

ABERDEEN CITY COUNCIL

COMMITTEE	Finance Policy & Resources
DATE	20 September 2016
DIRECTOR	Pete Leonard
TITLE OF REPORT	Condition & Suitability 3 Year Programme
REPORT NUMBER	CHI/16/172
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

This report seeks approval of an updated three year Condition and Suitability Programme.

2. RECOMMENDATION(S)

The Committee are asked to:-

- a) Note the projects completed or legally committed in 2016/17 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 Strategic Asset & Capital Board 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 Strategic Asset & Capital Board 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 £26.186m. Completed or legally committed projects account for £5.483m, approved projects amount to £10.37m with the remainder of the £26.186m 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 Strategy. 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 (2016/17 – 2018/19) for the C&S works on the Council's non-housing property stock. At the 15 September 2015 meeting of this committee it was agreed to move from a one year programme to a three year programme. This report seeks approval of the revised three year programme.

The total budget allocation for the 3 years is £26.186m. This programme was prepared utilising the detailed property information gathered as part of the development of the Property Asset Management Framework, and after discussions with all the relevant Services.

Proposed 3 Year Programme

Projects with a value of £5.483m have already been completed to date or are legally committed in 2016/17. The completed and legally committed are detailed in **Appendix A**. A further £10.37m 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 £0.219m. 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 £9.614m 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 properties. 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. Over the last 12 months £265k was used from the previously agreed contingency.

The proposed allocation of the £26.186m is shown below:-

Budget Requirement	Allocation
Projects Completed or Legally Committed	£5,483,000
Currently Approved Projects	£10,370,000
Additional Budget for Approved Projects	£219,000
New Projects	£9,614,000
Reserve Fund	£500,000
Total	£26,186,000

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 £750k has been identified for minor works (£500k already approved and an additional £250k). 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. The proposed allocation of the £750k is:-

	2016/17	2017/18	2018/19
Asbestos Removal	£125,000	£80,000	£80,000
	Completed/programmed:- <ul style="list-style-type: none"> • Ashley Road School - roof space phase 4 • Cornhill School - Ducts phase 2 & 3 • Cordyce School – Garage • Cordyce School – Removal of damaged asbestos in garage areas 	Proposed projects:- <ul style="list-style-type: none"> • Kittybrewster School - Ducts phase 2 • Ashley Road school - Phase 5 • Bramble Brae school – Ducts phase 1 • Cornhill School – Kitchen duct • Ferryhill School – Phase 1 	Proposed projects:- To be identified
Unsafe play equipment removal	£15,000	£15,000	£15,000
	Completed/programmed:- List of projects awaited but will likely include <ul style="list-style-type: none"> • Kincorth park - swing removal, • Westfield park climbing frame • Persley Crescent - climbing frame • Market Street - Dyce roundabout 	Proposed projects:- To be identified	Proposed projects:- To be identified
General H&S Works	£50,000	£40,000	£40,000
	Completed/programmed:- <ul style="list-style-type: none"> • Powis CEC – replace lead water mains 	Proposed projects:- To be identified	Proposed projects:- To be identified

	<ul style="list-style-type: none"> • Culter school – Replace disabled platform lift 		
Fire Risk Audit works	£50,000 Completed/programmed:- <ul style="list-style-type: none"> • Fergus House-fire door intumescent strips, • Balnagask House – Additional fire doors and fire alarm/emergency light alterations • Ashley Road School – Provide fire alarm zone charts 	£35,000 Proposed projects:- To be identified	£35,000 Proposed projects:- To be identified
Security Works	£10,000 Completed/programmed:- <ul style="list-style-type: none"> • Marischal College – Additional mail room door fob entry system 	£10,000 Proposed projects:- To be identified	£10,000 Proposed projects:- To be identified
Legionella Works	£50,000 Completed/programmed:- <ul style="list-style-type: none"> • Kittybrewster Depot – Replacement of cold water storage tank • Various schools total of 27 properties – Install mixing valves in kitchen toilet and hand wash sink 	£45,000 Proposed projects:- To be identified	£45,000 Proposed projects:- To be identified

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 150 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 Strategic Asset and Capital Board 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 Strategy

As part of the 2016 Property Asset Management Strategy (PAMS) which is submitted to this committee as a separate report, the following vision for property assets is 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 reported through the Statutory Performance Indicators. 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

Improving Customer Experience –

Many of these projects will improve properties that are used by our customers. This will include improving disabled access, increasing capacity, replacing heating systems and refurbishing toilets. Investment areas are identified and spend is prioritised accordingly.

Improving Staff Experience –

Certain projects improve staff environments such as those targeting depots, catering kitchen replacements and staff toilets. Investment areas are identified and spend is prioritised accordingly.

All Directorates are invited to identify projects for inclusion and comment on those investment requirements identified during the survey programmes. Land & Property Assets will then work with those Directorates to produce a balanced programme.

Improving our use of Resources –

Through our survey programmes and consultation with Directorates it is possible to produce a comprehensive list of investment requirements. Projects are then prioritised taking in account a variety of issues including health & safety, statutory obligations, lifespan of the properties and potential revenue savings.

Corporate –

The Condition & Suitability Programme is governed in line with the Property Asset Management Policy and Strategy. These documents help ensure that the Council is improving and maintaining its property portfolios to support Services in implementing the Single Outcome Agreement. Our properties have a particularly important role to play in Smarter Living, Smarter People and Smarter Environment themes.

Public –

The continuing improvement to the Council's properties through good asset management practices will help ensure that services are being delivered from properties 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/properties in some cases.

8. BACKGROUND PAPERS

Condition & Suitability Programme 3 year programme report to Finance & Policy Resources Committee 15 September 2015.

9. REPORT AUTHOR DETAILS

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