

Title of report: Property services estates capital programme 2022/25 and residual improvement works from the 2019 estates condition reports

Decision maker: Cabinet member commissioning, procurement and assets

Decision date: Friday, 18 March 2022

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

(All Wards);

Purpose

To agree the property services 2022/25 estates capital programme and the programme of residual improvement works from the 2019 estates condition reports.

The proposed programme of works as set out in appendix A and appendix B, incorporates a series of planned project works that enables the council to deliver on its obligations to maintain buildings fit for purpose utilising £4,398,561 capital budget subject to approval at council budget meeting of 11 February 2022.

Recommendation(s)

That:

- a) the estates capital programme 2022/25 as set out in appendix A and the programme of works for the residual improvement works from the 2019 estates condition reports as set out in appendix B be approved at a combined total cost of not more than £4,398,561;**
- b) the director for resources and assurance be authorised to take all operational decisions necessary to implement the above recommendation and spend within the approved overall budget of £3,007,000 for the projects as listed in appendix A, and £1,391,561 for projects listed in appendix B provided that the sum of individual project expenditure do not exceed the overall budgets;**
- c) the director for resources and assurance be authorised to realign uncommitted budget between projects listed in Appendix A and those listed in Appendix B and to take all operational decisions necessary to spend within the approved overall budget of £3,007,000 for projects in appendix A and £1,391,561 for projects in appendix B provided that the sum of expenditure does not exceed the overall budgets; and**
- d) the director for resources and assurance be authorised to take all operational decisions necessary to implement the expenditure of the Property Estates Enhancement Works-Emergency budget on emergency works as they arise.**

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 of the estate and fail to protect the value of the council's 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. Not investing capital in our assets means that we will not be able to improve them or their components and apply new or updated strategies and policies of the Council such as strategic asset planning and low carbon management
5. 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

6. The number of establishments within the property estate that are required to be maintained is 373 and within that total there are 265 that bring in an income in the region of £4.0m per annum. Capital improvement works will help to ensure these investment assets are maintained to a level that they are lettable and thereby safeguarding the income generated by the investment properties.
7. The capital programme for 2022/25 as set out in 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. Whilst those works scheduled in appendix B are drawn from condition surveys undertaken in 2019 and are prioritised upon the same criterias noted above. 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.
8. The overall measure of the effectiveness of capital expenditure is that properties remain open, usable, compliant and fit for purpose.
9. 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.
10. 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.
11. The procurement route for capital projects will be decided on a case by case basis. Capital works can be delivered through either a formal tendering exercise or alternatively, works could be delivered through the current building maintenance contract SLA arrangement with the council's strategic partner Hoople Ltd. Both routes will undertake a tender process in line with the Council's Contract Procedure Rules (CPR). By following this principle best value is observed throughout and value for money is fundamental to the procurement activity the council carries out. The preferred procurement route for each package of works shall be assessed with regard to the criteria of: cost/value for money, quality/specialisation and capacity to deliver within time scales.
12. Capital programme of investment have 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.
13. Building condition surveys have been commissioned that will determine future capital programmes and any new capital funding to deliver those works will be subject to new separate capital bids

Community Impact

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 electrical equipment and improving drainage installations, 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'.
16. All installations will comply with the Construction (Design and Management) Regulations 2015 ("CDM Regulations").

Environmental Impact

17. This decision seeks to deliver the council's environmental policy commitments and aligns to the following success measures in the County Plan.
 - Reduce the council's carbon emissions
 - Work in partnership with others to reduce county carbon emissions
 - Improve energy efficiency within council owned assets
18. Herefordshire 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.
19. 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 to ensure these measures are met such as utilizing local supply chains, reducing energy usage by replacing less effective equipment for those that are more energy efficient.
20. By investing in assets by means of improvements to building service installations for instance replacing less efficient mechanical and electrical equipment for more efficient ones, introduce controls to better manage heating systems and the proposed replacement of end of life boilers with the aim to seek to use low carbon technology as a priority with the use of more efficient fossil fuel boilers being the last resort when no other alternatives are viable 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

21. This decision pays due regards to our public sector equality duty as set out below.

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.
22. 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.
23. 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

24. Capital expenditure in respect of the Estates capital programme 2022/25 which is subject to approval is as detailed in the below table and funded from corporately funded borrowing. The estates capital programme is part of a schedule of works of £3,007,000 as listed in appendix A.
25. The residual improvement works from the 2019 estates condition reports as set out in appendix B and the Estates Capital Programme 2022/25 which are subject to approval are split over three years to deliver a number of projects. Any underspend in respect of these projects that have not been completed in year will be rolled forward into the following year to enable any final works to be completed and paid for or realigned to fund any short falls in budget of the other projects in the Estates Capital programme.
26. There is no expected impact on current revenue budgets, although a consequence of the capital investment will ultimately mean that the maintenance budgets can be more efficiently utilised as targeted capital expenditure addresses building improvement.
27. The tables below set out the financial implications of the decision.

Capital cost of project	2022/23	2023/24	2024/25	Future Years	Total
	£000	£000	£000	£000	£000
<i>Capital cost of project for Estates Capital Programme 2022/25</i>	1,454	1,289	264		3,007
<i>Cost for the residual works identified in the 2019 estates condition reports</i>	1,292	100			1,392
TOTAL	2,746	1,389	264		4,399

Funding streams	2022/23	2023/24	2024/25	Future Years	Total
	£000	£000	£000	£000	£000
<i>PWLB Funded by - HC Corporate Funded</i>	2,746	1,389	264		4,399
TOTAL	2,746	1,389	264		4,399

Legal implications

28. The council has a number of legal statutory obligations to maintain its properties to a safe standard of repair that makes it necessary to undertake regular improvements 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.
29. Any works required to deliver the estate capital programme 2022/2025 will be procured in accordance with the council's contract procedure rules.

Risk management

30. 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

31. Political groups have been consulted as part of this decision and no objections have been received. However, it has been suggested that condition surveys are undertaken of council assets. As an action identified in 2018 condition surveys of core buildings were completed in 2019 and a second tranche of surveys is presently in hand; this is now a cyclical undertaking. The relative effect of the condition of the buildings on both value and investment is being factored into the Strategic Asset Management Plan and the surveys will form the basis of applications to the capital programme.

Appendices

- Appendix A - Details of projects - Estates Building Improvement Programme 2022-25
Appendix B - Programme of residual improvement works from the 2019 condition reports.

Background papers

None

Report Reviewers Used for appraising this report:

Governance	Sarah Buffrey, Democratic Services Officer	Date 14/01/2022
Finance	Karen Morris	Date 19/01/2022
Legal	Andrea Franklin	Date 13/01/2022
Communications	Luenne Featherstone	Date 10/01/2022
Equality Duty	Carol Trachonitis	Date 12/01/2022
Procurement	Lee Robertson	Date 11/01/2022
Risk	Kevin Lloyd	Date 14/01/2022

Approved by	Andrew Lovegrove	Date 04/03/2022
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Please include a glossary of terms, abbreviations and acronyms used in this report.

PLWB – Public Loan Works