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**Decision Maker:** EXECUTIVE

**Date:** Wednesday 22 March 2017

**Decision Type:** Non-Urgent Executive Key

**Title:** OPERATIONAL BUILDING MAINTENANCE BUDGETS AND  
PLANNED PROGRAMME 2017/18

**Contact Officer:** Catherine Pimm, Senior Property Manager, TFM Client Team  
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**Chief Officer:** Colin Brand, Director of Regeneration

**Ward:** (All Wards);

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1. Reason for report

This report sets out the proposed maintenance budgets and planned programme for 2017/18.

It highlights a number of budgetary pressures and requests additional funding to ensure that the Council has sufficient funds to maintain its buildings and to ensure compliance with statutory regulations.

The proposed planned programme is contained in Appendix A.

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2. **RECOMMENDATION(S)**

2.1 Members are asked:

2.1.1 to agree to increase the Building Maintenance budget by £126k per annum for the reasons set out in paragraph 3.5, which is to be funded from the Council's 2017/18 Central Contingency Sum

2.1.2 subject to the Council agreeing the budget, to approve an overall expenditure of £2,068,790 for the Building Maintenance budget in 2017/2018.

2.1.3 to note that a further report will be submitted to this Committee (see paragraph 3.6) to consider any further costs arising from the Council's statutory obligations.

2.1.4 to approve the planned programme in Appendix A.

- 2.1.5 to delegate authority to the Director of Regeneration to vary the programmes 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.
- 2.1.6 to approve funding of up to £170k from the earmarked reserve in the Infrastructure Investment Fund to install separate meters to the utility supplies at Churchill Theatre/ Central Library to protect the Council's VAT exemption status.
- 2.1.7 to approve the carrying forward of £113k from this year's planned programme to 2017/18 to reconstruct the Central Depot wall.

## Impact on Vulnerable Adults and Children

1. Summary of Impact:
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## Corporate Policy

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

1. Cost of proposal: £2.069m and £170k
  2. Ongoing costs: Recurring Cost £2.069m
  3. Budget head/performance centre: Repairs and Maintenance Budget
  4. Total current budget for this head: £1.944m and £1.6m
  5. Source of funding: 2017/18 revenue budget and earmarked reserve
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## Personnel

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

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

1. Summary of Procurement Implications: Not Applicable
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## Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Borough wide
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## 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 Total Facilities Management Contract commenced on 1 October 2016 and Amey Community Ltd has now taken over responsibility for delivering building maintenance.
- 3.2 The allocations against the various budget heads are proposed by Amey in consultation with the Council's Client Team.
- 3.3 The building maintenance budgets are broken down into the following budget heads:
- Reactive Maintenance
  - Cyclical Maintenance
  - Asbestos Management
  - Water Treatment Works
  - Planned Programme
- 3.4 When Amey carried out its Due Diligence prior to the start of the contract, they identified risks around statutory compliance, which were highlighted to the Executive in the TFM Commissioning report on 20 July 2016. Since their appointment, Amey has been carrying out a major review of our maintenance budgets and compliance. They have reviewed the Council's obligations and the previous cyclical, asbestos and water hygiene (legionella) schedules. They have identified two major concerns with the Council's regimes for water hygiene and cyclical maintenance and have recommended an increase in the budget costs against these two budget heads.
- 3.5 The water hygiene maintenance routines are not considered to be robust enough to eliminate risk when taking account of the age and condition of the stock. Amey has now produced revised schedules that have applied industry standards to the statutory tasks and cyclical routines. The increase in cost is not a result of higher costs, but reflects increased activity. The additional funding required amounts to £126k and it is recommended that this increase is funded from the 2017/18 Central Contingency sum.
- 3.6 The cyclical maintenance routines apply to the Council's operational buildings and to some of the tenanted portfolio. The maintenance routines for the operational buildings are on the whole satisfactory, but Amey is concerned about the routines for the tenanted portfolio. An initial review of some leases has identified significant ambiguity in the interpretation of landlord/tenant responsibilities. Amey is concerned about the risk that this poses for the Council and has commenced a review of all leases, which will take several months to complete. They advise that, where additional responsibilities are identified, the schedules of routine maintenance should be amended applying industry standards to the statutory tasks and cyclical routines. A sum of £286k relating to the potential additional cost has been identified where the obligations of the Council remain unclear. In the event that there is a statutory need to cover these costs there will be a report back to Members seeking funding through the 2017/18 Central Contingency Sum. In the event that there is critical statutory work then the cost of the work undertaken to date will be reflected in that report.
- 3.7 In order to ensure that the Council can carry out its other maintenance functions, keep its operational buildings open and fund high cost high priority items of work on a planned or emergency basis, it is essential that the asbestos, reactive and planned programme budgets are maintained at the same levels.

