

Decision Maker: EXECUTIVE

Date: Wednesday 28 March 2018

Decision Type: Non-Urgent Executive Key

Title: OPERATIONAL BUILDING MAINTENANCE BUDGETS AND
PLANNED PROGRAMME 2018/19

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Chief Officer: Colin Brand, Director of Regeneration

Ward: (All Wards);

1. Reason for report

This report sets out the proposed maintenance budgets and planned programme for 2018/19.

It requests additional funding to ensure that the Council has sufficient funds to carry out annual fire risk assessments and any identified remedial works.

It provides an up-date on the lease review that has been undertaken to identify any further costs arising from additional statutory obligations.

It requests additional funding to ensure that the Council has sufficient funds for the Central Depot Wall reconstruction.

It outlines the financial implications arising from the expiry of the lease at Yeoman House, Penge.

2. **RECOMMENDATION(S)**

2.1 **Members are asked:**

2.1.1 **to agree to increase the Building Maintenance budget by £86k for fire risk assessments and cyclical maintenance for the reasons set out in the report which is to be funded from the Council's 2018/19 Central Contingency.**

- 2.1.2 to approve funding of up to £79k from the earmarked reserve for Infrastructure Investment to undertake the remedial works identified from the fire risk assessments.**
- 2.1.3 subject to the Council agreeing the budget, to approve an overall expenditure of £2,173k for the Building Maintenance budget in 2018/2019.**
- 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 the carrying forward to 2018/19 the sum of £163k for the Central Depot Wall.**
- 2.1.7 to approve funding of £500k from the earmarked reserve for Infrastructure Investment to add to the sums already set aside for the Central Depot Wall, making a total budget of £716k.**
- 2.1.8 to add the Central Depot Wall scheme to the 2018/19 capital programme with a total scheme cost of £716k, funded from the £163k carry forward sum and £553k from the earmarked reserve for Infrastructure Investment.**
- 2.1.9 to note that the part year saving of £44k relating to Yeoman House will be returned to the 2018/19 Central Contingency**
- 2.1.10 to note that a future report on the maintenance issues for the Churchill Theatre/Central Library will be brought back to Members.**

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: £2,173k and £716k
 2. Ongoing costs: Recurring Cost £2,173k
 3. Budget head/performance centre: Repairs & Maintenance Budget & Unallocated sum from Earmarked Reserve
 4. Total current budget for this head: £2,008k and £1,414k
 5. Source of funding: 2018/19 revenue budget and earmarked reserve for Infrastructure Investment (unallocated balance)
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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 responsibility for delivering building maintenance.
- 3.2 This report outlines the proposed allocations against the various budget heads for 2018/19 as proposed by Amey in consultation with the Council's Client Team and provides up-dates on some issues raised last year and highlights some new issues.
- 3.3 The up-dates are as follows:

Cyclical Maintenance Review

- 3.4 Last year the Executive was advised that Amey was concerned that the Council's cyclical maintenance routines for the tenanted portfolio and for operational buildings managed by third party suppliers were not robust and did not cover all of the Council's statutory inspection obligations under the terms of its leases. In a worst case scenario, it was estimated that there could be additional costs in the region of £286k. It was agreed that Amey would review the leases to see if there were any additional responsibilities, which should be added to the schedules of routine maintenance and for additional statutory tasks and cyclical routines to be applied. It was further agreed that there would be a report back to Members to seek funding if this proved necessary following the lease review.
- 3.5 In the last year Amey has reviewed 80% of the leases and has determined that there were ten buildings that should have been on the cyclical schedule, but were not. They have now been added to the schedule and actual costs for the current financial year amounts to £12.5k which have been funded from an accrual provision that was no longer required. The ongoing annual cost for these buildings will be £25k per annum and it is requested that this sum is added to the cyclical budget. This would be funded from the 2018/19 Central Contingency Fund.
- 3.6 The lease review of the remaining 20% of the portfolio is continuing and the results will be reported back to Members, if there are any further budgetary implications.
- 3.7 The following carry forward is requested and the reasons for this request are outlined as follows:

Depot Wall

- 3.8 There is currently a budget of £216k set aside to reconstruct the brickwork to the Old Stable Wall at Central Depot, which comprises of:

	£'000
Amount carried forward from 2016/17 planned programme	113
Allocation from 2017/18 planned programme	50
Total to be carried forward to 2018/19	163
Allocation from Earmarked Reserve for Infrastructure Investment	53
Total Funding allocated to date	216

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 much more complex than original anticipated and in addition to the reconstruction, which will need to be completed in carefully planned phases, there are party wall and other implications for the neighbouring home owners. A structural engineer has been appointed to

design, tender and deliver the project and it is also necessary to appoint a party wall surveyor. It is now anticipated that the estimated cost for the work will exceed the amount put aside by at least £500k. Members are asked to carry forward to 2018/19 the sum of £163k and note that £53k has been allocated from the Earmarked Reserve. Members are also asked to agree to allocate an additional £500k from the Infrastructure Investment earmarked reserve, to be added to the £216k already agreed and to add the scheme with a total estimated cost of £716k to the capital programme. The estimated costs include construction, consultancy services, surveys and party wall surveyor fees.

