure projects in excess of £100,000
 - 2) For new building projects
 - 3) To assist budget setting for the planned maintenance programme

Reason for recommendation: The reason for the recommendation is set out in the main body of this report

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Financial implications:

Legal implications: To be completed by Legal.

Equalities impact: Low Impact

The impact in terms of equalities is minimal: embedding the principal of whole life cost assessment prior to significant investment will ensure that the Council has a better understanding of the long term revenue implications.

Risk: Low Risk

[Click here to enter text on risk considerations relating to your report.](#)

Links to background information:

- Corporate Asset Management Plan 2014-2017
- Appendix 1 – Whole life costing example based on a swimming pool the size of Sidmouth Swimming Pool
- Appendix 2 – Whole life costing exemplified based on a community centre the size of Younghayes at Cranbrook
- Appendix 3 – Whole life costing example based on workshop space the size of units at Millwey Rise, Axminster

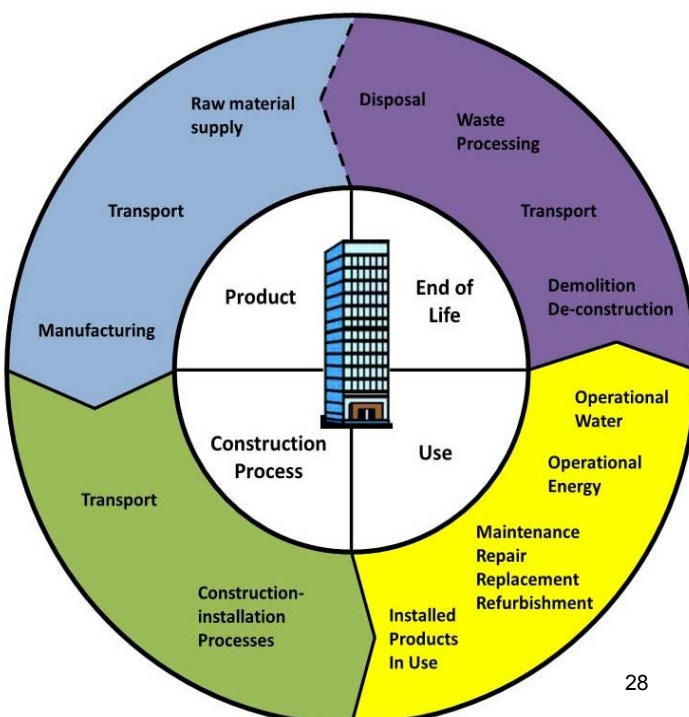
Link to Council Plan: Funding this outstanding place

Report in full

- 1.1 Under the Council's Corporate Asset Management Plan 2014-2017, the Council has committed to looking to embed whole life costing analysis into its property decision making processes.
- 1.2 This paper sets out details relating to whole life costing appraisal and a proposal which will enable the Council to take the first steps to start using the technique.
- 1.3 The issues will be considered under the following headings:-
 1. What is whole life costing?
 2. Why should we undertake whole life costing appraisal?
 3. What are the benefits of adopting whole life costing appraisal?
 4. What are the basic steps in undertaking a WLC assessment?
 5. How will we do it?
 6. When should we do it?
 7. Barriers to success
 8. What will the impact be on the capital programme business case assessment?

2.0 What is whole life costing?

- 2.1 Whole Life Costing (WLC) is defined as 'the systematic consideration of all relevant costs and revenues associated with the ownership of an asset'.
- 2.2 WLC is a technique that quantifies financial values for buildings from inception and throughout the building's life. It assists in making decisions between different build options using different cash flows over a period of time. In this respect it is a form of investment analysis.
- 2.3 WLC is relevant when considering whole estates, individual buildings or structures and when comparing alternative investment scenarios such as:
 - Retain and refurbish or sell;
 - alternative designs (e.g. between framed and load-bearing structures); and
 - alternative specifications (e.g. between timber and metal windows).



The illustration shows what comprises a typical building life cycle scope according to the new European standard *EN 15978*. It will be appreciated that whole building life cost assessment is a complicated process as buildings are comprised of multiple products, materials and services performing interdependently over a long and unpredictable service life.