- 3.8 Alongside a review of the maintenance budgets, a review of Council's portfolio will be undertaken by Amey's sub-contractors, Cushman and Wakefield (C&W) and it is anticipated that they will develop an estates strategy that will result in the rationalisation of the portfolio and consequent savings as a smaller portfolio means fewer repairing liabilities. However these savings may not emerge for 3-4 years.
- 3.9 Amey has set up a series of workshops with C &W and the Council's Legal and Finance representatives to plan a standardised approach to statutory obligations and other repairing responsibilities in leases and to minimise the Council's liabilities in the future.
- 3.10 The proposed planned programme also includes an exceptional project at the Churchill Theatre/ Central Library, that has been included not because of its priority, but because the Council has had to accept an obligation to deal with it and officers would like to propose alternative funding, so that the planned programme can continue to be available for the maintenance priorities that need to be dealt with.
- 3.11 The maintenance budget heads and the Churchill Theatre/ Central Library are described in more detail below.

### **REACTIVE MAINTENANCE**

- 3.12 Funding for reactive maintenance is allocated to individual service cost centres based on previous year's expenditure. This budget is used to fund works of an unplanned or emergency nature enabling the Council to keep operational buildings open and to provide services to the people of Bromley. The pressure on this budget increases as fewer planned maintenance projects are undertaken and the buildings become more dilapidated.
- 3.13 The proposed 2017/18 budget for Reactive Maintenance is £972,700.

### **CYCLICAL MAINTENANCE**

- 3.14 Cyclical Maintenance represents a periodic programme of weekly, monthly, semi-annual, annual, quinquennial and so on routines, which are based on statutory requirements and recommended maintenance routines for major plant. It ensures compliance with statutory regulations and ensures that major plant is maintained properly. It also identifies plant at risk of failure.
- 3.15 This was identified as a risk by Amey during its Due Diligence.
- 3.16 Amey has undertaken a sample review of the Council's leases and tenancy agreements and has identified ambiguities in the interpretation of respective landlord and tenant responsibilities. Also some FRI (Full Repairing and Insuring) leases leave statutory responsibilities with the Council. In order to protect the Council from risk, Amey will, as mentioned in paragraph 3.6, review the leases. A further report will be brought back to this Committee to consider any further costs arising from additional statutory obligations.
- 3.17 The proposed budget for 2017/18 is £339,970. A potential additional cost of £286k has been identified as is outlined in paragraph 3.6.

### **ASBESTOS MAINTENANCE**

- 3.18 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. The proposed budget for 2017/18 is £79,900.

- 3.19 The costs of asbestos inspection and removal prior to the commencement of building projects, including those in the planned programme are now a cost against the individual project. Each project within the planned programme has a contingency of 2.5% added for asbestos costs.

## **WATER TREATMENT WORKS**

- 3.20 This was also identified as a risk by Amey during its Due Diligence. The budget enables the Council to meet its statutory obligations with regard to the control of Legionella and water hygiene. Amey has reviewed the recommendations contained within the current risk assessments and the results of water samples. As a result they recommend implementing more robust water hygiene routines to mitigate any risks. The new routines will incorporate more frequent flushing of little used outlets and more frequent water sampling. A revised schedule has now been prepared. Although this budget has increased by 60% against previous years, it is anticipated that the reactive/ remedial works should reduce as a result of the improved routines.
- 3.21 It is proposed that the budget for 2017/18 is £212,230, of which £126k will be funded from the Central Contingency Fund.