Churchill Theatre/Central Library – Separation of Services

3.9 Last year Members agreed to £170k for this one-off item of expenditure to be funded from the earmarked reserve in the Infrastructure Investment Fund. This work was not carried out as it is being considered alongside other maintenance issues affecting these buildings. It may ultimately form part of a programme of works or it may still have to be carried out as a one off item. A report on the Churchill Theatre/ Central Library will be brought to a future Executive. This sum will remain as allocated from the Earmarked Reserve for these premises.

3.10 The following are new issues that have financial implications:

Fire Risk Assessments

- 3.11 Fire Risk Assessments are a statutory requirement and it is proposed to transfer responsibility to Amey to undertake them, given that they are responsible for other building related statutory compliance. A relevant Change Control Notice will have to be issued to ratify this addition to their contract.
- 3.12 The Regulatory Reform (Fire Safety) Order 2005 requires those in charge of commercial buildings to carry out detailed fire risk assessments regularly. There is no fixed period for carrying out assessments, but they should be carried out whenever there are significant changes, which could affect the fire risk, including changes to the building, staff, occupancy, activities, legislation etc. Identifying when significant changes occur is an almost impossible task for building owners, particularly if, as in Bromley's case, there are so many different departments and organisations responsible for their management. Best practice that is now being introduced by organisations is to review the Fire Risk Assessments annually.
- 3.13 It is recommended that budgetary provision is made for Amey to carry out the annual assessments and any remedial works identified. The annual assessments will cost £61k pa, however the cost of remedial works will vary.
- 3.14 Amey was instructed to carry out Fire Risk Assessments in 2017 on operational buildings and for tenanted buildings where the Council has statutory testing as part of its landlord responsibilities. This programme of assessments is nearing completion with some low risk buildings still to be completed.

3.15 Fire Risk Assessments cover the following:

- emergency routes and exits
- fire detection and warning systems
- firefighting equipment
- the removal or safe storage of dangerous substances

- an emergency fire evacuation plan
 - the needs of vulnerable people, for example the elderly, young children or those with disabilities
 - providing information to employees and other people on the premises
 - staff fire safety training
- 3.16 The assessments identify high, medium and low actionable risks, some of which are resolved by site management actions and some of which necessitate building works.
- 3.17 Responsibility for site management actions sit with the Council and relates to actions which should be carried out by the buildings' managers, such as regular fire safety checks, weekly bell tests, appointing fire marshals, etc. The findings of the assessments will be communicated to the departments and building occupiers to ensure they are aware of their responsibilities and to enable them to action the tasks for which they are responsible. Amey will also support one or two workshops with the building occupiers / managers in order to ensure there is a clear understanding of their responsibilities under the legislation.
- 3.18 Amey has reviewed the assessments carried out so far and identified the remedial works required to the buildings. Most of these works are straightforward and can be completed by its direct labour organisation or by contractors from its preferred supplier list. The estimated cost of these works is £79k and this sum is requested to be allocated from the Earmarked Reserve for Infrastructure Investment.
- 3.19 Some recommended actions have not been costed yet and require further consideration by the client team. These are some higher cost items, including fire door and alarm panel compliance checks that may need to be dealt with as a programme of works. There will be a report back to Members if necessary once further discussion and risk profiles have been reviewed with Amey.
- 3.20 Further analysis of the remaining assessments will be carried out once they have been completed.
- 3.21 The extent of remedial works is likely to vary each year, so the maintenance budget for fire risk assessments will also vary, although it is anticipated that the remedial repairs for this year are likely to be higher than in future years.

Yeoman House: Lease Expiry

- 3.22 The Council leases all of the 4th and part of the 5th floor at Yeoman House and incurs net costs of approximately £181k per annum for rent, rates, maintenance etc. The 4th floor has been vacant since the Community Learning Disability Team (CLDT) moved to Queen Mary's Hospital in April 2017.
- 3.23 The lease expires in August 2018 and is not being renewed. Under the terms of the lease the Council has dilapidation liabilities that include as a minimum redecoration of all surfaces, but the landlord can also require the tenant, not less than 3 months before the end of term, to remove any permitted alterations or improvements and reinstate the demised premises back to their original state. The Council carried out extensive works to the 4th floor to accommodate the CLDT Team, installing cellular offices, clinic rooms, meeting rooms, disabled toilet etc. Some works, although not as extensive, have also been carried out on the 5th floor.
- 3.24 Details of the potential estimated costs are included in the Part 2 report.

