

Decision Maker: Executive

Date: 11th February 2015

Decision Type: Non-Urgent Executive Key

Title: **GATEWAY REVIEW 0,1 & 2 APPROVAL OF 2015/16 OPERATIONAL BUILDING MAINTENANCE BUDGETS, PLANNED MAINTENANCE PROGRAMMES AND PREFERRED PROCUREMENT OPTION**

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Chief Officer: Director of Corporate Services

Ward: (All Wards);

1. Reason for report

This report sets out the criteria used to assemble each programme based on the draft budget proposals.

The report also addresses the strategic assessment and business justification for the programmes and the preferred procurement option for completing them.

The proposed planned maintenance programme is contained in Appendix C.

2. **RECOMMENDATIONS**

2.1 **Members are asked:**

(i) subject to the Council agreeing the budget, to approve an overall expenditure of £1,923,610 for the Building Maintenance budget in 2015/2016, as set out in paragraph 5.1:

(ii) to approve the planned maintenance programme in Appendix C

(iii) to delegate authority to the Director of Corporate Services to vary the planned programme to accommodate any change in the approved budget or where such action is considered necessary to either protect the Council's assets or make the most effective use of resources.

(iv) to approve the criteria used to assemble the planned maintenance programme and the preferred procurement option, as set out in paragraph 10 of this report.

(v) to delegate authority to the Director of Corporate Services to select the most economically advantageous tender for any individual item of expenditure under the approved programme referred to at (i) – (iv) above.

(vi) to agree that the Director of Regeneration and Transformation be authorised to submit planning applications where appropriate in respect of schemes set out in this report.

Corporate Policy

1. Policy Status: Existing Policy:
 2. BBB Priority: Excellent Council:
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Financial

1. Cost of proposal: £1,923,610
 2. Ongoing costs: Recurring Cost:
 3. Budget head/performance centre: Operational Property Services
 4. Total current budget for this head: £1,923,610
 5. Source of funding: Funded from Revenue Budgets
-

Staff

1. Number of staff (current and additional): Not applicable
 2. If from existing staff resources, number of staff hours: Not applicable
-

Legal

1. Legal Requirement: Statutory Requirement:
 2. Call-in: Applicable:
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Borough wide
-

Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: Not applicable

3. COMMENTARY

- 3.1 The Operational Property Service is responsible for the maintenance of the Council's portfolio of operational buildings.
- 3.2 There have been significant efficiency savings to the operational maintenance budgets and planned maintenance programme since 2012. Officers have commented on the impact of the savings under the individual budget heads.
- 3.3 As a result of previous savings, there is no longer a budget for Disability Discrimination Act works, Minor Improvement works or Internal and External Redecorations.
- 3.4 The maintenance budget heads are described in more detail below.

PLANNED MAINTENANCE

- 3.5 This budget is used to fund planned maintenance works on operational premises (see Appendix B for composition of Operational Property Portfolio) and on investment properties for which the Council has repairing obligations under the terms of the lease or tenancy agreement. This budget head will be £453,440 in 2015/16, if the draft budget is approved.
- 3.6 The planned maintenance programme is compiled by Strategic and Operational Property Services by identifying, costing and prioritising works needed to safeguard the long-term life of the Council's property portfolio.
- 3.7 The planned programmes for both education (to be reported separately) and operational properties are compiled using condition survey data and maintenance data. In addition it is recognised that the local knowledge of client departments is invaluable in identifying maintenance issues. They have therefore continued to be involved in the development and management of the programme.
- 3.8 The condition survey predicts when maintenance expenditure may be required in the future. Each element of a building is assessed and given a condition and priority classification by an inspecting surveyor or engineer. The surveys use the following grading criteria:

Condition

Grade A – Good. Performing as intended and operating efficiently.

Grade B – Satisfactory. Performing as intended but exhibiting minor deterioration.

Grade C – Poor. Exhibiting major defects and/or not operating as intended.

Grade D – Bad. Life expired and/or serious risk of imminent failure.

Priority

Priority 1 – Urgent work that will prevent immediate closure of premises and/or address an immediate high risk to the health and safety of occupants and/or remedy a serious breach of legislation.

Priority 2 – Essential work required within two years that will prevent deterioration of the fabric or services and/or address a medium risk to the health and safety of occupants and/or remedy a less serious breach of legislation.

Priority 3 – Desirable work required within three to five years that will prevent deterioration of the fabric or services and/or address a low risk to the health and safety of occupants and/or remedy a minor breach of legislation.

Priority 4 – Long term work required outside the five year planning period that will prevent deterioration of the fabric or services.