## **PLANNED PROGRAMME**

- 3.22 The planned programme funds planned works on operational premises and on investment properties for which the Council has repairing obligations under the terms of the lease or tenancy agreement. The planned programme safeguards the long-term life of the Council's property portfolio and is used for high cost items of work that cannot be funded from other budgets. It includes only the very highest priority schemes. It is also used to deal with any in year emergencies. In this year, for example, there have been three major lift breakdowns and doors identified as not compliant with fire regulations. These works have to be funded from this budget. The consequent effect however is that several of the high priority schemes planned have had to be deferred and moved into the next year's programme.
- 3.23 It is proposed that the budget for 2017/18 is £463,990.
- 3.24 The proposed programme is shown in Appendix A. The programme includes a project, which as previously mentioned, is not a priority but which the Council has had to accept an obligation to deal with them. Officers are proposing alternative funding routes for this project, so that the programme can be freed up for other high priority works. The details are as follows:
- 3.25 **Churchill Theatre/ Central Library**  
HQT have taken over the running of the theatre on a zero funded basis and they are charged a peppercorn rent for their 25 year lease. The services in the buildings are shared and utilities are not separately metered. Utility costs are apportioned and LBB recharges the theatre for gas and rates on a 50:50 split. The electrics are separately metered but the theatre recharges LBB 20% of the electricity costs for the chiller units. Officers have now been advised that there is a risk to the Council's VAT exemption, if any costs are apportioned where there is a peppercorn rent. There are two solutions to this issue: 1) The Council pays all of the theatre's utility costs or 2) services should be separately metered. Consequently it is recommended that services are separately metered; otherwise the Council will have to pay a considerable amount in utility charges. Amey has indicated that separately metering the services could cost up to £170,000. As this work is required purely to protect the Council's VAT position, it is requested that this one-off item of expenditure is funded from the earmarked reserve in the Infrastructure Investment Fund.

### **3.26 Central Depot Wall**

The sum of £188k was agreed as part of the 2016/17 planned programme to reconstruct the brickwork to the Old Stable Wall at Central Depot, £53k of which was to be drawn down from the earmarked reserve for investment infrastructure. The Old Stable Block consists of several buildings which back onto a rear wall. The wall forms a support wall to the land behind which is at a higher level. The wall supports a mud track which serves the houses at the rear of the Depot. The wall is cracking and bulging in places and significant repairs are required to ensure the continued stability of the wall. The reconstruction is proving to be more complex than original anticipated and other options are still being considered including demolition of the Stable Block prior to reconstruction. It is also anticipated that the estimated cost for the work will exceed the amount put aside in this year's programme. It will be necessary therefore to make additional provision to be added to the amount already earmarked and the amount of £50k is being requested as part of next year's programme. Members are asked to carry forward to 2017/18 the sum of £113k, which is the uncommitted sum left from the amount which was agreed as part of this year's programme.

### **WITHDRAWN BUDGETS**

- 3.27 The Disability Access, Redecorations and Minor Improvement budgets were withdrawn several years ago.
- 3.28 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.
- 3.29 The suspension of the programme of internal and external redecoration at operational buildings will result in a deterioration of key timber building elements and more significant repairs at a later date.
- 3.30 Individual departments are now expected to fund any requested improvements works from their own budgets.

### **VARIATIONS TO PROGRAMMES**

- 3.31 In previous years, the responsible Director 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 and it is recommended that the Director of Regeneration has authority to vary the programmes.

## **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. To ensure that this remains the case in the light of the ongoing efficiency savings, a series of property reviews have been commissioned via the TFM Contract, which will be reported to the Executive in summer.

