

Subject: Annual Planned Maintenance Budget and Asset Management Fund Allocations 2023-24 for the Council's Operational Buildings

Date of meeting: 16 March 2023

Report of: Executive Director for Economy, Environment & Culture

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Ward(s) affected: All

For general release

1. Purpose of the report and policy context

- 1.1 To seek approval for the annual revenue budget allocation and programme of maintenance, improvements and Health & Safety works for the Council's operational property portfolio. The report details the allocations for two budget areas: The Planned Maintenance Budget and the Asset Management Fund.
- 1.2 The Planned Maintenance Budget that covers essential repair works to civic offices, historic, operational, commercial and environment buildings consists of a combined revenue and capital budget of £4,430,690 and a Social Care Planned Works Budget of £500,000, totalling £4,930,690.
- 1.3 The annual Asset Management Fund is a capital budget for property improvements and health & safety works totalling £1,000,000.

2. Recommendations:

- 2.1 That an additional £1.5m of capital borrowing to be added to the annual allocation to help meet some of the top priority capital planned maintenance works that cannot be met by the existing budget.
- 2.2 That the annual programme of planned maintenance works for the Planned Maintenance Budget as detailed in Appendices 1 and 2, at a total estimated cost of £4,930,690 be approved.

- 2.3 That the Asset Management Fund allocation for 2023-24 totalling £1,000,000, as detailed in Appendix 3 of this report be approved.
- 2.4 That delegated authority be granted to the Executive Director Economy, Environment & Culture and Assistant Director Property & Design to procure the Planned Maintenance Budget and Asset Management Fund improvement works and award contracts within these budgets.

3. Context and Background Information

Asset Management

- 3.1 The council's Corporate Property Strategy & Asset Management Plan sets out the property context for Brighton and Hove, the council's strategic property objectives, and is available on the council's website. The Corporate Property Strategy & Asset Management Plan will be refreshed and presented to Policy and Resources Committee later this year.
- 3.2 The council's property is managed strategically and operated through a mixed economy Corporate Landlord Model that centralises the council's property functions to professional teams in Property & Design within the Economy, Environment and Culture Directorate. The aim is to make best use of council assets to support corporate objectives and improve the utilisation, efficiency and effectiveness of our land and buildings. This is supported by the council's property asset data and systems that help to inform the process.
- 3.3 Rolling condition surveys are undertaken to ensure a robust assessment of the council's 5-year requirement for planned maintenance to help prioritise future programmes of work in conjunction with internal Client's future service delivery plans.

Planned Maintenance Budget

- 3.4 This budget of £4,930,690 relates to those operational buildings where the council has a repairing liability but excludes council housing, highways, farm buildings and educational establishments that have their own budgetary provisions. It includes the Environment buildings budget of £106,950 for 2023-24.
- 3.5 It is proposed that additional funding of £1.500m is added to the Capital Investment Strategy for 2023/24 to support essential maintenance works at a number of larger priority buildings. This sum was approved at Budget Council on 23 February 2023. Details of the sites, the nature of the maintenance works and contributions are detailed in Appendix 1. This additional £1.5m has been included in the total £4.930m budget and is funded through additional borrowing from the revenue allocation in the planned maintenance budget. The additional £1.5m capital injection is a one-year short-term measure due to the many pressures on this budget and the declining state of the council's assets. Officers will report back at a later Policy and Resources Committee with a five-year strategy to address priority capital investment in the building portfolio.