3.0 Why should we undertake whole life costing appraisal?

3.1 The importance of whole life costing was illustrated by the Royal Academy of Engineering who found that the typical costs for owning a building are in the ratio of

1 for construction costs

5 for maintenance costs

200 for building operating costs

3.2 It is therefore not enough to know the initial cost of property or major capital expenditure schemes: it should be expected that budgets are set for the running, upkeep and repair of buildings throughout their lifespan. It is anticipated that the technique will eventually be used by the Council to also estimate projected costs for existing, as well as new property assets.

4.0 What are the benefits of adopting whole life costing appraisal?

4.1 By adopting whole life costing (and life cycle) systems, better investment decisions can be made, and improvements made to setting budgets and achieving long term value and improved cost management. Other benefits to practicing WLC assessment include:

- promoting realistic budgeting for operation, maintenance and repair
- encouraging analysis of business needs and communication of these to the project team and decision makers
- optimising the total cost of ownership / occupation by balancing initial capital and running costs
- ensuring risk and cost analysis of loss of functional performance due to failure or inadequate maintenance occurs.
- encouraging discussion and recording of decisions about the durability of materials and components at the outset of the project
- encouraging collection of data on actual performance and operation compared with predicted performance for use in future planning and benchmarking

5.0 What are the basic steps in undertaking a whole life costing assessment?

1. Identify capital and operational costs and incomes
2. Identify when they are likely to occur
3. Use “discounted cash flow” analysis to bring the costs back to a common basis – items should normally be entered into the analysis at the current cost and a “real” (excluding inflation) discount rate applied.

- Undertake sensitivity analysis of the variables such as the discount rate, the study period, the predicted design lives of components, assumptions about running costs, etc.

6.0 How will we do it?

6.1 The Council has acquired access to an evaluation tool: The BCIS (Building Cost Information Service of the RICS), in partnership with the British Standards Institute, have now developed the construction industry's first standardised method of life cycle costing and provide the ability to assess the following:-

- Life cycle cost of buildings
- Life expectancy of building components¹

6.2 The Life Cycle cost of buildings assessment include the ability to benchmark typical occupancy costs including decoration, fabric maintenance, services maintenance, cleansing, utilities and administrative costs for different types of buildings. (See adjacent screenshot).

Year	Elements (£)						Total (£)
	Decorations	Fabric	Services	Cleaning	Utilities	Administrative costs	
1	0	330	353	623	1,519	959	3,784
2	0	330	588	623	1,519	959	4,019
3	29	330	353	623	1,519	959	3,813
4	0	330	596	623	1,519	959	4,027
5	0	330	1,388	623	1,519	1,117	4,977
6	659	330	588	623	1,519	959	4,678
7	0	330	353	623	1,519	959	3,784
8	0	330	596	623	1,519	959	4,027

6.3 The assessments are available presented as standard reports or in editable spreadsheet formats. Examples of standard reports are provided in the Appendices to this report. Options are available to change assumptions to enable sensitivity analysis of different options.

6.4 The evaluation tool is available as an on-line service and accessible through the Estates team.

7.0 When should we do it?

- For capital expenditure projects in excess of £100,000
- For new building projects
- To assist budget setting for the planned maintenance programme

8. Barriers to success

Type	Barrier	Potential Solution
Data	The need to forecast over a long period of time, multiple factors such	Application of risk modelling and sensitivity analysis of techniques.

¹ This data will additionally assist the componentisation element of the red book valuation work undertaken in preparation of the Council's capital accounts.