## 5. FINANCIAL IMPLICATIONS

- 5.1 The building maintenance budget (excluding education properties) is controlled by Amey Community Services Ltd in partnership with the Council. The draft 2017/18 budget has an amount of £1,943,550 set aside for repairs and maintenance.
- 5.2 This report identifies that this budget is too low and an additional £126k is required for water treatment works to ensure that the Council fully complies with its statutory responsibilities as detailed in 3.5 above.
- 5.3 It is therefore proposed that the overall maintenance budget is increased to £2,068,790. The increase of £125,240 is for water hygiene and this will be required on an ongoing basis to ensure that the Council has sufficient funds to maintain its buildings in a compliant and sustainable manner. The additional funding would be met from the 2017/18 Central Contingency.
- 5.4 Officers are also advising that an additional sum of £286k might be required for Cyclical Maintenance, but this will be subject to a review and a further report.
- 5.5 The table below shows a comparison of the current 2017/18 draft budget and the proposed budget across the different budget heads:

SERVICE	2017/18 DRAFT BUDGET	2017/18 PROPOSED BUDGET	DIFFERENCE
	£	£	
Reactive/Unplanned	972,700	972,700	0
Cyclical Maintenance	339,970	339,970	0
Asbestos Management	79,900	79,900	0
Water Treatment Works	86,990	212,230	125,240
Planned Programme	463,990	463,990	0
<b>Total Building Maintenance Budget</b>	<b>1,943,550</b>	<b>2,068,790</b>	<b>125,240</b>

- 5.6 In recognition of the risks arising from the significant reduction in the building maintenance budget, there is an earmarked reserve for an Infrastructure Investment Fund. The Fund has an uncommitted balance of £1.6m. These resources will help ensure there is provision within the Council's overall resources to partly mitigate against such risks. In order to access these reserves for in year resources 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.
- 5.7 It is recommended that a sum of up to £170k is allocated from the earmarked reserve to carry out the necessary works at Churchill Theatre/ Central Library to protect the Council's VAT exemption status. The final cost for this work is not known as the issue has only just emerged and the work required to install separate metering is currently being assessed.
- 5.8 It should be noted that on 10 February 2016 Executive agreed that an amount of £53k be set aside from this fund for the Central Depot wall.



- 5.9 This report is recommending that £113k is carried forward from this year's planned programme to reconstruct the Central Depot wall. The estimated cost of these works is now £216k and requires £50k from the 2017/18 budget along with the £53k from the earmarked reserve.

## **6. CUSTOMER PROFILE**

- 6.1 The ongoing maintenance of the Council's operational buildings has an impact on all Council staff, customers and visitors.

## **7. STAKEHOLDER CONSULTATION**

- 7.1 In addition to its consultation and communication with the Client, Amey Community Ltd is continuing to hold Focus Groups with each department. This ensures that the local knowledge used in the compilation of the programme is maintained and representatives are notified of any planned programmed works being undertaken in the buildings connected with their services.

## **8. LEGAL IMPLICATIONS**

- 8.1 There is, as is outlined in this report, a range of specific duties which requires 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 funding is allocated against the different budget heads in a way that will ensure that the Council fulfils these obligations. The budget reductions mean that there will be year on year deterioration to the operational buildings.
- 8.2 Amey Community Ltd will now be responsible for procuring and delivering the maintenance programmes and the Client Team will monitor their activities and delivery in accordance with the terms of the contract.

<b>Non-Applicable Sections:</b>	Personnel and Procurement Implications
Background Documents: (Access via Contact Officer)	Gateway Report Commissioning – Proposed Total Facilities Management Contract, Report to Executive (20 July 2016)