- 3.6 The Brighton Centre requires essential maintenance works estimated at £4.0m. This has been included in the Council's Capital Investment Programme and is separate from this Planned Maintenance Budget. The main areas of spend in the first 2 years will be essential roof, mechanical and electrical works. The works are profiled at £1.0m spend per year for a 4-year period.
- 3.7 The Corporate Building Maintenance Strategy sets out a robust framework to deliver the key property objective to optimise the contribution to the council's priorities and strategic and service objectives. The aim is to ensure that finite maintenance resources are prioritised and targeted at our key operational assets. This is being reviewed in 2023-24 to enable a more robust analysis of each of the 395 buildings and structures that fall to this budget. As well as condition requirement over a 5-year period and an assessment of Suitability for Clients, reactive, term maintenance, energy efficiency will also be considered. Where possible income generation is anticipated through either disposal for a capital receipt or revenue from rental.
- 3.8 Like most local authorities, the council faces an unsustainable backlog in its required planned maintenance, extreme budget challenges and our small and limited maintenance budgets are inadequate for the need. Financial controls applied over a number of years have meant substantial cuts in what can be achieved, that in turn increases our prioritised volumes of required maintenance with associated risk. To address this now severe maintenance backlog, in consultation with finance, it is proposed that in the short term an extra £1.5m is borrowed to fund the main priority capital investment needs at Hove Town Hall to curtain walling, the King Alfred Leisure Centre roof, St Luke's swimming pool boilers, Industrial House roof, Imperial Arcade roof, Mile Oak Community Centre, East Brighton Park house, and Crowhurst Road. The recent closure of the King Alfred Leisure Centre due to roof leaks affecting the boiler's control panel and the storm damage to the original Hove Town Hall clock tower curtain walling are real examples of risk leading to closure or part closure of our buildings.
- 3.9 Inadequate planned maintenance budget issue is compounded by the reactive maintenance budget that it is significantly short for effectively maintaining the large and complex Corporate Landlord portfolio to a respectable standard. For several years, usually halfway through the financial year, spending restrictions are put in place to limit spending and prevent exceeding the budget whereby urgent, Health and Safety issues are the only jobs to be actioned. This results in a cumulative effect of buildings not being maintained to a good standard and ultimately not being addressed until a dire situation comes to light. Obviously, this then means in the long run, we are spending more on maintenance rather than addressing issues when they are small and being pro-active.
- 3.10 Currently there is no day-to-day preventative maintenance function due to savings taken in previous years. This also creates a significant operational void between the urgent reactive maintenance function and planned maintenance projects. Thereby, any smaller day to day/pro-active jobs such as painting, replacing carpets, basic upgrades are not carried out due to ongoing insufficient budget allocation. This has resulted in the portfolio being in a poor state, jeopardising the Corporate Landlord model, and most notably putting BHCC at risk. For example,

the recent storm damage to the 1970's glazing system to the Hove Town Hall clock tower.

- 3.11 The annual planned maintenance budget allocation is prioritised in consultation with service client officers to address the highest critical and most essential maintenance works and supports service re-design and delivery. It also aims to ensure that statutory compliance works, and higher risk Health and Safety issues are addressed. Essential maintenance includes works of a structural nature and those that keep our buildings watertight. Officers aim to ensure best use of resources available, value for money and that funding is prioritised. Around a third of the planned maintenance budget covers the costs of statutory compliance testing, routine servicing and maintenance contracts as detailed in Appendix 1.
- 3.12 In accordance with the council's 50-year lease agreement with the trustees of the Brighton Dome Complex on the Royal Pavilion Estate that commenced in 1999, a figure estimated at £274,529 has been top sliced from the budget to a sinking fund to contribute towards maintenance works at the Dome. There is an obligation within the lease agreement that the council provides a contribution to this sinking fund each year (that increases by Retail Prices Index) to go towards helping to maintain the fabric of the building, items of plant, statutory compliance testing, routine servicing, etc.
- 3.13 The Royal Pavilion & Museums buildings transferred to the Royal Pavilion & Museums Trust on a 25-year contract on 1st October 2020. The lease arrangements mean that the Trust is fully responsible for all forms of external and internal maintenance, health and safety and compliance for the leased buildings. To financially contribute towards to the upkeep of these council buildings, the council retains an annual sum within this budget for a planned programme to be prioritised and agreed between the Trust and Property & Design. For 2023-24 the estimated sum allocated is £443,070 for planned maintenance and £61,940 for term, statutory and reactive contracts; a total estimated sum of £505,010 from this budget and a further estimated contribution of £121,900 from capital reserves and delegated budgets to support the total maintenance commitment to the Trust.

Summary of the proposed Annual 2023/24 Planned Maintenance Budget Programme of Works

- 3.14 The financial allocation to each main service client area is listed within Appendices 1 and 2. Examples of planned maintenance works in the corporate and environment programme include structural remedial works, reroofing, seafront redecoration, roofing works, lift repairs, cladding repairs, repairs and redecoration to cemetery buildings and libraries, boiler replacement at leisure centres. For Corporate Landlord (CL) premises the PMB is primarily used for project works relevant to but not exclusive to for example, safe Legionella Management and water monitoring, passenger and goods lifts, boiler refurbishments and replacements, electrical installations, fire and intruder alarms, automatic doors etc. In the case of Freedom Leisure CL would only be responsible for the replacement of main plant i. e. boiler or air handling plant and main structural repairs of the premises i.e. roofs and floors. The provision of cyclical maintenance and reactive repairs remains the responsibility of Freedom

Leisure. Flexibility is available during the year to reprioritise the programme to meet any changing service priorities and respond safely to any local Covid-19 outbreaks or similar emergency requirements within specific buildings.

