

Report of Head of Voids, CPM, Disrepair & Responsive Repairs

Report to Director of Resources & Housing

Date: 11th June 2018

Subject: CPM Backlog Maintenance programme budget in 2018/19.

Scheme no 14268/000/000

Are specific electoral Wards affected? If relevant, name(s) of Ward(s): Various	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. Leeds City Council's operational estate is in need of a substantial amount of investment to reverse the impact of austerity. During recent years austerity has resulted in the standards of a number of public and operational buildings falling below expected structural and operationally effective standards. At present the total backlog maintenance (BLM) is estimated at circa £36.9m (based on initial conditions surveys). This excludes heritage assets.
2. The estimated spend of £36.9m and ensuing programme (2018/2019) has been derived from information contained in stock conditions surveys undertaken by NPS on behalf of LCC. The programme proposes to deal with as many priority 1 (immediate) and priority 2 (essential) works as possible within the set budgets and timescales
3. The BLM programme will address outstanding works in buildings such as sports centres, parks facilities, homes for older people (HOPs), social care day centres, community centres, libraries, community hubs, visitor attractions and operational buildings used as office accommodation by LCC staff.
4. Investment in the operational estate is required to maintain properties and prevent them from falling into a state of structural disrepair, maintain market values, and to achieve a number of the Council's priorities.
5. Leeds Building Services (LBS) are recruiting additional multi-trade operatives and some supervisory staff to support the delivery of this programme of works. The construction market is currently buoyant and it has been difficult to recruit the

requisite numbers. In order to reach a position where there is sufficient in-house capacity to deliver the full programme it will require more time than originally anticipated. It is envisaged this capacity issue will be resolved by Q3/4 of the 2018/19 programme and fully thereafter, should the programme continue to be supported.

6. As an interim arrangement and to enable the year 1 programme to progress without further delays LBS will utilise existing and new sub-contractor arrangements to ensure timely delivery of the 2018/19 programme. Approval is being sought through this report for authority to spend from within the current restated capital programme as approved by Council on the 21st February 2018 through a combination of LBS sub-contractor arrangements and LBS direct labour.

Recommendations

7. The Director of Resources and Housing is requested to give authority to spend the 2018/19 £5m Backlog Maintenance budget via a combination of LBS direct labour and a range of LBS external contractor arrangements.

- 1.1 The purpose of this report is for CPM to seek authority to spend £5m backlog maintenance budget from within the existing capital programme through the use of LBS and a range of sub-contractor arrangements.

2 Background information

- 2.1 The condition of some of Leeds City Council's operational estate has deteriorated over a period of several years due to lack of investment resulting primarily from austerity and competing priorities for resources. Running concurrently to this were a number of rationalisation programmes across the estate. In some cases this resulted in proposed works being delayed whilst the future of the asset was being deliberated. Under current arrangements stock condition surveys have and are commissioned by City Development (CD) and undertaken / budget estimated by NPS. The historical practice within CPM has been to deal with urgent health and safety issues arising from the surveys, however the scope of works has been minimal due to the lack of an identified BLM budget to support this activity.

3 Main issues

- 3.1 The Corporate Property Management (CPM) service is responsible for building maintenance of the operational estate. For the last number of years the work undertaken by CPM has been primarily reactive, often with rushed procurement activity which offers less assurance that VFM is being fully achieved. The lack of budgetary provision to improve the condition of the operational estate, following a number of years of reduced spending, is now readily apparent. Without immediate investment the Council faces risks relating to safety, poor standards for both staff and public, and ultimately declining asset values and larger repair bills.
- 3.2 This report sets out a proposal for a 5 year investment programme with £5 million requested in year one (2018/2019) to undertake outstanding P1 works. The total number of stock condition surveys currently available covers 103 sites (some with multiple buildings). There is currently a rolling programme within CD to bring all outstanding surveys up to date. It should be noted that there are a number of surveys that are over five years old. All surveys have required a re-inspection by CPM technical staff to ascertain the scope of works. The programme of work includes mechanical and electrical services, roof works, joinery, masonry, health and safety, fire risk assessment and drainage/external works.
- 3.3 The sites to be prioritised in year one of the programme include income generating sites and buildings accessed by the public such as sports centres, children's homes, early years' centres (EYCs) and crematoriums. At the Executive Board meeting in February 2018 the additional £5million investment to address BLM for the operational estate was approved.
- 3.4 At the time of the initial recommendation it was anticipated that the majority of works would be directly delivered through LBS with only specialist works being outsourced. However due to a number of factors there have been delays to LBS ability to recruit the additional circa 70 staff required to deliver the on-site programme. At a time when employment options for people with a construction background are plentiful in the market, (often with more favourable terms and conditions), there has been a shortage of suitably experienced candidates seeking employment with LBS.