## Appendix A

### Planned Programme 2017/18

Operational Premises	Works	Project cost	Comments
St Blaise Toilets	Ladies and Gents Toilet refurbishment	£39,375	The toilets are in an extremely dilapidated condition. As part of the Ofsted review, the issue of staff retention and morale was raised and the negative impact of the facilities was a key issue.
Kelsey Park Depot	New pump station and soil pipe and waste	£65,250	This depot is used by the Council's contractor as a park depot. The existing toilets had to be disconnected as they were contaminating the lake. Temporary toilets were hired and are emptied on a regular basis at an annual cost of £6400. The Council is about to retender the grounds maintenance contract and as part of that process Amey and Environmental Services are carrying out a review of Depots. If it is decided to continue the use of this depot, then consideration should be given to reinstating the original toilets and running new waste pipes to the main sewer. It is anticipated that the new grounds maintenance contracts could be for a period of up to 16 years. If this is the case, then this work could save the Council approximately £37k over the life of the contract.
Saxon Day Centre	Strip up and re-roof felt to main hall	£45,000	The roof has reached the end of its life and needs to be replaced.
Central Depot Wall	Cost to cover extra works to Central Depot wall	£50,000	There is the sum of £188,000 in the 2016/17 programme to reconstruct the brickwork of the Old Stable Block wall. The surveys that have been carried out have indicated that the problem may be more severe than anticipated and an additional £50k is being requested to cover an estimated shortfall of funding.
Misc	Electrical Remedial Works	£29,060	Carry out works to distribution boards for H&S reasons.
Multi Storey Car Park	Replacement of Passenger Lift	£78,000	The lift is subject to frequent breakdowns and has reached the end of its life. Substantial replacement of parts is required to bring the lift back into efficient operation. A functional lift is required to comply with the requirements of the Equality Act (DDA).
BEECHE Centre/Café, High Elms	Boiler Up-grade and associated works	£33,750	This boiler was installed as a back up boiler to the biomass boiler, but is now used as the main boiler. It is not fit for this purpose and the boiler and associated pipework needs to be replaced with a boiler of a higher capacity.
Petts Wood Library	Boiler Replacement	£11,200	The boiler has reached the end of its life and requires replacement.
Civic Centre	Up-grade and re-commission of BMS (Building Management System) system	£28,000	The Building Management System controls the heating of the Civic Centre. It also provides a view only setting for some of the localised controls at other buildings. The system is out of date and it is proposed to up-grade it for better diagnosis and more accurate control from a centralised system. This will also provide greater energy efficiency.
Petts Wood Pavilion	Up-grade and separate metering of heating and hot water.	£33,700	There are two occupants of the building and heating and hot water services are shared. The plant is at the end of its life and it is proposed to introduce modern efficient plant and separate the services.
<b>Total carried forward</b>		<b>£413,335</b>	

Operational Premises	Works	Project cost	Comments
<b>Total brought forward</b>		<b>£413,335</b>	
Misc	Fire Risk Assessment - remedial works	£15,155	Fire risk assessments were carried out by Environmental Services in 2015 at approximately 110 operational buildings. The assessments identified remedial works, which were divided into categories 1 and 2. The category 1 remedial works were carried out, but category 2 works are still outstanding and the Council's Corporate Health and Safety Advisor has advised that these works also need to be carried out. to ensure compliance with fire regulations.
Chislehurst Toilets	Demolition	£13,500	When it was decided to close some of the public conveniences in 2012, the Chislehurst toilets were earmarked for demolition. There have been a number of proposed alternative uses, but none of them has been acceptable to the Council. Although the services to the toilet were decommissioned, rates continue to be paid on the building. It is proposed to demolish the building to eliminate any further unnecessary revenue expenditure.
Civic Centre	Replacement of operating plant to Stockwell Lift	£22,000	The operating plant is at the end of its servicable life. The lift is subject to frequent breakdowns and spare parts are becoming obsolete.
<b>TOTAL PLANNED PROGRAMME</b>		<b>£463,990</b>	

#### Funding Request from Infrastructure Investment Fund

Churchill Theatre/Central Library	Split water and power services at Churchill Theatre and Central Library	£168,750	The Council has negotiated a new management contract and Lease with HQT. As part of the agreement, HQT pay a peppercorn rent. As the two buildings share mechanical and electrical services, utilities are not separately metered and costs are currently apportioned. Finance have advised that in order to continue the Council's VAT exemption, utilities cannot be recharged against peppercorn rents unless they are separately metered. As this would mean that the Council would be liable to pay all the utility costs for both buildings , it is proposing to separately meter the utilities.
<b>TOTAL</b>		<b>£168,750</b>	