

 <b>Executive 12<sup>th</sup> March 2014</b>		<b>Agenda Item No.</b>  <b>7</b>
<b>Title: Corporate Property Repairs &amp; Improvements Programme 2014/15</b>		
<b>For further information about this report please contact</b>	Matt Jones <a href="mailto:Matthew.jones@warwickdc.gov.uk">Matthew.jones@warwickdc.gov.uk</a>	
<b>Wards of the District directly affected</b>	All	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>		
<b>Background Papers</b>	CMT Report 29th May 2008; Corporate Property Repairs & Improvements Programme 2008/2009 Executive 11 <sup>th</sup> December 2013 – Assets Review – Minute 101 Executive 12 <sup>th</sup> February 2014 – Assets Review Update Report – Minute TBC	

<b>Contrary to the policy framework:</b>	No
<b>Contrary to the budgetary framework:</b>	No
<b>Key Decision?</b>	Yes
<b>Included within the Forward Plan? (If yes include reference number)</b>	Yes
<b>Equality &amp; Sustainability Impact Assessment Undertaken</b>	N/A

<b>Officer/Councillor Approval</b>		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive	24/02/2014	Chris Elliott
Deputy Chief Executive	24/02/2014	Bill Hunt
Deputy Chief Executive & Monitoring Officer	24/02/2014	Andrew Jones
Head of Service	24/02/2014	Bill Hunt/Andrew Jones
Section 151 Officer	24/02/2014	Mike Snow
Portfolio Holder(s)	24/02/2014	Cllr Norman Vincett
<b>Consultation &amp; Community Engagement</b>		
Insert details of any consultation undertaken or proposed to be undertaken with regard to this report.		
<b>Final Decision?</b>		Yes
<b>Suggested next steps (if not final decision please set out below)</b>		

## **1. SUMMARY**

- 1.1 This report provides the rationale for the proposed allocation of works against the budget for the Corporate Repairs and Improvement Programme for 2014/15.

## **2. RECOMMENDATION**

- 2.1 The Executive approve the proposed allocation of the Corporate Property Repair and Improvement Programme budget for 2014/15, as set out in table 1 of this report and Appendices A, B & C.
- 2.2 The Head of Housing & Property Services, in consultation with the Procurement Manager, is authorised to procure the works as per the Code of Procurement Practice.
- 2.3 The Executive agree to release up to a maximum of £1,298,000 from the Corporate Asset Reserve to towards the 2014/15 Corporate Property and Repair and Improvement Programme.
- 2.4 The Head of Housing and Property Services and The Head of Finance in consultation with their respective portfolio holders are granted delegated authority to approve programme amendments (both additions and omissions) and revised budget allocations within the overall base budget of £2,465,000.
- 2.5 It is proposed that SAG (which is chaired by the Deputy Chief Executive) and the Section 151 officer in consultation with the portfolio holders for Housing & Property Services and Finance, be given delegated authority to release monies for the Corporate Asset Repairs Reserve, ensuing that the monies are ring-fenced for the Stock Condition Plan and not to subsidise any Budget Shortfall on the Responsive Repairs or Warwick Plant Maintenance which will be reported and considered separately.
- 2.6 The Executive agree the release of a further £20,000 from the Corporate Asset Reserve to fund the on-going Asset Review work.
- 2.7 The Executive note the refreshed budget setting principles as set out in section 8 of this report.

## **3. REASONS FOR THE RECOMMENDATION**

- 3.1 To ensure that the Council is spending the budget effectively in the current climate it is considered that members need to be aware of the principles underpinning the budget allocation to ensure the process is transparent.
- 3.2 Appendices A, B & C identify the works proposed for 2014/15. The proposals are based on the data and recommendations from the stock condition surveys undertaken as part of the on-going assets review work.
- 3.3 The total Corporate Property Repairs and Improvements budget for 2014/15 is £1,167,000 to which £1,298,000 is requested from the Corporate Asset Reserve to bring the total budget to £2,465,000. Housing and Property Services manage the budget and coordinate the proposed programme of works, which

has been set following consultation with the Corporate Property Investment Board and the Strategic Asset Group.

- 3.4 In February 2014 the Executive approved the recommendation for detailed feasibility studies to be undertaken as part of the Asset Review work. It is considered it is considered to be prudent that appropriate budget be drawn from the Corporate Asset Reserve to fund this work.
- 3.5 Members should note that 2014/15 is the first financial year for which the budget allocation has been set based on the stock condition survey data used to inform the financial liabilities for the current corporate asset portfolio first reported to Executive in December 2013. At this time all costs associated with the survey recommendations are estimated and the actual cost to deliver the programme of work is liable to change as works are procured. Furthermore the Assets Review work is on-going and it is possible that service area priorities and opportunities that emerge during the course of the financial year may lead the council to re-profile the 5 year plan of work where doing so could secure better long term value.

