

Title of report: Property services estates capital works programme

Decision maker: Cabinet member commissioning, procurement and assets

Decision date: Wednesday, 31 March 2021

Report by: Capital programme and maintenance manager

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

Countywide:

Purpose

To agree the property services estates capital works programme.

The proposed programme of works as set out in appendix A and B 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 £2.067m capital budget which was approved at council budget meeting of 12 February 2021.

Recommendation(s)

That:

- a) **the estate capital programme as set out in appendix A and B be approved at a total cost of not more than £2.067m; and**
- 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 overall budget of £2.067m for the projects as listed in appendix A and B, provided that the sum of individual project expenditure do not exceed the overall budget.**

Alternative options

1. Not undertaking investment in the council's property portfolio through expenditure on a programme of capital improvement work. This is not recommended as property assets will both degrade and depreciate which will have a negative bearing on the condition of the estate and fail to protect the value of the council's property assets.
2. Reducing investment through capital work on council's estate assets: This is not recommended as a lack of capital investment 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. Not undertake capital investment through improvement works to buildings that are leased by the council. This is not recommended as 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. This is not recommended as 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 approx. 365 and within that total there are 170 investment properties that bring in an income in the region of £1.8m per annum. Capital budget will help to ensure the council undertakes improvement works in investment assets, i.e. those that yield a rental income to the council, such as making sure they 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 as set out in appendix A and B 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. 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. Projects will undergo a valuation at the tender stage to ensure they are within budget and if necessary the scope of the works will be reduced. Furthermore during the delivery stage the spend will be monitored regularly to ensure that the project expenditure does not exceed the budget.
9. The procurement route for capital projects will be decided on a case by case basis. Any capital funded projects could be delivered through a formal tendering exercise that would be undertaken in line with the council's contract procedure rules. Alternatively, works could be delivered through the building maintenance and cleaning contract, in line with the obligations of that contract. In both cases it is expected that the principles of best value would be observed including a specific expectation that, subject to agreement, the building maintenance and cleaning provider would observe the council's requirement to undertake a competitive procurement process, based on a quality, price and social value (where relevant) assessment.
10. This will be monitored either through the council's contract management team or client service to ensure the council is getting value for money for works going through the contract. The preferred procurement route for each package of works shall be assessed with regard to the criteria of: cost and quality/specialisation and where relevant social value, to determine best value. Any revenue funded small work projects are subject to a separate decision.

11. The previous 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 Old Priory) and health and safety (fire escapes) which is in line with the priorities in the county plan.

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.
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 service level agreement with the provider and be part of ongoing review meetings of the service delivery.
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.

Environmental Impact

16. The council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.
17. The environmental impact of this proposal has been considered through the service specification and includes appropriate requirements on the contractor/delivery partner to minimise waste, reduce energy and carbon emissions and to consider opportunities to enhance biodiversity. This will be managed and reported through the ongoing contract management and ensuring that key performance indicators are met.

18. The development of this programme of works has sought to minimise any adverse environmental impact and will actively seek opportunities to improve and enhance environmental performance by ensuring that where improvement works are undertaken such as in the improving of building service installations more efficient assets are used for instance replacing less energy efficient light fittings for more efficient ones or introducing controls to better manage heating systems and replacing end of life less energy efficient boilers for more efficient ones. These proposals will contribute towards the delivery of the aims within the council's corporate plan and ambitions as set out in the county 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.

Equality duty

19. The capital improvement budget takes into account keeping buildings compliant and ensuring they are accessible. When designing infrastructure and capital schemes, we will work with user groups/employees to ensure that the design improves access for all. In all our proposals, we will aim for the highest level of accessibility, to make things easier and safer for groups such as parents, disabled people and older people, etc.
20. 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.
21. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. Our providers will be made aware of their contractual requirements in regards to equality legislation.
22. 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'. Carrying out improvement works will ensure that the council remains compliant with the Equality Act in respect of the physical built environment.

Resource implications

23. Capital expenditure in respect of the capital programme has been approved as detailed in the below table and funded from corporately funded borrowing.
24. 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.
25. 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.

The tables below are to support setting out the financial implications of the decision.

Capital cost of project	2021/22	2022/23	2023/24	Future Years	Total
	£000	£000	£000	£000	£000
<i>Estates Capital Programme</i>	1,047				1,047
<i>Bromyard Leisure Centre</i>	170				170
<i>Shire Hall Ceiling replacements and additional improvements</i>	115	685	40	10	850
TOTAL	1,332	685	40	10	2,067

Funding streams	2021/22	2022/23	2023/24	Future Years	Total
	£000	£000	£000	£000	£000
<i>PWLB Funded by - HC Corporate Funded</i>	1,332	685	40	10	2,067
TOTAL	1,332	685	40	10	2,067

Legal implications

26. In common with any other landowners or occupiers, 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. Failure to do so could result in

criminal and civil liability. The programme mitigates the likelihood of such liability arising.

Risk management

27. 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.
The current contract is scheduled to end on 31 March 2021. If the contract terminates without a provider being in place there is a risk that capital works do not take place.	Process of demobilizing and mobilizing from one provider to another will ensure service continuity including the identification and delivery implementation plan for priority services. However, the resources and skill-sets are available to deliver the projects in-house.

Consultees

28. Political groups have been consulted as part of this decision. One response was received from Cllr. Milln that stated the spend on the Museum and Art Gallery should wait until the outcome of the Stronger Town Fund is known. The recommendation which was feedback was to review the spend on the Museum and Art Gallery once the outcome of the bid is known in April/ May.

Appendices

Appendix A - Works identified as required by Condition Survey.

Appendix B - Estate Building Improvement Programme.

Background papers

'None identified'.

Please include a glossary of terms, abbreviations and acronyms used in this report.

SLA – Service level agreement.

PLWB – Public Loan Works.