	<p>as future operating and maintenance costs, and discount and inflation rates.</p> <p>Most buildings have a finite but unpredictable life. It is not easy to decide what level of capital investment will be cost-effective over the life of the building.</p>	<p>Use of the BCIS building running costs online WLC costing assessment tool. This is the closest to an industry standard method of assessment and while the estimates will not be 100% accurate, this will provide the closest estimate.</p>
Type	Barrier	Potential Solution
Data	<p>Availability and quality of data upon which to base WLC calculations</p>	<p>Use of the BCIS building running costs online WLC costing assessment tool. BCIS are the industry standard for building cost information and the front runner in collection of relevant data.</p>
Capability	<p>Insufficient knowledge held by officers of the authority to implement WLC technique</p>	<p>In the first instance, project group to be formed with property and finance officers to</p> <ol style="list-style-type: none"> 1. agree depth of analysis of separate project types, 2. agree training requirements/ need for quantity surveyor skill sets 3. identify if a need to put out to quantity surveyors on large scale projects 4. Assessment of value added benefit to Council of implementing ethos of WLC against cost of BCIS online tool and officer time
Political	<p>The capital budget of construction is separated from the operating budget and the Council may be restricted in its ability to transfer funds between capital and revenue budgets. While the lowest initial cost option may be taken, a building may be then handed over to others to maintain.</p>	<p>The establishment of joint project teams with both the procuring and operating departments will help to identify potential in-use costs and design innovations at the outset. It may also be helpful to involve the end user early in the procurement process.</p>
Political	<p>Many buildings have a long service life compared to the lifetime of a political term. The consequences of this are that greater emphasis may be placed on short term costs and less likely to accept the longer term benefits of innovation which might take longer to pay back.</p>	<p>Innovative approaches to design and construction can create buildings which are multi-use and easy to convert in the future. From a whole life cost perspective, this can mean that at the point of disposal, there are either lower conversion costs or a high resale/tenancy value.</p>
Political	<p>Decision makers may opt for minimum initial investment either to increase return on investment or meet budgetary restrictions</p>	<p>At the point of project inception, the analyses of different options should identify and outline the value of whole life costing and where possible, provide a modelled view of cost over time.</p>

Political	Local authorities are reluctant to invest in the more expensive options when there is a lack of solid technical data to guarantee any future savings	<p>Better quality case studies demonstrating the outcome of WLC at both point of award and operation performance.</p> <p>Apply appropriate models to de-risk new and innovative solutions from suppliers</p> <p>Apply consistent methodology to cost the impacts of future energy/utility/carbon prices in investment decisions</p>
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9.0 What will the impact be on the capital programme business case assessment?

- 9.1 There is scope within the existing business case template, under sections 1.4 Quality Expectations, 1.5 Sustainability and Environmental Impact and 2.3 Options, for the applicant to provide any relevant feedback on any whole life costing analysis.
- 9.2 As the principal of whole life costing becomes embedded with the ethos of the Council's budget setting and decision making processes, more specific references may occur with the capital programme business case assessment.

