



Report sponsor: Steve Caplan – Director of Property
Report author: Arshie Mushtaq

Property Improvement Capital Works Programme 2020/21

Purpose

- 1.1 This report proposes further details to the Property Capital Programme approved at Council Cabinet on 12 February 2020, Mid-Term Financial Plan (Appendix 1) paper across a proposed number of projects to form the 2020/21 Property Improvement Capital Programme.
- 1.2 The Property Improvement Work Programme is capitalised and funded corporately and contains the proposed repair and improvement projects. These have been prioritised against essential condition issues and health and safety requirements, including fire precaution works, upgrading of emergency lighting systems, renewing life expired heating systems, roof replacements, boundary wall improvements and improvements to the building fabric.
- 1.3 The work programme is managed and monitored by the Corporate Property Board in line with the governance arrangements of the Corporate Capital Programme Board.

Recommendations

- 2.1 To approve the Property Improvement Capital Programme of works for 2020/21 as detailed in Appendix 2. This includes slippage amounts and spend bought forward.

The full Property Programme budget for 2020/21 has been allocated at £31,132 million, this is broken down as follows:

| Summary | Total 20/21 Budget |
|--|---------------------------|
| MTFP | 29,552,000 |
| Plus Slippages | 2,027,005 |
| Less Spend bfwd | -276,760 |
| Less: Outturn slippages no longer needed | -170,044 |
| Total Budget | 31,132,201 |

- 2.2 To approve budget increase and reductions as well as new projects identified as listed in Appendix 2. This includes projects that are no longer need funding, details of this shown in 4.5, and a new project titled “project development”, details shown in 4.8.
- 2.3 To continue to give delegated authority within the limits set out in the Terms of Reference (ToR). ToR limits are consistent with those set out in the Financial Regulations) to the Director of Property (as appropriate) following consultation with the relevant Cabinet Member, to enable them to respond to changing priorities throughout the year by introducing new schemes or bringing forward the implementation of some schemes at the expense of others.
- 2.4 To continue to give delegated approval to the Corporate Property Board to have oversight, assurance, and governance of the Capital Programme in accordance with the ToR
- 2.5 To continue to give delegated approval to the Corporate Property Board to allow for budget changes to be made on projects that span more than 1 financial year as long as the total project budget has been approved and that the changes are subject to affordability.

Reasons

- 3.1 The Property Capital Programme 2020 – 2021 was approved at Council Cabinet 12 February 2020 as part of the Medium-Term Financial Plan (MTFP) paper (Appendix 1). Following finalisation of feasibility reports, scheme designs and further investigation work, this report aims to reallocate some of these budgets over a number of projects.
- 3.2 In the interests of the effective management of the programme, it is appropriate to maintain the delegated approvals as outlined in the Corporate Property Board ToR; to have the authority to review the programme and reallocate funding on the basis of the outcomes of investigations, feasibility studies and progress of other schemes and changing health and safety priorities.
- 3.3 It is essential that the Property Improvement Work Programme remains flexible to accommodate the outcomes of internal reorganisations, restructures, changing work patterns and operational commitments and is able to accommodate the outcomes of decisions linked to the council's property rationalisation project.
- 3.4 Approval to the Capital Programme will ensure an alignment with the Corporate Asset Management plan and Estates Strategy, ensuring that investment is directed to the Council's retained assets contributing towards a safe, fit for purpose, efficient property estate.

Supporting information

- 4.1 The Council has a significant number of buildings that are used to directly provide services to members of the public as well as operational and administrative buildings and properties that are let out to tenants. The range of improvement works required to ensure that these properties are safe for their designated uses are extensive, with priority being given to health and safety and legislative requirements, including the Equality Act 2010 and adjustments for disabled people. The property maintenance team, facilities management and the building managers, work together to manage the risks associated with the safe and accessible operation of the buildings.

4.2 **Derby City Council's Property Portfolio**

The Council's property portfolio, comprising of 1300 land and property assets is a key resource which has a substantial financial value (capital valuation of circa £500 million, excluding residential properties).

This portfolio is vital for the delivery of public services for the residents of Derby and to support Council priorities including the growth and development of Derby City.