3.9 Members should be aware that because of the continuing pressure on budgets only the very highest priority schemes are programmed for completion. This strategy carries two significant risks:

3.10 Firstly, some building elements for which work is scheduled for later years may fail earlier than anticipated. For 2015/2016, as in previous years, the following criteria have been applied to arrive at a programme of work that can be contained within the available funding:

- Include only those items that meet condition grades D or C and/ or Priority 1 and which are considered by officers to have the highest risk of failure.

3.11 Secondly, a budget driven programme is likely to produce a backlog of planned maintenance projects and will increase the demand on the reactive budget as building elements deteriorate to a point where they become critical.

3.12 Nine projects with a total estimated cost of £453,500 have been identified for inclusion in next year's programme. They have a priority grading of C/D1. Appendix C outlines the projects, their estimated cost, and the reasons for giving them the C/D 1 priority.

3.13 Previously the Director of Corporate Services has been authorised to vary the programmes during the course of the year where such action is considered necessary to either protect the Council's assets or make the most effective use of resources. It is proposed that this authority continues.

REACTIVE MAINTENANCE

3.14 Funding for reactive maintenance is allocated to individual service headings based on previous year's expenditure. Members will appreciate that this budget is used to fund works of an unplanned or emergency nature enabling the Council to keep operational buildings open and to enable the Council to provide services to the people of Bromley. This budget head has been slightly increased. The pressure on this budget increases as fewer planned maintenance projects are undertaken. It is important that the Director of Corporate Services retains the flexibility to re-direct funding to areas of greatest need. The draft 2015/16 budget for Reactive Maintenance is £957,520.

CYCLICAL MAINTENANCE

3.15 This budget enables the Council to meet its statutory obligations with regard to gas and electrical safety, fire safety and the servicing of mechanical and electrical plant. This budget will be £348,970 in 2015/16 and has been slightly increased to minimise risk.

ASBESTOS MAINTENANCE

3.16 This budget enables the Council to meet its statutory obligations for the management of asbestos in its buildings, which includes annual condition monitoring, maintenance, testing and removal. Robust asbestos management over a number of years has reduced spend on asbestos management and the Council is able to comply with its statutory obligations. The proposed budget for 2015/16 is £78,330, which has been slightly increased.

- 3.17 Prior to 2012/13, this budget would also have been used for asbestos inspection and removal prior to the commencement of building projects, including those in the planned programme. Asbestos inspection and removal is now a cost against the individual project. Each project within the planned programme now shows a contingency of 2.5% for asbestos costs.

WATER TREATMENT WORKS

- 3.18 This budget enables the Council to meet its statutory obligations with regard to the control of Legionella and water hygiene. The Council has been able to fulfil its obligations, but further funding may be required if remedial works are identified as a result of the monitoring process. It is proposed that this budget for 2015/16 is set at £85,350, which is slightly more than last year.

DISABILITY ACCESS

- 3.19 The budget for these works was withdrawn in 2013/14. The Council has a responsibility under the Equality Act, to ensure that, where a public service is offered, it is available to all members of the public. Individuals cannot be discriminated against because of their physical disabilities. In many instances compliance can be provided by a change in the way that service is provided. However in some cases physical adaptations to the building are required to ensure accessibility. Disability Access works to operational buildings have been carried out over a number of years and the majority are now compliant with the Act. If any adaptations are required in the course of the year in order to comply with the Act, then funding will have to be vired from one of the other budget heads.

REDECORATIONS (INTERNAL & EXTERNAL)

- 3.20 The programme of redecoration at operational buildings has been suspended. The original programme was based on 5-year external and 7-year internal cycles. The suspension of the redecoration programme will result in a deterioration of key timber building elements and more significant repairs at a later date.

MINOR IMPROVEMENTS

- 3.21 The budget for these works was withdrawn in 2012/13. Departments have to fund such works from their own budgets or wait until major works are undertaken to the areas concerned.

CONDITION SURVEYS

- 3.22 It is essential to have up to date condition surveys. The survey data is used for the following purposes:

- to compile the planned maintenance programme
- to inform the property reviews and rationalisation plans
- to ensure that the authority is fulfilling its duty of care to its staff and the public by ensuring that its buildings are well maintained and safe

- 3.23 A number of Condition Surveys have been carried out this year using the contingency sum in the planned maintenance programme with some additional departmental funding. In July 2014 the Executive approved funding for condition surveys for the remaining operational buildings, which will be carried out this year. Following completion of all surveys a new 5 year programme will be compiled.

3.24 Condition surveys will only be carried out on operational property, which is being retained by the authority and surveys will not be carried out if the property has been or is likely to be declared surplus and disposed of.