- 3.5 Based on this a decision was taken by Property and Contracts SMT to utilise sub-contractor arrangements in the short term and until LBS are fully resourced. The Year 1 programme will primarily (up to £4m) will be delivered through sub-contractor arrangements. It is anticipated that LBS will be resourced to undertake more of the direct work in the third and fourth quarters of 2018/19 and fully resourced to directly deliver the majority of 19/20 programme thereby reducing the need for sub-contractors (unless for specialist activity).

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 Consultation has taken place with the Director of Resources and Housing, Chief Officer of Property and Contracts, City Development, Capital Finance all of whom have supported the approach to invest £5m in essential backlog maintenance works on the Council's operational estate. Consultation with elected members has taken place as part of the Executive Board consultation process in the setting of the capital programme at the meeting held in February 2018.
- 4.1.2 Consultation on the detail of the proposed works in relation to specific buildings in scope for Year1 of the programme is continuing to take place with affected services including Sports, Parks and Countryside, Children's Services, City Development and CEL. City Development have confirmed that there are no short to medium term plans to dispose any the buildings included within the Year1 of the BLM programme.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 An Equality, Diversity, Cohesion and Integration screening of the BLM programme has been carried out. This concludes that an impact assessment is not required. The majority of the works included in the programme involve essential upgrades of existing fabrics and structures which do not affect or have any significant impact on equality diversity and cohesion.

4.3 Council policies and the Best Council Plan

- 4.3.1 All works within the BLM programme (Yr1) will be undertaken in compliance with the Council's contract procedure rules. The buildings included within the operational estate cuts across a number of council services including libraries, community hubs, crematoriums, sports centres, homes of older people and early years' centres and facilities provided by Parks and Countryside. Improvement to the will enable a number of the council's priorities to be achieved including the following:
- Supporting communities, raising aspirations
 - Supporting children to have the best start in life
 - Promoting physical activity
 - Building capacity for people to withstand or recover from illness
 - Supporting healthy ageing

- Enhancing the quality of our public realm and green space

4.4 Resources and value for money

4.4.1 Capital Programme

The option of delaying commencement of onsite works until such time that a forward (12 month) programme was developed was considered and dismissed due to the nature of the outstanding works and the risk to the council of further delays. The delivery of this programme has required P&C division to work in a flexible manner with the development of the rolling programme of works taking place simultaneously with on-site delivery. Each NPS survey is being reviewed by CPM building surveyors, this involves onsite validation to each of the 103 sites (in Year 1 of the programme) to develop a schedule of works for every building. This is then passed to LBS for price estimation, they then either directly deliver or sub-contract the works. Whilst an advance programme for the full value of works (£5m) is not available, at any given point in time a snapshot of current and retrospective activity can be provided to satisfy audit requirements.

4.4.2 Appendix A, sets out the 301 assets (taken from the full operational asset list) that will be included in the proposed 5 year programme.

4.4.3 Appendix B, provides a list of all sites for proposed works in Year 1. This includes current status and confirmed costs.

4.4.4 Capital Funding and Cash Flow

Capital finance and CPM teams have worked closely to support the development of the business case for additional investment from within the existing capital programme as agreed by Council on the 21st Feb 2018.

