

<b>Decision maker:</b>	<b>Cabinet member commissioning, procurement and assets</b>
<b>Decision date:</b>	<b>Thursday 25 July 2019</b>
<b>Title of report:</b>	<b>Property services estates capital programme 2019/20</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**

(All Wards);

## **Purpose and summary**

To agree the property services 2019/20 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 £1.15m capital budget which was approved at council budget meeting of 15 February 2019.

## Recommendation(s)

That:

- (a) the 2019/20 estates capital programme as set out in Appendix A be approved at a total cost of not more than £1.15m; 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 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%.

## Alternative options

1. Without adequate expenditure on a programme of capital improvement works, property assets will depreciate and will have a negative consequential adverse bearing on the value of the estate.
2. A lack of investment on building improvement works on council property estate assets could render them to deteriorate which will ultimately make them no longer fit for their intended purpose as well as potentially 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 on improvement works to buildings that are leased to the private sector would render those properties unlettable because they are either non-compliant or are not fit for habitation and a subsequent loss of revenue to the council

## Key considerations

4. The number of establishments within the property estate that requires to be maintained is 297 and within that total there are 160 investment properties that bring in an income in the region of £3.8m. An investment through capital works will help to ensure these assets are habitable, lettable and safeguard the income stream generated by the investment properties
5. The capital programme incorporates a number of works projects (Appendix A) which are prioritised based upon criteria incorporating landlord obligations, statutory compliance, service continuity, condition and takes into account known property and business strategy.
6. The overall effectiveness of capital expenditure is that properties remain open, usable, compliant and fit for purpose.
7. Information on the condition of operational buildings used to determine the prioritisation of capital, enhancement and improvements was compiled in 2016 and remains relevant, however a programme to update the data on a cyclical basis is in hand and is due to be completed and evaluated for 31 July 2019.
8. The property estates enhancement works - emergency budget of £0.5m is allocated to be spent on small works projects necessary that arise from incidents for which are not predicted and are unknown and may occur without warning. Prioritisation is therefore based upon the impact and urgency of the incident and any need for business continuity.

9. The property estates enhancement budget of £0.5m is also to be spent on continued use of council's property assets on a programme of improvement works which are to be determined once the current programme of condition surveys have been completed and evaluated. Any works which have not been previously identified for expenditure of the capital budget will be prioritised based on condition, urgency of the need for improvements and to mitigate any health and safety risks.
10. Continuing to carry out improvement will for example allow the life of buildings to be extended and ensures their efficient running will help keep energy costs down.
11. Capital works below the value of £250,000 will be delivered through the current building maintenance contract which was procured through an OJEU compliant tendering exercise and approved at Director level. 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.
12. Whereas on high value works where the capital works is anticipated to be more than £250,000 a formal tendering exercise will be undertaken in line with the relevant procurement regulations.

## **Community impact**

13. 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.
14. Property assets that are correctly maintained will, as appropriate, be open and accessible to the public.
15. 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
16. 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
17. All installations will comply with the construction design management, CDM regulations 2015

## Equality duty

18. 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.
19. 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

20. Capital expenditure in respect of the 2019/20 capital programme has been approved as detailed in the below table and funded from £0.18m capital receipts and £1.47m corporately funded borrowing. The estates capital programme includes a schedule of works of £2.295m 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.
21. 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. Where a project is funded from a capital receipt, there has to be assurance the receipt will cover the cost of the work before the work can commence.
22. The Property Estate Enhancement capital project has spent £1.241m to date on a number of schemes and has rolled forward nearly £1m budget to complete the planned schedule of works in 2019/20. Once these works are delivered along with any emergency works up to £500k that project in the capital programme will have completed.
23. There are no expected impact on current revenue budgets although by maintaining the buildings it will ensure revenue routine maintenance budgets can be utilised more effectively.

Capital cost of project	2019/20	2020/21	2021/22	Future Years	Total
	£000	£000	£000	£000	£000
<i>Estates Capital Programme 2019/22</i>	1,150				1,150
<i>Property Estates Enhancements Works</i>	500				500
<b>TOTAL</b>	<b>1,650</b>				<b>1,650</b>

Funding streams	2019/20	2020/21	2021/22	Future Years	Total
	£000	£000	£000	£000	£000
<i>Capital Receipts</i>	180				180
<i>PWLB Funded by - HC Funded</i>	1,470				1,470
<b>TOTAL</b>	<b>1,650</b>				<b>1,650</b>

## Legal implications

24. 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 improvement and maintenance on council owned or operated properties. These obligations include the Health and Safety at Work Act 1974, the Building Act 1984 and 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. The council could be at risk of criminal proceedings and/or civil claims should buildings not be maintained to lawful standards.

## Risk management

25. 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.

## **Consultees**

26. Political groups have been consulted and no objections have been received.

## **Appendices**

Appendix A - Schedule of capital works 2019/20 -

## **Background papers**

None identified.