

<b>Decision maker:</b>	<b>Cabinet member commissioning, procurement and assets</b>
<b>Decision date:</b>	<b>Friday, 31 January 2020</b>
<b>Title of report:</b>	<b>Property services estates capital programme 2020/21</b>
<b>Report by:</b>	<b>Capital Programme And Maintenance Manager</b>

## **Classification**

Open

## **Decision type**

Key

This is a key decision because it is likely to result in the council incurring expenditure which is, or the making of savings which are, significant having regard to the council's budget for the service or function concerned. A threshold of £500,000 is regarded as significant.

Notice has been served in accordance with Part 3, Section 9 (Publicity in Connection with Key Decisions) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

## **Wards affected**

## **Purpose and summary**

To agree the property services 2020/21 estates capital works programme

The proposed programme of works as set out in appendix A, incorporates a series of planned project works that enables the council to deliver on its obligations to maintain buildings fit for purpose utilising the agreed £2.095m capital budget which was approved at council budget meeting of 15 February 2019.

## **Recommendation(s)**

**That:**

- (a) the 2020/21 estate capital programme as set out in appendix A be approved at a total cost of not more than £2.095m;**
- (b) the assistant director for technical services be authorised to take all operational decisions necessary to implement the above recommendation and spend within the approved budget including final allocation of budget to the projects as listed in appendix A provided that individual project costs do not vary from the estimate included by more than 25%; and**
- (c) the assistant director for technical services be authorised to take all operational decisions necessary to implement the above recommendation and award of contracts up to a maximum individual value of £500k.**

## **Alternative options**

1. If there is no investment in the council's property portfolio through expenditure on a programme of capital improvement work, property assets will both degrade and depreciate which will have a negative bearing on the condition the estate and fail to protect the value of the councils' property assets.
2. A lack of investment in capital work to the council's estate assets would ultimately lead to their deterioration which will eventually make the assets no longer fit for their intended purpose. In turn this will have an impact on any services located in such properties, to the extent that they may have to be closed and service delivery would be severely impacted.
3. Absence of capital investment through improvement works to buildings that are leased by the council would render those properties unlettable because they are either non-compliant or are not fit for occupation which will result in a subsequent loss of revenue to the council and potential breach of statutory and legal obligations.
4. Deferring capital investment will merely lead to further deterioration of estate assets which in turn is likely to mean that investment costs will increase over time in line with inflation i.e. building and labour costs. The required improvement works have been assessed and prioritised based upon select criteria which covers health & safety, operational need/impact and lifecycle/value. Investment is therefore targeted and spent on the assets requiring work rather than other property assets that are considered less eligible.

## **Key considerations**

5. The number of establishments within the property estate that are required to be maintained is 295 and within that total there are 146 investment properties that bring in an income in the region of £3.8m per annum. A significant number of investment assets i.e. they yield an rental income to the council, do not meet the appropriate energy efficiency standards which in turn affects the ability to manage the assets by way of lettings and lease renewals due to legislative requirements. This in turn affects the investment income to the council. Capital improvement works will help to ensure these investment assets comply with environmental/energy efficiency legislative standards making certain they are lettable and thereby safeguarding the income stream generated by the investment properties.

6. The capital programme (Appendix A) mainly incorporates work projects to the corporate estate which are prioritised based upon criteria incorporating current condition, statutory compliance, service continuity and takes into account known property and business strategy. It is important that corporate properties are kept open, are safe and fit for purpose; targeted capital expenditure on the corporate estate is therefore required to meet this basic criteria.
7. The overall measure of the effectiveness of capital expenditure is that properties remain open, usable, compliant and fit for purpose.
8. Within the capital programme the estates capital programme budget has an emergency budget of £0.2m to be allocated to small works projects that arise from incidents affecting the estate which are not predicted and may occur without warning. Prioritisation is therefore based upon the impact and urgency of the incident to mitigate and health and safety risk and any need for business continuity.
9. Targeted capital investment in the estate will extend the lifecycle of buildings and amongst other objectives will enhance their efficiency and where possible will help keep energy costs down.
10. Capital works can be delivered through a formal tendering exercise that will be undertaken in line with the relevant procurement regulations. Alternatively, works below the value of £250,000 could be delivered through the current building maintenance contract which was procured through an OJEU compliant tendering exercise, the principles of best value are observed throughout this contract and value for money is fundamental to the procurement activity Herefordshire Council carries out. Thus, on medium value works (+£25,000) the provider has to consult with at least 3 sub-contractors in their supply chain in order to procure the most appropriate solution (based on quality and cost). This ensures Herefordshire Council are getting value for money for works going through the contract. The preferred procurement route for each works shall be assessed with regard to the criteria of: cost/value for money and quality/specialisation with regard to each project.
11. The current programme of investment has yielded benefits such as improved energy efficiency (and cost reduction) in respect of new heating systems and lighting (No.8 St. Owen Street), improved lifecycle of historic assets (the Town Hall and Old House Museum) and health and safety (fire escapes).