Whilst the property portfolio is an asset, its retention, use and management requires revenue expenditure of around £10 million per annum. If it is not maintained efficiently and used effectively it can become expensive to operate and failure to maintain it adequately will create a risk of service disruption and breach of duties as a property owner and occupier.

4.3 **Derby City Council's Corporate Asset Management Plan & Estates Strategy**

The Corporate Asset Management Plan (2018-2023) was adopted by the Council in September 2018; it sets the strategic direction for the use, management and development of Derby City Council's property assets.

The overall aim of the Corporate Asset Management Plan is to ***“ensure that the Council's property assets are effectively used and monitored in order to deliver the Council's objectives”***.

The **Estates Strategy** underpins the Corporate Asset Management plan and sets the direction of travel for the Council's Property Portfolio to determine whether assets should be (a) retained for service delivery (b) disposed of for a capital receipt / alternative use or (c) reconfigured/repurposed.

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- 4.4 The Property Improvement Capital Programme is developed based on the outcome of Condition Surveys, Surveyors visits and inspections, and in consultation with the building managers. It prioritises works based on a range of categories listed in 4.6 below. However for the past five years the programme has also been prioritised to essential works only whilst the Property Rationalisation Project has been carrying out a review of the Councils land and property.
- 4.5 The full Property Programme budget for 2020/21 has been allocated at £31,132 million, as stated in the recommendations. The following projects funding is no longer required and will be used to absolve the spend brought forward:

| Title | Scheme Detail | Total 20/21 budget (including MTFP and Outturn) | Narrative |
|---|----------------------|--|--|
| Blagreaves Library - Replacement of Heating and Boiler System | Boiler and heating | 118,000 | 19/20 Outturn slippage -no longer needed |
| Wisgreaves | Boiler Replacement | 45,000 | 19/20 Outturn slippage -no longer needed |
| Roe Farm C C | Boiler Replacement | 7,044 | 19/20 Outturn slippage -no longer needed |
| | | 170,044 | |

The breakdown of this is detailed in Appendix 2. The Property Improvement capital programme funding is predominantly from a combination of unsupported corporate borrowing and supported capital expenditure.

- 4.6 Projects have been identified across a range of categories of Property Improvement Scheme and Major Refurbishment Scheme. The 2020/21 schemes included in Appendix 2 are split into the following categories:
- 1. Property Improvement – Planned Maintenance**
 - 2. Libraries Refurbishment**
 - 3. Fire Precaution Works**
 - 4. Replacement Windows**
 - 5. Heating Projects**
 - 6. Parks Programme**

- 4.7 The proposed projects are highlighted in Appendix 2, which gives a brief description of each of the proposed budget headings and budget estimates, subject to detailed design and procurement processes. All schemes at this stage of development are budgeted to within +/-30%; these figures will be adjusted to be more accurate through the design stages of all project.
- 4.8 Essential Health and Safety improvement works have been identified to mitigate high risk and essential defects at Queens Leisure Centre (QLC). The improvement works are short term until a decision is made on the longer term future of this venue.
- 4.9 Derby Arena has been identified as a priority project to repair the arena floor. The floor has been used considerably in excess of its original design specification. If we wish to continue to use the Derby Arena as a multi-use venue, investment is required in the arena floor.
- 4.10 There are a number of heating and boiler projects which are spread across various assets in the city. These projects are a priority to those assets where the heating system is at end of life and urgent works are required to ensure service delivery. The replacement heating system for each project is carefully selected with consideration to improving energy efficiency and opportunities to use renewable energy sources.
- 4.11 The Swimming Pool/Leisure Centre Strategy is identified under the Strategic Area of Property on the MTFP Cabinet Paper, (Appendix 1), which has been approved in February 2020. The £21.930 million is an in year spend for 2020-21 which represents approximately 50% of the budget required to deliver this project.
- 4.12 To improve the accuracy of cost and programme on the larger or more complicated schemes it is proposed to approve use of a fund of £0.248 million to design and tender the projects through the Scape minor works framework. This approach will ensure the provision of a more accurate cost plan and delivery programme which will be agreed with the building managers to ensure sufficient consultation and avoid delays in accessing the properties.
- 4.13 As the projects on the capital programme progress they will be reviewed against the progress of the Property Rationalisation Project and alterations may be made to the programme to ensure that all spend is considered appropriate.
- Projects will be reviewed and profiled accordingly across future years to ensure budget profiling is monitored accurately across the financial years at each quarter and changes done through Corporate Capital Programme Board reporting.
- 4.14 The Corporate Property Board ToR has been updated and includes proposals to increase delegations to allow for budget changes to be made on projects that span more than 1 financial year as long as the total project budget has been approved and that the changes do not exceed this approved budget.