Proposed Maintenance Budgets for 2018/19

3.25 The proposed maintenance budget for 2018/19 is £2.173m, which is £165k above the current budget for 2018/19. This programme is broken down into the following budget heads:

- Reactive Maintenance
- Cyclical Maintenance
- Asbestos Management
- Water Treatment Works
- Planned Programme
- Fire Risk Assessments (new)

3.26 The maintenance budget heads are described in more detail below

REACTIVE MAINTENANCE

3.27 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. The proposed 2018/19 budget for Reactive Maintenance is £889.95k.

CYCLICAL MAINTENANCE

3.28 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.

3.29 The lease review has identified that there are a number of buildings which need to be added to the schedule of cyclical maintenance at an additional cost of £25k. The additional amount is to be funded from the Central Contingency Fund as previously agreed by the Executive.

3.30 The proposed budget for 2018/19 for cyclical maintenance is £384.2k.

ASBESTOS MAINTENANCE

3.31 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 2018/19 is £81.48k.

3.32 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 added for asbestos costs.

WATER TREATMENT WORKS

3.33 This budget enables the Council to meet its statutory obligations with regard to the control of Legionella and water hygiene.

3.34 It is proposed that the budget for 2018/19 is £216.43k.

PLANNED PROGRAMME

3.35 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.

3.36 It is proposed that the budget for 2018/19 is £473.17k and the proposed programme is shown in Appendix A.

FIRE RISK ASSESSMENTS

3.37 It is proposed to add fire risk assessments as a new budget head for the reasons outlined in this report.

3.38 It is proposed that the budget for 2018/19 is £140k. This comprises of £61k per annum for fire risk assessments and a one off amount of £79k to carry out the remedial works identified. Remedial works will vary each year.

WITHDRAWN BUDGETS

3.39 The Disability Access, Redecorations and Minor Improvement budgets were withdrawn several years ago.

3.40 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.

3.41 The suspension of the programme of internal and external redecoration at operational buildings will result in a deterioration of building elements and more significant repairs at a later date.

3.42 Individual departments are now expected to fund any requested improvements works from their own budgets.

VARIATIONS TO PROGRAMMES

3.43 In previous years, the responsible Director 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. IMPACT ON VULNERABLE ADULTS AND CHILDREN

There is not considered to be an impact on Vulnerable Adults and Children as a consequence of this decision.

5. POLICY IMPLICATIONS

- 5.1 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 undertaken via the TFM Contract, which will be reported to the Executive.

6. FINANCIAL IMPLICATIONS

- 6.1 The building maintenance budget (excluding education properties) is managed by Amey Ltd in partnership with the Council. The draft 2018/19 budget has an amount of £2,007,730 set aside for repairs and maintenance.
- 6.2 This report identifies that this budget is too low and an additional £165k is required for additional cyclical maintenance works to ensure that the Council fully complies with its statutory responsibilities for fire risk assessments and remedial works as detailed above.
- 6.3 It is therefore proposed that the overall maintenance budget is increased to £2,172,730. An increase of £86k for cyclical maintenance and fire risk assessments 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 and a variable sum will be required each year to carry out remedial works identified by the fire risk assessments. It is proposed that this is funded from the 2018/19 Central Contingency.
- 6.4 The table below shows a comparison of the current 2017/18 draft budget and the proposed budget across the different budget heads:

Service	2018/19 Draft Budget	2018/19 Proposed Budget	Difference
	£	£	£
Reactive/Unplanned	889,950	889,950	0
Cyclical Maintenance	346,700	371,700	25,000
Asbestos Management	81,480	81,480	0
Water Treatment Works	216,430	216,430	0
Planned Programme	473,170	473,170	0
Fire Risk Assessments	0	140,000	140,000
Total Building Maintenance Budget	2,007,730	2,172,730	165,000

- 6.5 The additional cost of £165k relates to funding of recurring costs of £86k from the 2018/19 Central Contingency Sum and one off funding of £79k from the Infrastructure Investment fund (see 3.13 and 3.18).
- 6.6 In recognition of the risks arising from the significant reduction in the building maintenance budget, there is an earmarked reserve for Infrastructure Investment. The Fund has an uncommitted balance of £1.414m. 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.

6.7 It is recommended that a sum of up to £79k is allocated from the earmarked reserve, to carry out the fire risk remedial works identified from the assessments carried out this year.

