

COMMITTEE	Finance Policy & Resources
DATE	20 September 2017
REPORT TITLE	Condition & Suitability 3 Year Programme
REPORT NUMBER	CHI/17/227
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1. PURPOSE OF REPORT:-

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

2. RECOMMENDATIONS

2.1 That the Committee:-

- a) Note the projects completed or legally committed in 2017/18 as shown in Appendix A.
- b) Note the currently approved projects and approves the amended budgets for each project as shown in Appendix B.
- c) Approve the removal of the projects listed in Appendix C.
- d) Approve the new Condition & Suitability (C&S) Programme projects listed in Appendix D for inclusion in the 3 year C&S Programme and notes the estimated budget for each project.
- e) Instructs the Head of Land & Property Assets to implement the detailed 3 year C&S Programme.
- f) Delegates authority to the Head of Land & Property Assets, following consultation with the Capital Board and the Convenor and Vice-Convenor of this Committee, to amend the C&S Programme should priorities change due to unforeseen circumstances during the year, with such changes to be reported to the Committee.
- g) Delegates authority to the Head of Land & Property Assets, following consultation with the Capital Board and the Convenor and Vice-Convenor of this Committee, to allocate projects or additional budgets to/from a £500k

reserve fund, with such allocations to be reported to the Committee.

- h) Delegates authority to the Director of Communities Housing & Infrastructure, following consultation with the Head of Commercial and Procurement Services, Head of Land & Property Assets and the Asset Management Manager, in connection with the C&S Programme, to undertake or instruct tendering procedures or competitive quotes procedures as appropriate and in accordance with the Aberdeen City Council Procurement Regulations, and the awarding of contracts following thereon, subject to the necessary funding being available in the approved Non-Housing Capital Budget.
- i) Exempts all such procedures and contracts from the requirements of Aberdeen City Council Procurement Regulation 4.1.1 (Committee approval of expenditure).
- j) Note the future C&S projects listed in Appendix E.

3. BACKGROUND/MAIN ISSUES

- 3.1 This report brings together, for Members' approval, the proposed 3 year C&S programme (2017/18 – 2019/20) for the condition and suitability works on the Council's non-housing property portfolio. This report seeks approval of the revised three year programme.
- 3.2 The total budget allocation for the 3 years is £26.828m. 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 relevant Services.
- 3.3 Proposed 3 Year Programme
Projects with a value of £3.421m have already been completed to date or are legally committed in 2017/18. The completed and legally committed are detailed in **Appendix A**. A further £14.510m is allocated to currently approved projects. As certain projects have advanced it is apparent that the initial budgets are inadequate or the project scope needs 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 £1.127m.
- 3.4 Additional budget allocations for both Central Library and Aberdeen Crematorium are included on a provisional basis. These are progressing through final technical checks prior to Capital Board Approval. The outcome of this will be reported to the November meeting of this committee. Should the additional funds not be approved alternative projects will be identified for inclusion in the programme.
- 3.5 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.

- 3.6 The projects shown within **Appendix C** are recommended for removal from the programme. The reasons for doing so are shown within Appendix C.
- 3.7 The above allocations leave £7.27m 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 D**. A confidential version of Appendix D is included within today's confidential reports section, which details the approximate cost for each project.
- 3.8 £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 £470k was used from the previously approved reserve fund.
- 3.9 The proposed allocation of the £26.828m is shown below:-

Budget Requirement	Allocation
Projects Completed or Legally Committed	£3,421,000
Currently Approved Projects	£14,510,000
Additional Budget for Approved Projects	£1,127,000
New Projects	£7,270,000
Reserve Fund	£500,000
Total	£26,828,000

- 3.10 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 E**. It should be noted that Appendix E is not a definitive list of the capital spend required.
- 3.11 In addition to the major works contained in the overall programme, a combined sum of £808k has been identified for minor works (£558k 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 £808k is:-

	2017/18	2018/19	2019/20
Asbestos Removal	£80k	£95k	£95k
	Completed/programmed:-	Proposed projects:-	Proposed projects:-
	<ul style="list-style-type: none"> • Scotstown Primary School - Toilet area wall panels • Smithfield Drive Garage units- Uplift asbestos debris • Ferryhill School - phase 1&2 pipe insulation • Kingsford School - Seal 	<ul style="list-style-type: none"> • Harlaw Academy - Boiler room and duct • Kittybrewster School - Ducts phase 2 • Ferryhill School - Phase 2 in attic • Cornhill School - Kitchen duct 	<ul style="list-style-type: none"> • Bramblebrae School - Phase 1 ducts • Ashley Road School - Phase 4 roof space • Northfield Academy removal of asbestos columns in library area