4. POLICY IMPLICATIONS

4.1 As less funding is available for maintenance of the operational property portfolio, it is essential that the Council optimises the utilisation of its assets and ensures that it retains only those properties that meet the corporate and service aims and objectives. A series of property reviews have been undertaken to ensure that this remains the case in the light of the ongoing efficiency savings.

5. FINANCIAL IMPLICATIONS

5.1 The building maintenance budget is controlled by Operational Property Services (excluding education properties) and the draft budget for 2015/16 is £1,923,610 which is broken down under its various budget heads in the table below:-

	2015/16
	£'000
Planned Maintenance	453,440
Reactive Maintenance	957,520
Cyclical Maintenance	348,970
Asbestos	78,330
Water Treatment	85,350
	<u><u>1,923,610</u></u>

5.2 In recognition of the risks arising from the significant reduction in the building maintenance budget, there is an earmarked reserve for an Infrastructure/Renewal Fund. The Fund has an uncommitted balance of £1.637m, after allowing for Condition Surveys (reported previously to the Executive). These resources will help ensure there is provision within the Council's overall resources to mitigate partly against such risks. If there is a request for additional in year resources during 2015/16 a full Business Case will need to be reported to the Executive which will take into account the alternative funding options, the need to reduce the budget to a sustainable level, as well as any reprioritisation of works required.

6. LEGAL IMPLICATIONS

6.1 There are, as is outlined in this report, a range of specific duties which require the Council to undertake certain maintenance of its properties. Failure to ensure that its properties and buildings are maintained to a level to avoid risks to its staff and members of the public can lead to criminal and civil liability. The proposed efficiency savings have been allocated against the different budget heads in a way that will ensure that the Council fulfils these obligations. The savings mean that there will be year on year deterioration to the operational buildings.

6.2 The Council's Contract Procedure Rules (CPR) outline the various procurement routes available, depending on the value of the works. The Council selects tenderers from Constructionline, an approved list of contractors. This ensures value for money through a fair and transparent supplier selection procedure. Local Small Medium Enterprises (SMEs) are able to participate in the process. EU compliant frameworks will also be considered, where these are deemed to be advantageous to the Council. Exceptionally a waiver of a formal process would be sought in accordance with CPR 13.

6.3 Individual contracts are recorded in the Corporate or Department Contracts Register, depending on the value of the work. Contracts are monitored in accordance with the CPR and Financial Regulations.

7. PERSONNEL IMPLICATIONS

7.1 None

8. CUSTOMER PROFILE

8.1 The programmes outlined in this report represent the cornerstone of Operational Property Services' responsibilities. The ongoing maintenance of the Council's operational buildings has an impact on all Council staff, customers and visitors.

9. STAKEHOLDER CONSULTATION

9.1 Focus Groups are held with each department. They provide the local knowledge used in the compilation of the programme and their representatives will be notified of any planned programmed works being undertaken in the buildings connected with their services.

10. OUTLINE CONTRACTING PROPOSALS & PROCUREMENT STRATEGY

10.1 The programmes outlined in this report comprise a number of discrete building maintenance projects. The works range from minor/ reactive maintenance costing less than £100 to planned maintenance projects up to £200,000.

10.2 The **planned maintenance programme** makes up 24% of the cost of the total maintenance budget.

10.3 Historically the procurement route for this programme has been via the traditional JCT form of contract, tendered competitively. Where appropriate projects of a similar type, such as window replacements, have been grouped and tendered together.

10.4 Contractors are selected by random selection within certain parameters from an approved list managed by Constructionline. This has the benefit of ensuring fairness in the short listing process as all contractors registered on Constructionline are given the opportunity to tender.

10.5 All compliant tenders are assessed and contracts are awarded in accordance with Bromley's Contract Procedure Rules. In the case of discrete building maintenance projects the contracts are awarded on the criteria of lowest price.

10.6 The **reactive and cyclical maintenance programmes** which make up 76% of the cost of the total maintenance budget will be procured mainly via trade based, competitively tendered, Measured Term Contracts.

11. SUSTAINABILITY IMPACT ASSESSMENTS

11.1 The Council's Sustainability Policy covers economic, social and environmental considerations. Operational Property Services endeavour to ensure compliance with this policy through its maintenance programmes.

11.2 Consideration has been given to optimising the opportunities from these programmes for SMEs. The Service's reactive and cyclical maintenance contracts have been designed to specifically encourage participation by local SMEs.

11.3 The larger planned maintenance programme offers a range of small/medium projects that will attract SMEs via the traditional JCT form of contract.