- 3.15 There are sums to fund the ongoing structural propping and engineer checks to Madeira Terraces whilst the major project of refurbishment continues to develop. Each service client area also has a sum allocated for Health and Safety risk management works that is to address any unforeseen required remedial works throughout the course of the year.
- 3.16 Examples of areas of work to the adult and children's Social Care portfolio include a variety that address risk reduction to support some of the most vulnerable, such as roof repairs, window repairs and internal and external redecorations.

The Asset Management Fund

- 3.17 The Asset Management Fund 2023-24 is a capital fund of £1,000,000 to support property improvements, property related Health & Safety requirements and access improvements under the Equality Act 2010. It forms part of the Capital Strategy 2022-23 along with the Strategic Investment Fund of £250,000 and the Information, Technology & Digital Fund of £1,000,000.
- 3.18 The proposed overall Asset Management Fund allocation is as follows and details of the bids can be found in Appendix 3 which includes a breakdown of the reprioritised Workstyles programme, important health & safety improvements to two major operational buildings, and property related health & safety and Equality Act requirements:

Description	Asset Management Fund
1. General Property Improvements	Funding £m
1a Workstyles Phase 4	0.250
1b Bartholomew House – Boiler Replacement and associated works	0.275
1c Bartholomew House – Mechanical Ventilation works	0.250
1d Energy Certificates	0.035
Sub total general property improvements	0.810
2. Equality Act Improvements	
2a Rolling programme of access improvements to corporate buildings	0.025
3. Property Related Health & Safety Legislation	
3a Asbestos Management	0.020
3b Legionella Management	0.020
3c Fire Risk Assessment Works	0.125
Sub total Equality Act & property related Health & Safety	0.190
TOTAL OVERALL	1.000

Procurement of Works

- 3.19 Contract Standing Orders set out the council's process for the procurement of building works. Officers have streamlined the way the council procures through a wide range of collaborative processes. Achieving the best use of every pound spent and reducing some of the higher risks within the financial restrictions, is largely dependent upon adopting the right form of procurement for each given situation. Larger value projects are delivered through the council's Strategic Construction Partnership and larger frameworks. Planned maintenance projects are procured predominantly through frameworks set up in collaboration with East Sussex County Council colleagues. Where appropriate for works below £15,000 Property & Design's reactive repairs and minor works framework is utilised.
- 3.20 The seven planned maintenance framework Lots create added and social value to the city with an increased benefit to our local economy and environment. There is an increased focus on sustainability and working groups of officers and contractors work collaboratively to drive efficiencies leading to reduced cost and, waste, maximising innovation through the supply chain, mitigating risk through joint management and striving for continuous improvement over the four years of the frameworks.
- 3.21 Key Performance Indicators monitor framework contractor performance in key areas – on time delivery, cost certainty, % of project specific social value commitments delivered, % of employment and skills social value commitments delivered, local spend, environmental management and minimising all but essential waste from Landfill, such as asbestos.
- 3.22 The Planned Maintenance Budget includes an allocation to fund statutory testing, routine servicing and maintenance contracts, an integral part of good planned maintenance practice. This includes mechanical and electrical, lifts and water hygiene cyclical maintenance. These contracts were procured by BHCC in collaboration with colleagues at East Sussex County in 2020. They are fixed priced contracts for a period of 4 years with the option to extend for a further 2 years subject to satisfactory performance and value for money. A sum in excess of £1.1m is required to fund these M&E and building fabric contracts.