6.8 The table below summarises the current financial position of the earmarked reserve: -

	£'000	£'000
Initial Approved Sum		2,000
Allocations agreed to date		
Condition surveys & associated works	363	
Central Depot	53	
Churchill Theatre/Central Library	170	
	<u> </u>	<u>586</u>
Current unallocated Balance		1,414
Allocation approval requested March 2018		
Fire Risk remedial works	79	
Central Depot	500	
	<u> </u>	<u>579</u>
Unallocated Balance if request approved		<u>835</u>

6.9 This report is recommending that £163k is carried forward from the planned programme to reconstruct the Central Depot wall and that an additional £500k is allocated from Infrastructure Investment Fund to ensure that the Council has sufficient funds to reconstruct the Central Depot Wall. It is recommended that the total scheme of £716k is added to the capital programme for 2018/19.

6.10 It should be noted that there will part year savings of £44k and full year savings of £66k, as a result of Council staff moving from Yeoman House to Queen Mary Hospital. The part year savings will be returned to the 2018/19 Central Contingency.

7. CUSTOMER PROFILE

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

8. STAKEHOLDER CONSULTATION

8.1 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.

9. LEGAL IMPLICATIONS

9.1 There is, as is outlined in this report, a range of specific duties which requires the Council to undertake 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.

9.2 Amey Community Ltd is now 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.

Non-Applicable Sections:	[List non-applicable sections here]
Background Documents: (Access via Contact Officer)	[Title of document and date]

Appendix A

Planned Programme 2017/18

Operational Premises	Works	Project Cost	Comments
118 Widmore Road	Lift replacement	£35,000	The lift is subject to frequent breakdowns and extensive repairs have not resolved the defects. 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).
Grassmead Pavillion	Demolition	£25,000	This pavilion has been subject to vandalism in recent years and as it is deemed surplus to future use the best action going forward is to demolish the structure and landscape the plot
Kelsey Park Depot	New pump station and soil pipe and waste.	£65,150	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 pies 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. The work was meant to be carried out this year, but was deferred as a result of several in year emergencies
Gorringes Farm	Structural Repairs	£100,000	The farm is occupied under a secure agricultural tenancy. The cottage is in need of repair and major renovation with structural movement to the external walls and evidenc of damp. It is the landlord's responsibility to carry out these repairs.
Crystal Palace Car Park	Replacement of lights	£15,000	The lights are no longer working and repairs have not been effective. Replacement is required.
Total carried forward		£240,150	

Operational Premises	Works	Project Cost	Comments
Total brought forward		£240,150	
Duke Youth Centre	Replacement of flat roof and new clerestory windows	£130,000	Roof coverings have reached the end of their life and the roof has been subject to water ingress in recent years, along with the base detail of the clerestory windows causing an issue. Replacement is essential.
West Wickham Swimming Pool	3 x Sand filters - Phase 1	£19,000	The filters are at an age where they are due for a refurbishment to maintain their effectiveness. The work was meant to be carried out this year, but was deferred as a result of several in year emergencies.
Croydon Road Car Park	Reform gravel entrance drive from car park	£20,000	Large pot holes mean that the car park has to be closed to public at various times during year. Temporary repairs have not been effective and more substantial works are required to permanently resolve the issue.
Bertha James Day Centre	Replacement of walk-in freezer	£20,000	The existing unit is breaking down on regular basis and is now beyond further economic repair.
Whitehall Rec Bowls Club	Replacement of Water Main	£10,000	Original water main goes through the grounds of former lodge house (now sold to developer). Although an easement would give the Council rights of access, recent leakages indicate that it would be prudent in the long term to reroute the water main through adjacent Council owned land.
High Elms Estate	Reconstruction of 2no brick piers and replace missing bow top metal fencing bays	£20,000	To replace 2no defective brick piers and missing fencing to make area safe, currently fenced off - rear of BEECHE Centre
High Elms Golf Course	Boiler plant replacement	£14,000	Boiler has reached the end of its life and full replacement is necessary.
TOTAL PLANNED PROGRAMME		£473,150	

Infrastructure Investment Earmarked Reserve

Allocations Approved to Date

Operational Premises	Works	Project Cost	Comments
Condition Surveys & Associated Works		£363,000	Approved in 2014 and used to fund essential condition or measured surveys.
Churchill Theatre/Central Library	Split water and power services at Churchill Theatre and Central Library	£170,000	This work was meant to be carried out this year, but was deferred, so that the Council could review it in the context of other maintenance works required at these buildings.
Depot Wall		£53,000	As outlined in report
Sub Total		£586,000	

Proposed Allocations

Fire Risk Remedial Works		£79,000	To carry out the remedial repairs identified in the Fire Risk Assessments
Central Depot Wall		£500,000	As outlined in report
Sub Total		£579,000	
Total Allocations		£1,165,000	