11.4 All successful contractors will be asked to support and facilitate the use of sustainable arrangements in the delivery of the service. This in turn will contribute to the reduction of the Council's carbon footprint.

Non-Applicable Sections:	None
Background Documents: (Access via Contact Officer)	

APPENDIX A

The Gateway Process examines a project at critical stages in its lifecycle to provide assurance that it can progress successfully to the next stage. It is designed to be applied to projects that procure services, construction/property, IT-enable business change projects and procurements utilising framework contracts. The Gateway Review process applies equally for those Directorates that already have strategic partnering arrangements in place.

There are six Gateways during the life cycle of a project, four before contract award and two looking at service implementation and confirmation of the operational benefits. The process emphasises early review within the projects for maximum added value.

Gateway Review 0 – Strategic assessment

This Gateway relates to the report of procurement needs resulting from a Best Value or service review and the suggested implementation plan. Elements of the other Gates may be rolled up into this process; for example options around Procurement routes/Strategies where they need to be predetermined to enable project progression. They should, however, be confirmed as the appropriate solution at the relevant stage.

Gateway Review 1 – Business Justification

This Gateway relates to the option appraisal stage of a procurement exercise.

Gateway Review 2 – Procurement Strategy

This Gateway confirms the preferred procurement option and method to be used, (open, restricted, competitive dialogue or negotiated etc.).

APPENDIX B

Composition of Operational Property Portfolio

Allotments	51
Car Parks	24
Multi Storey Car Parks	3
Depots (includes Park Depots)	7
Information Centre	1
Open Spaces	143
Park Buildings/ Public Conveniences	21
Pavilions/ Changing Facilities	25
Public Conveniences (High Streets)	5
Adult Education	5
Education Non Schools	20
Residential Homes/ Day Care Centres	12
Community Buildings	2
Libraries	14
Museums	3
Office and Admin Buildings	3
Sports Centres/ Pools	6
Cemetery Chapels/WCs	6
	351

APPENDIX C

Projects Proposed for Year 2015/16

Premises	Work Element	Estimated Cost (£s)	Comments
Anerley Business Centre & Public Hall	Subsidence	100,000	A structural engineer was appointed to advise on the work required to remedy subsidence and to provide a budget estimate for it. The estimated cost is £270,000. The sum of £170,000 has been set aside and carried forward from previous years' programmes. An additional provision of £100,000 has been included in next year's programme to ensure that the full estimated amount is available should it be decided to proceed with the work to remedy the subsidence. An additional sum will be required to carry out repairs/redecorations internally, which have been caused by the subsidence. The extent of the making good work cannot be ascertained until the subsidence repairs have been carried out but are estimated to cost in the region of £30k. Making good works will have to be carried over into a forthcoming year. If the subsidence work does not proceed, there are several high priority projects in reserve that could be substituted.
Community House	Renew remaining timber windows	22,000	The timber window frames are rotten and water is penetrating the building. Some windows have already been replaced and this project represents a further phase of replacement.
Walnuts Boiler Plant	Feasibility Report on Replacement Options	5000	The District Heating System is approximately 35 years old. It provides heating and hot water to Orpington College, Walnuts Leisure Centre, Saxon Day Centre, Orpington Library and Offices and the Walnuts Shopping Centre. The system is functioning well at the moment, however because of its age, breakdowns will become more likely and replacement parts are already becoming scarce. It is proposed to carry out a feasibility report to consider replacement options and costs.
Petts Wood Library	Roof Replacement	70,000	This roof has been repeatedly patched for a number of years and has now reached a point where further repairs will be ineffective and a new roof is required.
Churchill Theatre	Replacement of Passenger Lift	60,000	The passenger lift has reached the end of its life and is subject to breakdowns. A functional lift is required to comply with the requirements of the Equality Act (DDA)
Norman Park Pavilions 1 and 2	Replacement of fascias and soffits	21,500	The fascias and soffits at the pavilions have been damaged by vandals. They are asbestos and have to be removed by a licenced asbestos removals contractor and replaced.
Coney Hall Pavilion	Installation of Fire Alarm	5000	This building is occupied jointly by a sports club and a nursery and has no fire alarm and detection system. The installation of a system

			has been identified as a high priority by the condition survey and fire risk assessment.
Hill Multi-Storey Car park	Replacement of Passenger Lifts	150,000	The lifts have reached the end of their life and are subject to breakdowns. Functional lifts are required to allow the public to fully utilise the car park and comply with the requirements of the Equality Act (DDA)
Den Barn Farm	Reconstruction of Boundary Wall	20,000	The flint boundary wall requires reconstruction. The wall forms part of a building and has to be reconstructed in its current form.
TOTAL		453,500	