



Council Cabinet
12 June 2019

ITEM 11

**Report sponsor: Strategic Director of
Corporate Resources**
**Report author: Head of Strategic Asset
Management and Estates**

Property Improvement Capital Programme (2019/2020)

Purpose

- 1.1 The Property Improvements Capital Programme for 2019/20 with a total budget of £16.014 million was approved by Cabinet on 13 February 2019 as part of the Medium Term Financial Plan 2019/20 – 2022/23.

This report seeks approval for changes to the capital budgets for ongoing Essential Maintenance and Property Refurbishment schemes included within the overall Property Improvements Capital Programme for the financial year 2019/2020.

Recommendation

- 2.1 To approve the reallocation and changes to the Property Improvement Capital Programme for the financial year of 2019/2020 as set out in Paragraph 4.4&4.5.

Reasons

- 3.1 Approval to the Property Improvements Capital Programme will ensure an alignment with the Corporate Asset Management Plan, ensuring that investment is directed to the Council's retained assets contributing towards a fit for purpose, efficient property estate.

Supporting information

4.1 Council's Property Portfolio

The Council's property portfolio is a key resource which has a substantial financial value (capital valuation of circa £500 million, excluding residential properties). The portfolio is vital for the delivery of public services for our residents and to support Council priorities including the growth and development of Derby City.

If it is not maintained effectively it will become expensive to operate and cause a risk of service disruption potentially leading to a breach of duties as a property owner and occupier. The reduction in the revenue Building maintenance budget presents further challenges to maintaining our building stock effectively.

4.2 Corporate Asset Management Plan

A key principle of the Council's Corporate Asset Management Plan is to only retain and invest in properties that are suitable, sufficient, safe and efficient to support the delivery of our services, now and in the future.

The Corporate Asset Management Plan ensures that work is undertaken with the various service departments within the Council assisting them to identify and prioritise their property related needs and thereafter the planning, co-ordination and management of property assets.

4.3 Investment Approach

The Council is moving towards a 5-year Investment approach to its assets. This planned approach to the investment of assets gives greater transparency to the direction of travel of property assets and flexibility to adapt to the Council's changing and emerging needs to ensure the Council's retained property assets receives adequate investment ensuring a fit for purpose property portfolio. The draft five-year programme, will be presented to the Corporate Property Board in September 2019.

4.4 Formation of the Property Improvements Capital Programme (2019/2020)

Proposed repair and improvement schemes have been prioritised against essential condition issues and health and safety requirements, including fire precaution works, upgrading of emergency lighting systems, renewing life expired boilers and heating systems, roof replacements, boundary wall improvements and improvements to the building fabric.

Intelligence gathered from various service areas is continuously reviewed to determine the suitability of assets and determine the asset base required for service delivery now and in the future. This service information is then aligned with property based intelligence including:-

- Information collated from property condition reports
- Real time information assembled from surveying staff on location.

Priority areas are then determined and included within the Property Capital Programme. As a consequence of this the following amendments are proposed to the Capital Programme allocation approved in February 2019.

Area	Approved Feb 19 £m	Proposed June 19 £m	Variance £m	Commentary
Essential Element Improvements	2.961	3.214	0.253	Increase requested for essential works at various retained priority buildings in the city including the Council House, Kedleston Road Training Centre, Moorways Stadium and Bold Lane Car Park. Heating and boiler replacement schemes have been increased to provide vital investment in the ageing stock throughout the city.
Property Refurbishment;	1.535	0.766	(0.769)	Homes for Older People The spending profile is proposed to be modified; reducing the budget in 2019/20 but increase the budget for future years once the review for the provision of care for older people is finalised.
	0	0.216	0.216	Property Rationalisation 2 - An initial allocation is requested to establish the provision for the People Services at the Kedleston Road Centre and modification to the Keep. Future requirements to increase Property Rationalisation will be and included within future years proposals to realise further savings from the reduction of building stock.
	0	0.300	0.300	Energy and Access Projects – requested to improve energy efficiency of our buildings and deal with emerging building changes required to improve access.