## **Community impact**

12. Ensuring that property assets are improved, maintained and compliant will mean that they are fit for purpose and safe environments for visitors and members of the public in so far as they comply with Health and Safety legislation.
13. Property assets that are correctly maintained will, as appropriate, be open and accessible to the public.
14. The council is committed to providing a healthy and safe environment for all individuals impacted by the council's funded activities. The council endeavours to ensure that the work they and their partners undertake, does not adversely affect the health, safety or welfare of members of the public. Council partners are expected to work to the same health and safety standards and codes of practice as the council, as far as is reasonably practicable. This requirement will be included in the final contract terms with the successful contractor and be part of the ongoing contractor review meeting agendas.

15. By investing in assets by means of improving building service installations for instance replacing less efficient light fittings for more efficient ones and introduce controls to better manage heating systems, these proposals will contribute towards the delivery of the aims within the council's corporate plan to 'support improvement in the quality of the natural and built environment' and 'to make best use of the resources available in order to meet the council's priorities' as well as improve the council's energy efficiency, reduce its carbon footprint, provide cost savings by reducing reactive repair works.

## **Equality duty**

16. The capital improvement budget takes into account keeping buildings compliant and ensuring they are accessible for persons with disabilities.

Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to -

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
  - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
  - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
17. Ensuring that improvement works are undertaken will safeguard that the council's equality responsibilities are met in so far as the physical built environment is managed in such a way as to comply with the Equality Act. The Equality Act 2010 established a positive obligation on local authorities to promote equality and to reduce discrimination in relation to any of the nine 'protected characteristics' (age; disability; gender reassignment; pregnancy and maternity; marriage and civil partnership; race; religion or belief; sex; and sexual orientation). In particular, the council must have 'due regard' to the public sector equality duty when taking any decisions on service changes.

## **Resource implications**

18. Capital expenditure in respect of the 2020/21 capital programme has been approved as detailed in the below table and funded from corporately funded borrowing. The estates capital programme is part of a schedule of works of £2.095m in 2020/21 and £1.39m in 2021/22. Decisions on spending future year capital budget provision will be subject to further decisions before any work can commence.
19. If any of the individual projects listed in appendix A are not implemented the budget will be returned for other future capital funding approved at council and be shown as an underspend against the overall budget.
20. The three year Estates Capital Programme 2019/22 has an approved budget in 2019/20 of £1.35m, which includes the £200k for the Shirehall electrical works that were brought forward from 20/21, to deliver a number of projects. An underspend in respect of these projects that have not been completed in 2019/20 will be rolled forward into 2020/21 to

enable the projects to be delivered, to date there has been spend of £29k incurred but commitments of £610k have been made on the programme of works for 2019/20.

21. There is no expected impact on current revenue budgets, although a consequence of the capital investment it will ultimately mean that the maintenance budgets can be more efficiently utilised as targeted capital expenditure addresses building improvement.

Capital cost of project	2020/21	2021/22	Future Years	Total
	£000	£000	£000	£000
<i>Estates Capital Programme 2020/21</i>	2,095	1,390		3,485
<b>TOTAL</b>	2,095	1,390		3,485

Funding streams	2020/21	2021/22	Future Years	Total
	£000	£000	£000	£000
<i>PWLB Funded by - HC Corporate Funded</i>	2,095	1,390		3,485
<b>TOTAL</b>	2,095	1,390		3,485

## Legal implications

22. In common with any other landowner or occupier in the UK, the council has a number of statutory obligations which make it a necessity to undertake regular maintenance and improvement of council owned or operated properties. These obligations include the Health and Safety at Work etc. Act 1974, the Building Act 1984, the Equality Act 2010 and other related legislation. The council must also be aware of the Energy Efficiency (Private Rented Property) (England and Wales) (Amendment) Regulations 2019 which came into force on the 1 April 2019 which make detailed amendments to the MEES Regulations (minimum energy efficiency standards). The council could be at risk of criminal proceedings and/or civil claims should buildings not be maintained to lawful standards with financial penalties and adverse publicity should enforcement action be taken for breaches of MEES Regulations.
23. Any works will be procured in accordance with the contract procedure rules.

## Risk management

24. The following risk and mitigations have been taken into account when considering the spend of the capital budget.

Risk / opportunity	Mitigation
Not having a capital budget for buildings will contribute to the deterioration of property assets.	Any budgets allocated to improvement works will help to extend the life of the property asset and its value.
Any deterioration of a building may result in its closure and affect those services delivering a service out of them.	A capital budget will help allow pay for work that will ensure the building is fit for purpose and keep services running.
Not having a capital budget to spend on buildings will impair the asset from being kept compliant.	Improvement works will keep buildings compliant and safe to users, the public and visitors.
Risk of building works not being delivered because of running over	All stages of building works such as design, tendering/ procurement and obtaining statutory approvals such as planning are programmed prior to commencement of the works and progress is monitored regularly.
Risk of building works not being delivered because of cost over run.	All elements of the building works are costed during the tendering procurement stage and those costs are then evaluated prior to starting the works to ensure affordability. Expenditure is also monitored regularly during the course of the works to safeguard over spend.

## Consultees

25. Political groups have been consulted and no comments were received.

## Appendices

Appendix A - Schedule of estates capital works 2020/21

## Background papers

None identified.