4 Analysis and consideration of alternative options

- 4.1 For the Planned Maintenance Budgets failure to provide any maintenance to our building stock, conform to Health and Safety and other statutory legislation to meet liabilities will increase existing risks, inhibit service delivery, lead to a negative perception of the council, reduce the value of the assets and prevent fulfilling the council's priorities, aims and objectives as stated in the Corporate Property Strategy & Asset Management Plan and Corporate Strategy. Property teams work closely together to ensure that these programmes of work align with services and the limited funding prioritised to meet Client service objectives.
- 4.2 For the Asset Management Fund, failure to improve the council's core office accommodation, address property related access obligations under the Equality Act 2010 and property related Health & Safety legislation would increase council risks and liabilities, inhibit service delivery, may lead to a negative perception of

the council, reduce the value of our assets and prevent fulfilling the council's priorities, aims and objectives as stated in the Corporate Property Strategy and Asset Management Plan and the corporate priorities in the council's Corporate Strategy.

5 Community engagement and consultation

- 5.1 Consultations take place with all service Client officers of the relevant Directorates and with technical officers within Property.
- 5.2 The Workstyles programme will involve extensive internal and external consultations on customer and service delivery requirements. This includes extensive engagement with community stakeholders and residents affected by the Moulsecoomb Hub and Portslade Hub works and supporting widespread consultation of staff through the Future Ways of Working programme.
- 5.3 The procurement of planned maintenance frameworks and the term and reactive contracts as set out above was reported to the Procurement Advisory Board and subsequently to Policy and Resources Committee on 10th October 2019.

6. Conclusion

- 6.1 This report sets out the proposed financial allocation to a prioritised annual programme of planned maintenance works to the operational buildings set out in appendices 1 and 2 excluding council housing, highways and those structures falling on highway land, educational properties, car parks, public conveniences, city parks roadways and paths, city clean messrooms, hostels, etc which have their own budgetary provisions.
- 6.2 This year, the normal planned maintenance allocation is supplemented by an additional essential £1.5m of capital works financed through borrowing with repayments built into the Council's revenue budget as per the Budget Council report to P&R Committee in February 2023.
- 6.3 This report also sets out the proposed Asset Management Fund financial allocation as detailed at paragraph 3.18 and Appendix 3 for property improvements, access requirements under the Equality Act 2010 and property related Health & Safety requirements.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 The council's Planned Maintenance Budget for 2023-24 provides a total £4,930,690 for annual planned maintenance expenditure on the council's civic offices, historic, operational (excluding schools, housing and highways) social care buildings, environmental buildings and commercial buildings. Included within this annual budget and overall programme of works are items that will be capitalised and included in the 2023-24 Capital Investment programme. A permanent annual contribution toward the Dome Complex sinking fund estimated at £274,529 has been top sliced from the Corporate Planned Maintenance Budget. The proposed budget allocation to the respective building portfolios

reflects the risk prioritisation outlined in the report and is shown in Appendix 1 to this report.

- 7.2 The Planned Maintenance Budget will be met from a combination of revenue budget and capital borrowing. The borrowing costs have been factored into the Medium-Term Financial Strategy.
- 7.3 The council's capital funded works programme provides £500,000, for essential repair works to Social Care premises. The proposed budget allocation is shown in Appendix 3 to this report. This is funded from borrowing with the financing costs met corporately within the general fund revenue budget.
- 7.4 The programme of works set out in the appendices can be funded from within the agreed budget allocations for 2023-24. Emerging compliance risks will be addressed by reprioritising the allocation as required. Risk and priorities will be reassessed and considered in the development of the allocation for 2023-24.
- 7.5 The General Fund Revenue Budget, Capital & Treasury Management Strategy 2023-24 report presented to Budget Council on 23 February 2023 recommended the allocation of £1,000,000 capital resources to support the Asset Management Fund 2023-24. The Asset Management Fund allocation will be met from capital receipts funding. The Asset Management Fund allocations will be incorporated into the council's Capital Investment Programme 2023-24 to support the schemes identified within the table at paragraph 3.11 and Appendix 3
- 7.6 The Asset Management Fund will make a contribution toward the Workstyles Phase 4 projects subject to a detailed business cases being approved for the various programmes listed in Appendix 3. Any revenue budgets and running costs associated with the investments in this report will be met from existing budgets.

Finance Officer Consulted: Rob Allen

Date: 9 February 2023

8. Legal implications

- 8.1 Works of repair set out in this report must comply with relevant lease conditions, health and safety and other applicable legislation. Framework agreements, with individual contracts being called off under the frameworks and partnering agreements are effective contractual tools for delivering construction contracts on time within budget. All forms of procurement outlined in this report must comply with the council's Contract Standing Orders and public procurement regulations.
- 8.2 The proposed works fulfil legislative requirements under Health & Safety law including in relation to fire safety and the control of Legionella. The access improvement works proposed will assist the council in meeting its obligations under The Equality Act 2010.