DRAFT

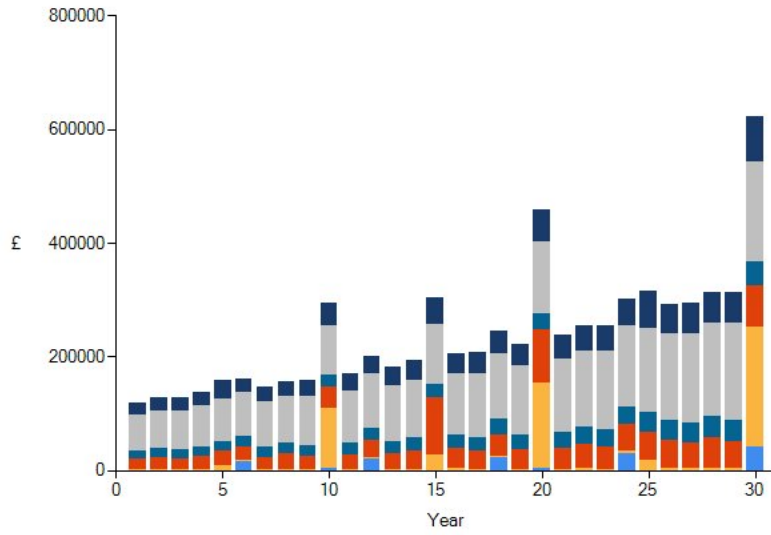
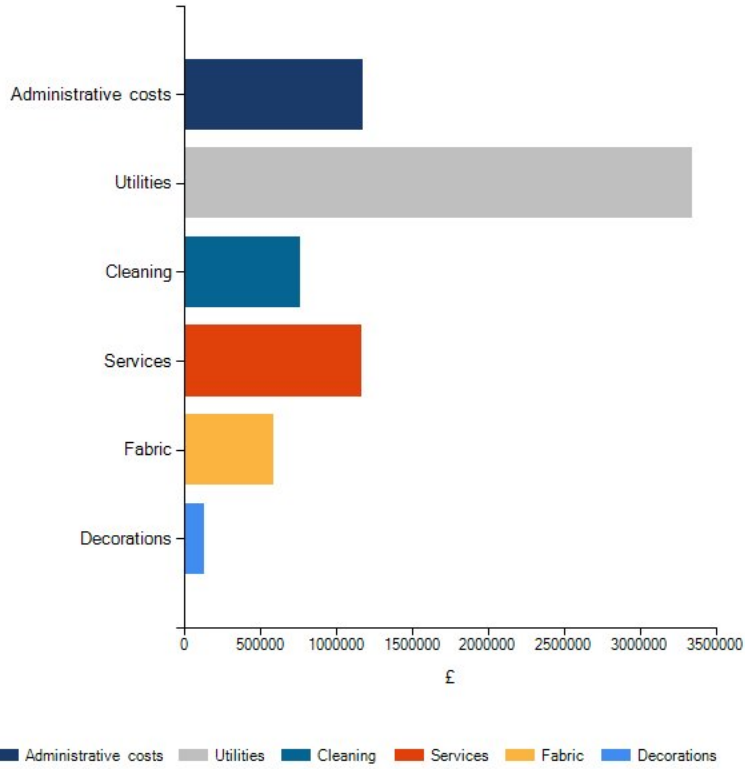
541.4 Leisure pools

Price level at 4Q2013 (BCIS estimate) and South West

<p>Building options</p> <p>Gross internal floor area (m²) 1088</p> <p>Years <input type="text" value="30"/></p>	<p>Calculation options</p> <p><input type="radio"/> Running costs</p> <p><input checked="" type="radio"/> Life cycle cost</p> <p><input checked="" type="radio"/> Default capital cost £2455/m²</p> <p><input type="radio"/> Manual capital cost m²</p>	<p>Price basis</p> <p><input type="radio"/> Current cash</p> <p><input checked="" type="radio"/> Future cash</p> <p>Inflation rate <input type="text" value="3.50%"/></p> <p><input type="radio"/> NPV</p> <p>Discount rate <input type="text" value="3.50%"/></p>
<p>Element selection</p> <p><input checked="" type="checkbox"/> Decorations</p> <p><input checked="" type="checkbox"/> Fabric</p> <p><input checked="" type="checkbox"/> Services</p> <p><input checked="" type="checkbox"/> Cleaning</p> <p><input checked="" type="checkbox"/> Utilities</p> <p><input checked="" type="checkbox"/> Administrative costs</p>		

Year	Elements (£)						Total (£)
	Decorations	Fabric	Services	Cleaning	Utilities	Administrative costs	
0	(Initial capital cost)						2,590,909
1	0	1,349	18,083	14,599	64,750	21,196	119,977
2	0	1,847	21,317	15,033	67,016	21,891	127,104
3	0	1,445	19,371	15,638	69,361	22,706	128,521
4	0	2,071	23,173	16,186	71,789	23,501	136,720
5	0	9,288	24,254	17,767	74,302	33,216	158,827
6	15,127	2,218	24,824	17,514	76,902	25,175	161,760
7	0	1,658	22,229	17,945	79,594	26,056	147,482
8	0	2,376	26,592	18,573	82,380	26,968	156,889
9	0	1,776	23,812	19,224	85,263	27,912	157,987
10	3,037	106,493	36,808	21,102	88,247	39,761	295,448
11	0	1,903	25,508	20,593	91,336	29,900	169,240
12	20,093	2,727	30,515	21,744	94,532	30,946	200,557
13	0	2,038	27,325	22,059	97,841	32,029	181,292
14	0	2,921	32,688	22,832	101,266	33,150	192,857
15	0	28,219	99,217	25,063	104,810	46,854	304,163
16	0	3,129	35,017	24,458	108,478	35,511	206,593
17	0	2,339	31,356	25,314	112,275	36,754	208,038
18	22,857	3,352	37,511	26,464	116,205	38,041	244,430
19	0	2,506	33,589	27,117	120,272	39,372	222,856
20	4,284	150,219	92,555	29,767	124,481	56,086	457,392
21	0	2,684	35,981	29,048	128,838	42,176	238,727
22	0	3,847	43,044	30,065	133,347	43,653	253,956