Other option

- 5.1 The development of the Property Improvement programme has involved consideration of various options for the inclusion of projects. The programme recommended is considered to be the best way to meet statutory obligations and ensure building compliance, whilst the outcomes of the property rationalisation project are awaited.

Financial and value for money issues

- 6.1 This report seeks delegated authority to the Strategic Director of Corporate Resources in consultation with the relevant Cabinet Member to respond to changing priorities throughout the year by introducing new projects or bringing forward the implementation of some projects at the expense of others (within existing Cabinet approved budgets and within delegated financial limits and in line with any grant terms or requirements).
- 6.2 This report seeks to continue delegated authority as outlined in the main body of the report.
- 6.3 All reallocations will be incorporated within the existing funding approved and will be switched to ensure no increase in borrowing is incurred within the approved programme.
- 6.4 All project changes are reported to the Corporate Property Board and will be recorded appropriately, identifying the details and reasons for the project variation, and are managed in consultation with the respective technical and financial officers.
- 6.5 All delegated approvals will be in line with financial procedure rules and approved by the Corporate Property Board.

Legal implications

- 7.1 When determining the property improvement work programme, regard must be given to health and safety legislation, the Equalities Act and Public Sector Equality Duty other relevant statutory and regulatory requirements which impact on the Council's responsibility as an employer, service provider and landlord.

Other significant implications

Personnel

- 8.1 There are no personnel implications arising from the content of this report.

IT

- 9.1 There are no IT implications directly arising from the content of this report. Budget provision will be made available for the IT components of the projects, as appropriate.

Equalities Impact

- 9.2 All projects are undertaken to take into account the Equalities Act and Public Sector Equality Duty and Building Regulations. Equality Impact Assessments will be done where appropriate for the projects at the start and continue until completion – these will be discussed with our Lead on Equality and Diversity.

Health and Safety

- 10.1 The priority projects in the main address property related Health and Safety implications and conform to Building Regulations 2010, Workplace (Health, Safety and Welfare) Regulations 1992, Regulatory Reform (Fire Safety) Order 2005 and other key legislative requirements.

Environmental Sustainability

- 11.1 All projects are designed to comply with the latest edition of the Building Regulations approved documents. Consideration is given to bring in additional funding where possible to improve the thermal efficiency of the building portfolio, balanced against budgetary constraints.

Property and Asset Management

- 12.1 The proposed Property Improvement programme has been reviewed and is supported by the Corporate Property Board. Any changes to the programme will be reported through this board.

Risk Management

- 13.1 The implementation of the proposed projects will reduce risk to the Council associated with structural, mechanical or electrical failure. Identified risks will be reported to the Corporate Property Board and will be eliminated or mitigated where possible.
- 13.2 The range of improvement works required to ensure that the Council's properties are safe for their designated uses are extensive, with priority being given to health and safety and legislative requirements. The property maintenance team, facilities management and the building managers, work together to manage the wide range of risks associated with the safe operation of the buildings.

Corporate objectives and priorities for change

- 14.1 The process set out for approval is intended to deliver a capital programme that is consistent with corporate objectives and priorities.

This report has been approved by the following people:

| Role | Name | Date of sign-off |
|----------------------------|--------------|-------------------------|
| Legal | Emily Feenan | 30/06/20 |
| Finance | Toni Nash | |
| Service Director(s) | Rachel North | |
| Report sponsor | Steve Caplan | |
| Other(s) | | |

Background papers:

List of appendices:

Appendix 1

Medium Term Financial Plan 2020/21 – 2022/23

Appendix 2

Proposed Property Improvement Capital Works Programme 2020/21