Appendix 1 details the full Property Improvements Capital Programme budget for 2019/2020.

4.5 Delivery of the Property Improvements Capital Programme (2019/2020)

The 2019/2020 Capital Programme comprises of a number of key areas. These are set out below.

(a) Essential Element Improvement Schemes

This funding provides essential element improvement works to ensure that the retained property estate is fit for purposed and health & safety compliant. It includes: -

- Building Maintenance Projects
- Fire Risk Assessment Works
- Boiler Heating System
- Electrical Rewiring
- External Areas
- Preliminary Designs

(b) Major Refurbishment & Property Rationalisation Projects

The objective of Property Rationalisation is to ensure that property assets are utilised to their full capacity / potential and as a result will require an element of refurbishment work being required to invest in those retained assets.

Projects within this key area include:-

Homes for Older People

This work package involves assisting in the delivery and implementation of the service redesign regarding the Care Home portfolio, ensuring that the service area's operating model is effectively implemented. This will result in potential property disposals and subsequent capital receipts in conjunction with refurbishment of assets.

Property Rationalisation (Part 2)

This workstream is focusing on reviewing property assets with a potential to streamline/rationalise and release them for disposals /or invest in terms of redesign. Property assets included within this include Rycote Centre, Royal Oak building, Kedlestone Road, Ashtree House, Curzon Street premises.

(c) City Centre Infrastructure

This allocation is intended to provide improvements to the city centre infrastructure for the festive lighting display.

(d) Energy Improvements

A proportion of the Property Improvements Capital Programme (5% equating to £200,000) will be ring fenced to undertake Energy improvements to the retained estate, in accordance with the Council's Energy Plan. The objective is to reduce CO₂ emissions and to ensure that property assets are as energy efficient as possible. In addition, this fund will be utilised to seek opportunities for energy generation. The intention is that government funding streams such as SALIX will be utilised with projects that qualify to maximise the effect of the budget.

(e) Accessibility

A proportion of the Property Improvements Capital Programme (2.5% equating to £100,000) will be utilised to undertake accessibility improvements (when required) to the retained estate in accordance with the Equalities Act 2010.

Public/stakeholder engagement

- 5.1 The proposals have been prepared following consultation with the respective services and Corporate Property Board has approved in principle the details.

Other options

- 6.1 The development of the Property Improvements Capital 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 ensuring the outcomes of Property Rationalisation project are embedded.

Financial and value for money issues

- 7.1 This investment approach ensures that the Council's retained property stock is well maintained and fit for service delivery. It also aims to deal with revenue pressures resulting from the reduction in the revenue budgets for maintenance and release savings in energy consumption from our buildings.
- 7.2 All capital budget 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.
- 7.4 All project changes are reported to the Property Projects Group 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.
- 7.5 All delegated approvals will be in line with financial procedure rules and approved by the Property Board.
- 7.6 The Property department is reviewing the way these works are delivered to ensure efficiencies are achieved; the intention is that these works will be delivered utilising a combination of existing frameworks and an open tender approach.

Legal implications

- 8.1 When determining the Property Improvement Capital Works Programme, regard is 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

9.1 Equalities Impact

All projects are undertaken to consider 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.

9.2 Health and Safety

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.

9.3 Environmental Sustainability

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.

9.4 Property and Asset Management

The proposed Property Improvements Capital Programme has been reviewed and is supported by the Property Projects Group. Any changes to the programme will be reported and recorded through this board.

9.5 Risk Management

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.

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.

9.6 Corporate objectives and priorities for change

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

Appendix 1

This report has been approved by the following people:

Role	Name	Date of sign-off
Legal	Olu Idowu	23-05-2019
Finance	Toni Nash	23-05-2019
Service Director(s)	Dinesh Kotecha	23-05-2019
Report sponsor	Don McLure	23-05-2019
Other(s)	John Sadler	23-05-2019