Year	Elements (£)						Total (£)
	Decorations	Fabric	Services	Cleaning	Utilities	Administrative costs	
23	0	2,875	38,544	31,117	138,015	45,180	255,731
24	30,363	4,121	46,110	32,206	142,845	46,762	302,407
25	0	18,481	48,260	35,354	147,845	66,092	316,032
26	0	4,414	49,394	34,848	153,019	50,092	291,767
27	0	3,300	44,230	35,707	158,375	51,846	293,458
28	0	4,729	52,913	36,957	163,918	53,660	312,177
29	0	3,535	47,381	38,251	169,655	55,538	314,360
30	40,582	211,899	73,240	41,989	175,593	78,497	621,800
Total	136,343	589,761	1,164,840	764,533	3,342,548	1,180,522	9,769,457



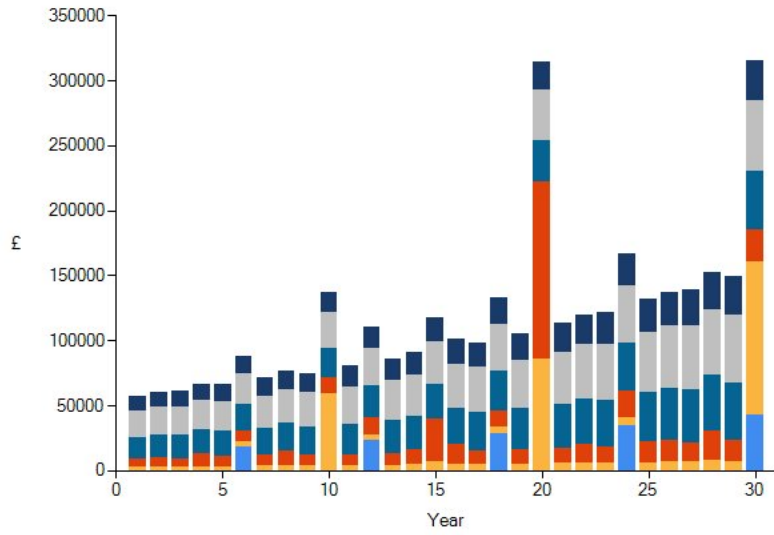
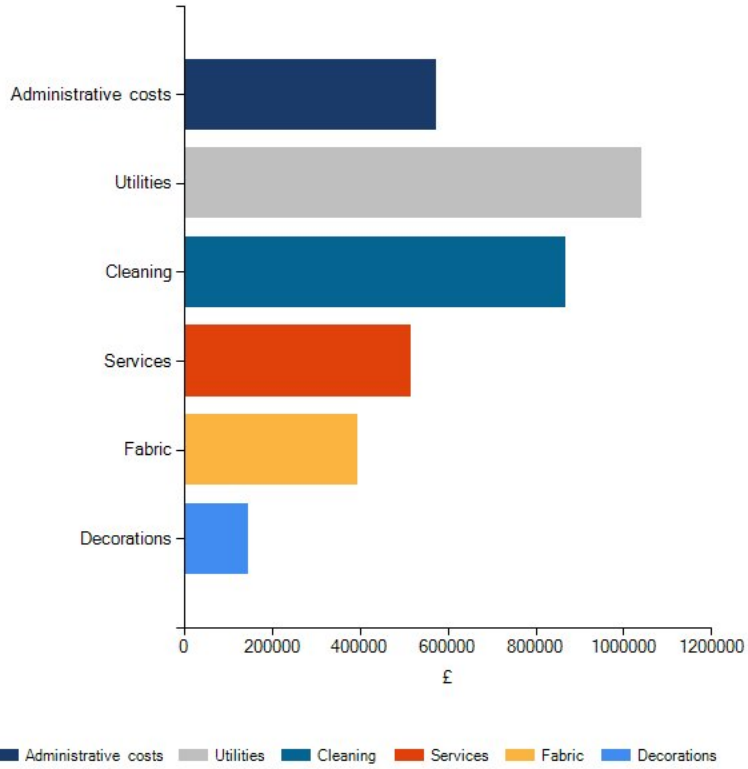
532. Community Centres