Lawyer Consulted: Alice Rowland

Date: 6/2/23

9. Equalities implications

- 9.1 Where applicable, items of maintenance work within the programme will consider the Equality Act 2010 to improve access and general facilities to address the

diverse needs of staff and users of the civic offices, operational and commercial buildings.

- 9.2 The provision of on-going access works under the rolling programme will assist in the council in meeting requirements under the Equalities Act 2010.

10. Sustainability implications

- 10.1 The council will consider how best to undertake the planned programme in a responsible, sustainable way. Projects within the planned programme are mainly procured through the building maintenance frameworks. The contractors on each framework had to demonstrate that they would minimise waste, meet targets for reductions in waste to landfill and optimise the recovery, reuse and recycling of waste. In addition to this they had to describe the steps they will take to minimise the use of resources (water, fuel, energy from fossil fuels) and improve sustainable sourcing. The framework contracts include Performance Indicators in respect of sustainability and Environmental Management these will be monitored on a quarterly basis. Energy efficiency measures are incorporated into maintenance and improvement works whenever appropriate to help the council meet its CN2030 target.

- 10.2 Officers are in the process of carrying out specialised energy audits of the operational estate for the worst performing buildings in order to start to prioritise a programme of works and an investment strategy working towards a carbon zero position in 2030. The results of the energy audits and associated energy efficiency and potential renewable energy measures proposed in the investment strategy will feed into the planned maintenance programme of works to ensure all proposed programmes of work are joined up.

11 Other Implications:

Social Value and procurement implications

- 11.1 The maintenance and repair of operational properties is part of the Corporate Property Strategy & Asset Management Plan to ensure efficient and effective use of assets contributing to the City and the council's strategic priorities.
- 11.2 The risks and opportunities are dependent on the successful procurement of contractors and robust contract and financial management to ensure that works are completed safely within budget and programme. Corporate risk is reduced through the Corporate Landlord model, ensuring consistency of approach for statutory and other legal requirements.
- 11.3 Planned maintenance works procured through the contractor frameworks are evaluated 90% cost and 10% on the social value that each contractor offers. There are three main themes of Social Value. Firstly, Economic and Employment such as apprenticeships, delivering talks to encourage working within the construction industry or interview workshops. Secondly, Social or Community Benefits such as donation of equipment or materials or doing extra work on community assets such as repairing or repainting. Thirdly Environment, the frameworks have a range of KPIs that seek improved sustainability and environmental management of council assets and supply chain. As part of a

project delivery a contractor may put forward added value in the form of surveys or inspections that seek to reduce the carbon imprint of a site they are working on.

Crime & disorder implications:

- 11.4 There are no direct implications in respect of the prevention of crime and disorder within this report although certain items of work try to minimise vandalism through design and the use of relevant materials.

Public Health implications:

- 11.5 Health and Wellbeing will be assessed for each improvement and will be addressed through the allocation funding for the Water Management, Mechanical, Electrical and Lift statutory compliance and servicing contracts. Failure to have robust processes to manage these risks could lead to significant public health implications e.g. proliferation of Legionella Bacteria, etc. Both the Corporate and Social Care programmes include prioritised works to reduce risk to public health e.g. structural improvements, internal decorations to improve hygiene in Social Care premises, etc. and to ensure Covid government guidelines are met.
- 11.6 Works to council properties to ensure the water management of the council's property portfolio is meeting the requirements of the Approved Code of Practice ensures public health requirements are met with regard to Legionella and asbestos management. The ventilation works proposed to Barts House will improve the ventilation and air quality for staff.
- 11.7 The Equality Act proposed improvements will aim to address both physical and sensory barriers to better enable access to services within the corporate buildings.

SUPPORTING DOCUMENTATION

Appendices:

1. Proposed Corporate Planned Maintenance Budget Allocation 2023-24
2. Proposed Social Care Planned Works Budget Allocation 2023-24
3. Proposed Asset Management Fund Allocation 2023-24 - Detail of Allocations

Background Documents

1. The Corporate Property Strategy & Asset Management Plan
2. The Corporate Building Maintenance Strategy