#### 4. **POLICY FRAMEWORK**

- 4.1 The internal element of the Fit for the Future Programme has the twin objectives of improving the quality of the range of services that the Council directly provides whilst achieving efficiency and cost savings and/or increased income to meet the significant financial challenges we face. These recommendations assist both elements.
- 4.2 The proposed allocations directly support the maintenance and improvement of the Council's corporate assets that form part of the cultural offer available to residents and visitors in support of the Council's Vision of Warwick District being a great place to live work and visit.
- 4.3 The recommendations are also consistent with the need to ensure that we invest in our assets to ensure they remain fit for purpose and meet all health and safety and other legislative requirements.

#### 5. **BUDGETARY FRAMEWORK**

- 5.1 The Corporate Repairs and Improvement budget allocation for 2014/15 has been set and agreed in accordance with Council's Financial Strategy. Within the Base Budget considered by members in December, was £1,167,000 for the Corporate Repairs and Improvements Budget. This is based on the usual budget allowed for this work, being subdivided as shown in the following Table:-

<b>Revenue Budgets</b>	<b>£'000's</b>
Project Work	420.5
Warwick Plant	112.4
Responsive Repairs & Cyclical Maintenance	634.1
<b>Total Revenue Budget</b>	<b>1,167.0</b>

- 5.2 The Asset Review reports considered in December and February suggested an additional £1,115,000 was needed to be spent on Asset work in 2014/15.

- 5.3 As part of agreeing the 2014/15 Budget and Council Tax in February, £1,338,500 was provided for Corporate Asset work within the newly created Corporate Asset Reserve. To be able to finance the works seeking to be agreed within this report a maximum of £1,298,000 would need to be released from this reserve.
- 5.2 The budget allocation for the year is £2,465,000. The budget is distributed across seven principle budget headings as illustrated in table 1. The headings reflect the information sources used to define the programme. An explanation of each budget is provided in items 5.3 to 5.8.

**Table 1**

Corporate Property Base Budget 2014/15	
Budget Title	Budget Allocation
Operational Stock Condition Plan	£ 667,000
Optimism Bias	£ 142,000
Non-Operational Stock Condition Plan	£ 135,000
Open Spaces Stock Condition Plan	£ 553,000
Statutory Maintenance Allocation	£ 218,000
Responsive Repairs Allocation	£ 637,000
Warwick Plant Maintenance	£ 113,000
Total 2014/15	£ 2,465,000

- 5.3 Operational Stock Condition Plan (OSCP) & Optimism Bias  
The total budget allocation for the 2014/15 planned maintenance and improvement programme for operational assets is £809,000. The Budget is defined by the operational stock condition survey data. The total budget allocation includes a contingency of £142,000 calculated using national optimism bias guidelines for outsourcing projects. The contingency budget is in place to cover increases in the actual cost of the OSCP over and above the estimated costs provided by the survey. The Corporate Property Investment Board (CPIB) has reviewed the works items that make up the annual programme, several items of work have been completed or superseded by on-going works activities and have therefore been removed from the plan of work. One item of work has been added (item 16 Appendix A). If the proposed allocation is approved £25,048 will remain unallocated.
- 5.4 Non-Operational Stock Condition Plan (NSCP)  
The total budget allocation for the 2014/15 planned maintenance and improvement programme for non-operational assets is £135,000. The Budget estimate is defined by the non-operational stock condition survey data as set out in appendix B. The Corporate Property Investment Board (CPIB) has reviewed the works items that make up the annual programme and at this stage there are no adjustments to report.
- 5.5 Open Spaces Stock Condition Plan (SSCP)  
The total budget allocation for the 2014/15 planned maintenance and improvement programme for open spaces assets is £553,000. The budget estimate is defined by the open spaces stock condition survey data as set out in appendix C. The Corporate Property Investment Board (CPIB) has reviewed the

works items that make up the annual programme. Two items have been removed leaving an unallocated sum of £9,500.

**5.6 Statutory Maintenance Allocation**

The total budget allocation for the 2014/15 statutory maintenance of the operational property stock is £218,000. The budget estimate is defined by the statutory maintenance schedule produced as part of the operational stock condition survey. Typical statutory maintenance activities include gas safety testing, electrical safety testing and legionella testing. The programme will be honed over the course of the financial year as the specific requirements of each asset are refined.

**5.7 Responsive Repairs Allocation**

The total budget allocation for responsive repairs is £637,000. The budget covers general building repairs and mechanical & electrical repairs to the operational and non-operational assets.

**5.8 Warwick Plant Maintenance**

The total annual budget allocation for staff and subsidiary costs of the Warwick Plant Maintenance team is £112,600.

