

ABERDEEN CITY COUNCIL

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| COMMITTEE | Finance Policy & Resources |
| DATE | 15 September 2015 |
| DIRECTOR | Pete Leonard |
| TITLE OF REPORT | Condition & Suitability 3 Year Programme |
| REPORT NUMBER | CHI/15/170 |
| CHECKLIST COMPLETED | Yes |

1. PURPOSE OF REPORT

This report seeks approval of a three year Condition and Suitability Programme. This replaces the current annual programme.

2. RECOMMENDATION(S)

The Committee are asked to:-

- a) Note the projects completed or legally committed in 2015/16 as shown in Appendix A.
- b) Note the currently approved projects and approve amended budgets as shown in Appendix B.
- c) Approve the new Condition & Suitability Programme projects listed in Appendix C for inclusion in the 3 year programme.
- d) Instruct the Head of Land & Property Assets to implement the detailed 3 year programme.
- e) Delegate authority to the Head of Land & Property Assets, in consultation with the SIP & Capital Review Group and the Convenor and Vice-Convenor of this Committee, to amend the Programme should priorities change due to unforeseen circumstances during the year, with such changes to be reported to the Committee as a bulletin report.
- f) Delegate authority to the Head of Land & Property Assets, in consultation with the SIP & Capital Review Group and the Convenor and Vice-Convenor of this Committee, to allocate projects or additional budgets to/from a £500k contingency fund, with such allocations to be reported to the Committee as a bulletin report.
- g) (i) Authorise the Director of Communities Housing & Infrastructure, the Head of Land & Property Assets and the Asset Management Manager, in

connection with the Programme, to undertake or instruct tendering procedures or competitive quotes procedures as appropriate and the awarding of contracts following thereon, subject to the necessary funding being available in the approved Non-Housing Capital Budget and

(ii) exempt all such procedures and contracts from Standing Order 1(3) of the Council's Standing Orders relating to Contracts and Procurement.

h) Note the future condition and suitability projects listed in Appendix D.

3. FINANCIAL IMPLICATIONS

Expenditure will be in accordance with the Council's approved Non-Housing Capital budget. The budget identified in years 1-3 in the Capital programme for the Condition & Suitability (C&S) programme is £25.41m. Completed or legally committed projects account for £7.5m, approved projects amount to £7.32m with the remainder of the £25.4m to be allocated as detailed.

To manage unexpected costs a contingency fund budget of £500k will not be allocated at this time. This budget will be used to accommodate increased budgetary requirements or urgent projects not previously identified.

There will be flexibility within the 3 year programme for approved projects to move between financial years, however the overall spend will remain within the total budgeted profile.

Tendering is carried out in line with Communities Housing & Infrastructure procedures to ensure best value. These procedures are reviewed in consultation with the Commercial & Procurement Service.

4. OTHER IMPLICATIONS

Certain works contained within the programme relate to Health & Safety, Fire Risk and DDA matters and are necessary to enable compliance with statutory requirements. Although some projects are identified for inclusion in this programme, these elements require to be flexible as inspections by Health & Safety and by the Chief Fire Officer may require additional works to be carried out at short notice.

Some of the proposed works will require the obtaining of a Building Warrant or Planning Approval prior to commencing.

It should be noted that the proposed funding level for the C&S programme is not sufficient to address the backlog maintenance or all the suitability issues detailed in the Council's Property Asset Management Plan. It primarily focuses on wind & watertight works, Health & Safety works and mechanical/electrical issues. Even with this focus it will not be able to address all the higher category works identified within the condition surveys and it will be very difficult to improve suitability. In addition lower category works such as replacement of internal doors, replacement of fixtures/fittings or flooring are

generally not considered for inclusion within the C&S programme. These may be more sensibly funded from devolved budgets within individual services e.g. Developed Education Management Budgets.