	boiler house walls and ceiling <ul style="list-style-type: none"> • Abbotswell School - Debris in boiler house • Kirkhill School - Removal of wall debris • Northfield Academy - Stage duct area 		
General H&S Works	£50k	£50k	£50k
	Completed/programmed:- <ul style="list-style-type: none"> • Aberdeen Grammar School - Roof space flooring and lighting to allow for safe access to cold water storage tank • Town House & Town House extension - Install panic alarms at receptions 	Proposed projects:- To be identified	Proposed projects:- To be identified
Fire Risk Audit works	£48k	£50k	£50k
	Completed/programmed:- <ul style="list-style-type: none"> • Hazlehead Pets Corner - Upgrade of panel to allow system extension • Oldmachar Academy - Install 2 fire doors 	Proposed projects:- To be identified	Proposed projects:- To be identified
Security Works	£30k	£30k	£30k
	Completed/programmed:- <ul style="list-style-type: none"> • Former Bon Accord Baths - Install Cacti anti climb device • Frederick Street Car Park - Reconfigure CCTV system to allow remote monitoring of system 	Proposed projects:- To be identified	Proposed projects:- To be identified
Legionella Works	£50k	£50k	£50k
	Completed/programmed:- <ul style="list-style-type: none"> • St Machar Academy - Replacement cold water storage tank • Central Library - Replacement cold water storage tank • Cairncry CC replace internal braces • Aberdeen Business Centre - Replace CWS & cylinder • Chapel Street Car Park Public Convenience - Replace CWS & cylinder • Kittbrewster School - Replace CWDS tank, walkway and lighting • Harlaw Playing Fields Pavilion office - Safe Access and lighting • Riverbank School - Safe access and lighting 	Proposed projects:- <ul style="list-style-type: none"> • Bridge of Don Academy - Replace CWSC tank • Aberdeen Grammar Provide safe Access & lighting • Danestone Primary- Provide safe access & lighting • Glashieburn Primary- Provide safe access & lighting • Northfield CC- Provide safe access & lighting 	Proposed projects:- <ul style="list-style-type: none"> • Sheddocksly CC- Replacement CWSC • St Peters RC school- Replace CWSC • Tullos Roads Depot- Replace CWSC • Westpark School- Kitchen area new tank housing

- 3.12 Procurement Procedures – Authority to Incur Expenditure
When inviting tenders or awarding contracts Aberdeen City Council Procurement Regulation 4.1.1 as shown below should be followed.
- 3.13 *"4.1.1 No tender shall be invited or contract entered into unless the total estimated expenditure has been previously approved. The allocation of a budget as part of the Council's budget setting process is insufficient. The method of authorising a procurement is dependent on the Contract Value as follows:*
- 3.14 Under ACC Procurement Regulation 4.1.1.1 C&S projects with an estimated value of less than £250,000 can be procured without Committee approval of the estimated expenditure. However, there are over 25 projects which are beyond that threshold and would require Committee approval of estimated expenditure to proceed to tender.
- 3.15 It is recommended that the Committee grant an exemption from ACC Procurement Regulation 4.1.1 for C&S projects with budgets greater than £250,000 for two primary reasons. Firstly the projects with budgets greater than £250,000 would require Committee approval prior to going out to tender. This would be very time consuming and create a potentially unnecessary burden on Officers and this Committee.
- 3.16 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.
- 3.17 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 Capital Board led by the Interim 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.
- 3.18 An annual report to this Committee will be required to add a further year to the programme and revise any individual budgets if necessary. Changes to the programme reports will be submitted in line with recommendations f) and g).
- 3.19 Property Asset Management Policy and Framework
The approved 2016 Property Asset Management Framework has the following vision for property assets:-
- "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."**
- 3.20 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 F**.

- 3.21 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.

4. FINANCIAL IMPLICATIONS

- 4.1 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 £26.828m. Completed or legally committed projects account for £3.421m, approved projects amount to £14.51m with the remainder allocated as detailed.
- 4.2 There are further allocations of £8m in 2020/21 and £8m in 2021/22. Giving a combined indicative 5 year budget of £42.828m. Projects shown in Appendix E will form the basis for years 2020/21 and 2021/22.
- 4.3 To manage unexpected costs a reserve 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.
- 4.4 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.
- 4.5 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.

5. LEGAL IMPLICATIONS

- 5.1 All contracts to be tendered shall be done so in accordance with the ACC Procurement Regulations and the applicable legislation.

6. MANAGEMENT OF RISK

6.1 Financial

The overall budget remains unchanged and the programme is managed in line with capital procedures. If the recommendations are not approved there would be a high risk that spend would reduce.

6.2 Employee

If the recommendations are not approved there would be a risk that places of work included in the programme would be negatively affected. Potentially leading to a poorer work environment or closure of the building. The risk of this would be considered high.

6.3 Legal

All contracts to be tendered shall be done so in accordance with the ACC Procurement Regulations and the applicable legislation.

6.4 Customer / citizen

If the recommendations are not approved there would be a risk that publicly accessible assets included in the programme would be negatively affected. Potentially leading to a poorer visitor experience or closure of the building. The risk of this would be considered high.

6.5 Reputational

Certain projects will not be included which may be viewed negatively by the public and/or press. Given that funding would be in place for many other projects the risk would be low. This risk could be managed through appropriate communications. The increased budget requirements for projects shown in Appendix B could be perceived negatively by the public and/or press. The reasons for the budget changes are explained within the appendix, so the risks are considered low.

6.6 The following categories have no risks identified:- Environmental and Technological.

7. IMPACT SECTION

7.1 Economy

No impact on the strategic theme of economy.

7.2 People

Recommendations have no specific impact on the strategic theme of people. However, individual projects in some cases will result in improvements to the accessibility of the Council's assets.

7.3 Place

Recommendations have no specific impact on the strategic theme of place. However, individual projects will result in improvements to the Council's assets.

7.4 Technology

No impact on the strategic theme of technology.

8. BACKGROUND PAPERS

8.1 Condition & Suitability 3 year programme report to Finance Policy & Resources Committee 20 September 2016 (item 10.3).

9. APPENDICES

9.1 Appendix A – Complete or Committed Projects

- 9.2 Appendix B – Currently Approved Projects
- 9.3 Appendix C – Projects to be Removed
- 9.4 Appendix D - Proposed New Projects
- 9.4 Appendix E – Future Projects
- 9.5 Appendix F – Definitions

10. REPORT AUTHOR DETAILS

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