**5.9** The programme and budget will be monitored on a monthly basis as part of the Council's budget management measures, reporting both to the Corporate Property Investment Board (CPIB) and also overseen by the Strategic Asset Group (SAG). Part of this process will be to identify if any other works need to be brought forward during the year. The monitoring will determine if the budget situation means they need to replace any of the items set out in Appendix A but potentially, if any of the proposed schemes slip or come in under budget they could be additional to the approved list of works. Conversely if approved schemes come in over budget so that the budget would be insufficient to undertake all the approved work the monitoring will be used to determine which works are appropriate to be deferred to future years. It is proposed that the Strategic Asset Group and Section 151 officer in consultation with the portfolio holders for Housing and Property Services and Finance, be given delegated authority to release monies for the Corporate Asset Repairs Reserve, ensuring that the monies are ring-fenced for the Stock Condition Plan and not to subsidise any Budget Shortfall on the Responsive Repairs or Warwick Plant Maintenance which will be reported and considered separately.

**6. RISKS**

- 6.1** The programme is itself a primary means of risk mitigation for the Council. The proposed allocations are recommended to ensure that the Council's corporate assets remain fit for purpose and meet all health and safety and other legislative requirements. The proposals are intended to limit the Council's exposure to contingent major repair costs, third party claims, and enforcement action from governing bodies (e.g. HSE) while ensuring service continuity.
- 6.2** The risk of not adopting the proposed budget allocation is that the corporate assets will fall into disrepair and will no longer be fit for purpose increasing the Council's exposure to the categories of risk outlined in item 6.1 above.

**7. ALTERNATIVE OPTION(S) CONSIDERED**

- 7.1 One alternative would be to not apply the refreshed budget setting criteria and/or not to manage the budget centrally but instead let service areas decide priorities and allocation. These options were rejected when the initial review was carried out in 2008.
- 6.2 A second alternative would be not to proceed with the current proposed programme of works as set out in appendices A, B & C, but instead defer any or all of the prioritised projects to future years and accept the risks associated with deferring the recommended projects.

## 8. **BACKGROUND**

- 8.1 As part of the wider Corporate Assets Review and the transition to strategic asset management, the council have completed a programme of surveys of the corporate asset stock which is split into three categories:

- Operational Assets
- Non Operational Assets
- Open Spaces

The Strategic Asset Group has used the survey data to produce a detailed five year programme of works. 2014/15 is the first year in which the survey data has been used to set the base programme of work and the budgets defined in this report represent year 1 of the financial liabilities associated with the Council's current corporate asset portfolio first reported in the Assets Review report at the Executive meeting of 11<sup>th</sup> December 2013.

- 8.2 Incidental to the wider assets review programme, the Strategic Asset Group has re-visited the annual budget allocation principles approved by CMT in 2008. While there are no fundamental changes to those principles it is considered prudent to refresh them as the Council makes the transition from the reserve list of projects to the 5 year maintenance programme.
- 8.3 The first principle relates to what the budget should be used for. It was agreed that the budget should be used for the repair and maintenance of all existing corporate assets (excluding HRA assets), including pathways and other hard surfaces but excluding any landscaped areas or those car parks covered by the separate Car Park Strategy. It would not be used for the purchase or building of new assets and any schemes relating to either scenario should be backed by a business case and, where appropriate, go through the service planning process. The exception to this would be the building of new pathways within existing assets such as parks or cemeteries. However, in this case a scheme should go through the same business case analysis and service planning process if the projected cost would exceed £50,000.
- 8.4 The second principle relates to the setting of the budget. It is proposed that the budget should always be sufficient to accommodate:
- The recommendations of the 5 year maintenance programme and any cyclical refresh of this programme
  - Statutory maintenance requirements
  - Anticipated general building and mechanical & electrical responsive repairs

- 8.5 The third principle relates to the allocation of the budget with particular reference to unallocated or underspent budget or the prioritisation of in-year requests that conflict with the 5 year programme. The use of criteria to assess the relative priorities of requests has proven successful and it is proposed that the previously agreed categories are used for prioritising and decision making in such situations. The priority Categories are illustrated in table 2 below.

**Table 2**

<b>PRIORI TY</b>	<b>DESCRIPTION</b>
1	Work required on health and safety grounds to reduce unacceptable risk identified through a risk assessment.
2	Work to meet contractual obligations to tenants of corporate buildings including statutory compliance and/or to prevent a claim being made against the council.
3	Work to maintain the structure, fabric or M&E services in proper working condition or to prevent further deterioration of an asset.
4	Work which if deferred would result in an on-going loss of income or require additional costs to be incurred (e.g. a service would need to be moved to another site incurring additional expenditure).
5	Enhancement work that would increase the efficiency and/or value for money of existing operations
6	Enhancement work that would increase income (if backed by a business case).
7	Enhancement work to support other agreed priorities that would not increase income (e.g. work to parks to enhance visual amenity).
8	Work that would prevent loss of an amenity but where no additional cost would be incurred (e.g. work to prevent closure of a building or asset which, if closed, would have no cost or direct impact on operational capacity).
9	Work that is desirable but does not directly support any corporate or service area priorities.

- 8.6 The Categorisation of requests is undertaken by the Corporate Property Investment Board in consultation with the Strategic Asset Group.