There are significant risks attached to not tackling the backlog, which could have implications such as property closures, adverse publicity and loss of value. To minimise this risk, projects are carefully selected taking into account various factors including condition, Health & Safety issues and types of users.

5. BACKGROUND/MAIN ISSUES

This report brings together, for Members' approval, the proposed 3 year programme (2015/16 – 2017/18) for the C&S works on the Council's non-housing property stock. The total budget allocation for the 3 years is £25.41m. This programme was prepared utilising the detailed property information gathered as part of the development of the Property Asset Management Plan, and after discussions with all the relevant Services. It was approved by the SIP Capital Review Group on 20 August 2015.

Previous C&S reports have requested approval of an annual programme of works. A move to a 3 year programme allows for more efficient and longer term programming of projects which is particularly important for assets such as schools where carrying out work is limited to holiday periods. A 3 year programme also creates greater opportunities for grouping projects together which may result in procurement savings.

Proposed 3 Year Programme

Projects with a value of £6.26m have already been completed to date or are legally committed in 2015/16. The completed and legally committed are detailed in **Appendix A**. A further £7.55m is allocated to currently approved projects. As certain projects have advanced it is apparent that the initial budgets are inadequate and need to be updated. This increase has been slightly offset by projects either coming in under budget or expected to do so. The net effect of this is an additional budget requirement of £0.536m. The currently approved projects are shown in **Appendix B**. A confidential version of Appendix B is included within today's confidential reports, which details the approximate cost for each project and the revised budgets where applicable.

The above allocations leave £10.56m available for new projects to allow the continued condition and suitability work to be progressed. Significant elements of the programme are specifically aimed at increasing the expected useful life of the buildings. The proposed programme is contained in **Appendix C**. A confidential version of Appendix C is included within today's confidential reports, which details the approximate cost for each project.

£500k has been left unallocated. The recommendation is for this to be used as a reserve fund which can address increased budgetary demands for individual projects or be allocated to urgent projects not previously identified.

The proposed allocation of the £25.41m is shown below:-

| Budget Requirement | Allocation |
|-----------------------------------------|--------------------|
| Projects Completed or Legally Committed | £6,263,000 |
| Currently Approved Projects | £7,549,000 |
| Additional Budget for Approved Projects | £536,000 |
| New Projects | £10,562,000 |
| Reserve Fund | £500,000 |
| Total | £25,410,000 |

The provisional 3 year programme will allow substitution of projects should it not be possible to implement any of the projects on the primary list, or should a statutory requirement arise. Potential projects for future programmes have been identified and could be brought forward in some instances. These projects are shown in **Appendix D**. It should be noted that Appendix D is not a definitive list of the capital spend required.

In addition to the major works contained in the overall programme, a combined sum of £700k has been identified for minor works (£200k already approved and an additional £500k). These works are primarily related to Health and Safety, Asbestos removal and Disability Discrimination Act projects. This list requires to be flexible as works often have to be carried out at short notice to address health and safety issues or to remove asbestos after it has been identified. An approximate allocation of the £700k is :-

| | 2015/16 | 2016/17 | 2017/18 |
|--------------------------------------|-------------------------------------------------------------------|-------------------------------------------------------------------|------------------------------------------------------------------|
| Asbestos Removal | £100,000 | £175,000 | £175,000 |
| | Example - Removal of asbestos debris in ducts at Cornhill Primary | Example - Removal of asbestos in Boiler House at St Peters School | Example - Removal of asbestos debris in ducts at Westpark School |
| Unsafe play equipment removal | £15,000 | £15,000 | £15,000 |
| | Example – Removal of equipment at Portal Terrace | To be programmed | To be programmed |
| General H&S Works | £60,000 | £20,000 | £20,000 |
| | Example - Queen Street Entrance security barriers | To be programmed | To be programmed |
| Fire Risk Audit works | £15,000 | £20,000 | £20,000 |
| | Example - Provision of Evac chairs at the Town House | To be programmed | To be programmed |
| Legionella related works | £10,000 | £20,000 | £20,000 |
| | Example - Holy Family School Servery | To be programmed | To be programmed |

Standing Orders relating to Contracts and Procurement

When inviting tenders or awarding contracts Standing Order 1(3) as shown below should be followed.