Price level at 4Q2013 (BCIS estimate) and South West

<p>Building options</p> <p>Gross internal floor area (m²) 779</p> <p>Years <input type="text" value="30"/></p>	<p>Calculation options</p> <p><input type="radio"/> Running costs</p> <p><input checked="" type="radio"/> Life cycle cost</p> <p><input checked="" type="radio"/> Default capital cost £1456/m²</p> <p><input type="radio"/> Manual capital cost m²</p>	<p>Price basis</p> <p><input type="radio"/> Current cash</p> <p><input checked="" type="radio"/> Future cash</p> <p>Inflation rate <input type="text" value="3.50%"/></p> <p><input type="radio"/> NPV</p> <p>Discount rate <input type="text" value="3.50%"/></p>
<p>Element selection</p> <p><input checked="" type="checkbox"/> Decorations</p> <p><input checked="" type="checkbox"/> Fabric</p> <p><input checked="" type="checkbox"/> Services</p> <p><input checked="" type="checkbox"/> Cleaning</p> <p><input checked="" type="checkbox"/> Utilities</p> <p><input checked="" type="checkbox"/> Administrative costs</p>		

Year	Elements (£)						Total (£)
	Decorations	Fabric	Services	Cleaning	Utilities	Administrative costs	
0	(Initial capital cost)						1,100,197
1	0	2,745	6,022	16,815	20,157	11,126	56,865
2	0	3,060	7,366	17,403	20,862	11,516	60,207
3	0	2,941	6,451	18,012	21,592	11,919	60,915
4	0	3,278	10,076	18,643	22,348	12,336	66,681
5	0	3,150	7,916	19,295	23,130	12,768	66,259
6	18,587	3,511	8,453	19,971	23,940	13,215	87,677
7	0	3,374	8,479	20,670	24,778	13,677	70,978
8	0	3,761	11,562	21,393	25,645	14,156	76,517
9	0	3,615	7,930	22,142	26,542	14,651	74,880
10	0	59,573	11,938	22,917	27,471	15,164	137,063
11	0	3,872	8,495	23,719	28,433	15,695	80,214
12	22,848	4,316	13,268	24,549	29,428	16,244	110,653
13	0	4,148	9,100	25,408	30,458	16,813	85,927
14	0	4,623	11,131	26,297	31,524	17,401	90,976
15	0	6,836	32,788	27,218	32,627	18,010	117,479
16	0	4,953	15,225	28,170	33,769	18,641	100,758
17	0	4,760	10,442	29,156	34,951	19,293	98,602
18	28,086	5,306	12,773	30,177	36,175	19,968	132,485
19	0	5,099	11,186	31,233	37,441	20,667	105,626
20	0	86,198	135,560	32,326	38,751	21,391	314,226
21	0	5,462	11,982	33,458	40,107	22,139	113,148
22	0	6,088	14,657	34,629	41,511	22,914	119,799

Year	Elements (£)						Total (£)
	Decorations	Fabric	Services	Cleaning	Utilities	Administrative costs	
23	0	5,851	12,836	35,841	42,964	23,716	121,208
24	34,524	6,522	20,049	37,095	44,468	24,546	167,204
25	0	6,268	15,750	38,393	46,024	25,405	131,840
26	0	6,986	16,819	39,737	47,635	26,295	137,472
27	0	6,714	14,730	41,128	49,302	27,215	139,089
28	0	7,484	23,006	42,567	51,028	28,167	152,252
29	0	7,193	15,779	44,057	52,814	29,153	148,996
30	42,439	118,537	23,754	45,599	54,662	30,174	315,165
Total	146,483	396,224	515,519	868,018	1,040,539	574,377	4,641,358