"1(3) No tender shall be invited or contract entered into unless the total estimated expenditure has been previously approved by the Council. This requires specific full Council or Committee approval or the use of appropriate delegated powers. The allocation of a budget as part of the Council's budget setting process is insufficient."

However it should also be noted that standing order 1(6)(a) as shown below allows for an exemption when justified by special circumstances.

"1(6) Subject to compliance with the provisions of the 2012 Regulations or any other rule of law, any contract may be exempted from any or all of the provisions of Part A of these Standing Orders: -

(a) by the Council or any competent Committee thereof, provided the Council or Committee is satisfied that the exemption is justified by special circumstances. A record shall be kept of these circumstances."

It is recommended that the Committee grant such an exemption from Standing Order 1(3) (prior approval of expenditure) for the contracts within the C&S programme for two primary reasons. Firstly the programme will comprise of over 100 individual projects, which under standing order 1(3) would require Council approval of each contract. This would be very time consuming and create a potentially unnecessary burden on Officers and this Committee.

Secondly projects could potentially be delayed if contracts could not be tendered until after Committee approval is granted. This could make the overall programme unachievable within the timescales. Some works also have to be undertaken as a matter of urgency to maintain service delivery or the fabric of property.

Monitoring and Reporting of Programme

Monitoring of the programme will be carried out in line with the capital monitoring procedures. This includes monthly progress reports to the SIP & Capital Review Group led by the Corporate Director for Communities Housing & Infrastructure. In addition progress is reported to this Committee as part of the regular Strategic Infrastructure Plan and Capital Programme report.

An annual report to this Committee will be required to add a further year to the programme and revise any individual budgets if necessary. Bulletin reports will be submitted in line with recommendations e) and f).

Property Asset Management Plan

As part of the 2013 Property Asset Management Plan (PAMP) the following vision for property assets was stated:-

"The Council will provide property, working with partners, where appropriate, which supports the Council in the delivery of quality services by being fit for purpose, accessible, efficient, suitable and sustainable."

In terms of Condition and Suitability this means that the aim is to have all assets in A or B Condition and A or B Suitability. The definitions of the gradings are contained in **Appendix E**. The Condition and Suitability programme clearly has an important role in supporting this vision and has been compiled accordingly.

Targets for improving the percentage of assets in satisfactory condition and reducing the backlog maintenance are also identified in the 2014 PAMP update. This programme along with the rationalisation of our portfolio and the main capital programme will provide the main tools for meeting these targets.

6. IMPACT

Corporate - The continued implementation of Asset Management will ensure that the Council is utilising its assets to support Services in implementing the Single Outcome Agreement. In addition the plan contributes to achieving the vision set out in 'Aberdeen: The Smarter City'. Property assets have a particularly important role to play in Smarter Living, Smarter People and Smarter Environment.

Public - The continuing improvement to the Council's properties through good asset management practices will help ensure that services are being delivered from buildings that are "fit for purpose". This report may also be of interest to the public as it outlines the Council's capital spending on assets.

7. MANAGEMENT OF RISK

Robust procedures are in place for the management of projects within the programme. This includes managing asbestos, building warrants and adherence to the Construction, Design & Management Regulations.

Ongoing monitoring of the programme and all other capital projects by Officers helps ensure the delivery of the overall capital programme. In addition the recommendations of this report allow changes to the programme to deal with priorities and reduce the risk to users/buildings in some cases.

8. BACKGROUND PAPERS

Property Asset Management Plan Update bulletin report to 9 September 2014
Property Sub Committee.

9. REPORT AUTHOR DETAILS

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