282.22 Purpose built factories/Offices - mixed facilities

Price level at 4Q2013 (BCIS estimate) and South West

<p>Building options</p> <p>Gross internal floor area (m²) 540</p> <p>Years <input type="text" value="30"/></p>	<p>Calculation options</p> <p><input type="radio"/> Running costs</p> <p><input checked="" type="radio"/> Life cycle cost</p> <p><input checked="" type="radio"/> Default capital cost £730/m²</p> <p><input type="radio"/> Manual capital cost m²</p>	<p>Price basis</p> <p><input type="radio"/> Current cash</p> <p><input checked="" type="radio"/> Future cash</p> <p>Inflation rate <input type="text" value="3.50%"/></p> <p><input type="radio"/> NPV</p> <p>Discount rate <input type="text" value="3.50%"/></p>
<p>Element selection</p> <p><input checked="" type="checkbox"/> Decorations</p> <p><input checked="" type="checkbox"/> Fabric</p> <p><input checked="" type="checkbox"/> Services</p> <p><input checked="" type="checkbox"/> Cleaning</p> <p><input checked="" type="checkbox"/> Utilities</p> <p><input checked="" type="checkbox"/> Administrative costs</p>		

Year	Elements (£)						Total (£)
	Decorations	Fabric	Services	Cleaning	Utilities	Administrative costs	
0	(Initial capital cost)						382,374
1	0	2,429	2,196	5,963	11,737	7,731	30,056
2	0	2,514	3,787	6,172	12,148	8,001	32,622
3	325	2,602	2,352	6,388	12,573	8,281	32,521
4	0	2,693	4,111	6,612	13,013	8,571	35,000
5	0	2,787	9,910	6,843	13,468	10,335	43,343
6	8,216	2,885	4,346	7,083	13,940	9,182	45,652
7	0	2,986	2,699	7,331	14,428	9,503	36,947
8	0	3,090	4,718	7,587	14,933	9,836	40,164
9	400	3,198	2,891	7,853	15,455	10,180	39,977
10	0	21,878	13,765	8,128	15,996	12,274	72,041
11	0	3,426	3,097	8,412	16,556	10,905	42,396
12	10,115	3,546	5,343	8,706	17,136	11,287	56,133
13	0	3,670	3,318	9,011	17,735	11,682	45,416
14	0	3,798	5,723	9,327	18,356	12,091	49,295
15	491	3,931	32,066	9,653	18,998	14,578	79,717
16	0	4,069	6,213	9,991	19,663	12,952	52,888
17	0	4,211	3,807	10,341	20,352	13,405	52,116
18	12,434	4,359	6,567	10,702	21,064	13,874	69,000
19	0	4,511	4,078	11,077	21,801	14,360	55,827
20	0	30,861	22,794	11,465	22,564	17,314	104,998
21	604	4,833	4,369	11,866	23,354	15,383	60,409
22	0	5,002	7,536	12,281	24,171	15,921	64,911

Year	Elements (£)						Total (£)
	Decorations	Fabric	Services	Cleaning	Utilities	Administrative costs	
23	0	5,177	4,680	12,711	25,017	16,478	64,063
24	15,261	5,358	8,181	13,156	25,893	17,055	84,904
25	0	5,546	19,719	13,617	26,799	20,564	86,245
26	0	5,740	8,648	14,093	27,737	18,270	74,488
27	743	5,941	5,370	14,586	28,708	18,909	74,257
28	0	6,149	9,388	15,097	29,713	19,571	79,918
29	0	6,364	5,753	15,625	30,753	20,256	78,751
30	18,760	43,533	53,721	16,172	31,829	24,423	188,438
Total	67,350	207,085	271,147	307,850	605,890	413,172	2,254,867