Authority to Spend required for this Approval	TOTAL £000's	TO MARCH 2018 £000's	FORECAST				
			2018/19 £000's	2019/20 £000's	2020/21 £000's	2021/22 £000's	2022 on £000's
LAND (1)	0.0						
CONSTRUCTION (3)	5000.0		5000.0				
FURN & EQPT (5)	0.0						
DESIGN FEES (6)	0.0						
OTHER COSTS (7)	0.0						
TOTALS	5000.0	0.0	5000.0	0.0	0.0	0.0	0.0
Total overall Funding (As per latest Capital Programme)	TOTAL	TO MARCH	FORECAST				
	£000's	2018	2018/19	2019/20	2020/21	2021/22	2022 on
		£000's	£000's	£000's	£000's	£000's	£000's
LCC Borrowing	5000.0		5000.0				
Total Funding	5000.0	0.0	5000.0	0.0	0.0	0.0	0.0
Balance / Shortfall =	0.0	0.0	0.0	0.0	0.0	0.0	0.0

4.4.5 Revenue Effects

There are no known additional revenue consequences following the implementation of this proposal. It is anticipated that revenue costs will reduce

following implementation of this proposal as longstanding upgrades and replacements will be undertaken thereby reducing pressure on the responsive repairs budget.

4.5 Legal Implications, Access to Information and Call In

4.5.1 There are no known legal implications affected by this proposal. Leeds City Council is the sole owner of the majority of premises identified for potential works.

4.5.2 This is a key decision and is therefore subject to call in. Notification of the intention to take the decision was placed on the List of Forthcoming Key Decisions on 29th May 2018.

4.5.3 Risk Management

4.5.4 A planned BLM programme will enable work to be completed in a cost effective and timely manner LCC will continue to take high cost repairs, disrepair and depreciation of its operational assets. This impacts on staff and members of the public that are using the buildings and can reduce income to the council depending on the nature of the building. The timing of decision making, the need to then get further approvals for additional staff and the issues with recruitment has resulted in a delay to the commencement of the programme, this may result in overall slippage to the programme with the risk that the fully £5m is not spent within 2018/19. The use of CPM and LBS sub-contractor arrangements will assist in mitigating this risk. The absence of a dedicated project manager has raised some risks, the approach taken has been to manage within the existing resource allocation and with existing staff, and this approach is not sustainable and will need to be reviewed if the BLM programme continues beyond 2018/19. Some interim project support is now being sourced to cover the next 3 months however this has yet to be identified and the process of recruitment is not immediate.

4.5.5 **Risk Assessments** – *All contractors will provide site specific risk assessments* and method statements prior to work starting on site. These will be reviewed jointly by LBS and CPM before work is undertaken, the majority of these works whilst been subject to the spirit of the CDM regulations should not require the principle designer role due to the fact more than one contractor will not be present on site at any one time. These works will not, on any one site last more than 30 days have more than 20 operatives on site or exceed 500 person days, this makes the schemes non notifiable to the HSE. Asbestos surveys and samples will be taken where current management surveys are not in place or inconclusive.

4.5.6 **Design Issues** – The initial scope and value of programme has been derived from the NPS surveys commissioned by City Development. As this information is outdated, on-site validation is taking place by CPM building surveyors to scope out the works, a process is in place to monitor and authorise any variations.

4.5.7 **Financial Issues** – The information on the stock conditions surveys is out of date both the scope of works and the price estimates are found to be less than reliable when verified by CPM surveyors. The key risk is that the £5m set aside for Year 1 of the programme may not be sufficient to undertake all the work as overall LCC price estimates are significantly higher than the estimates contained in the original stock conditions surveys (see Appendix B). It is proposed that an update report is taken to the Council's Strategic Investment Board, chaired by the Director of Resources and Housing, with the membership the Director of Development and Chief Finance Officer, after the second quarter 2018/19 or soon after when more

detail is available on emerging findings/actual costs/risks. The commercial/ QS team within P&C are providing support to price estimate, track and monitor expenditure against the allocated £5m budget. Any major deviation from the budget and assumed programme of works will be escalated to P&C SMT and SIB.

4.5.8 **Programme Issues** – The programme will be fully monitored to ensure start on site and completion dates are prompt, building users will be informed in advance of proposed times and dates of potential programmes LBS will produce an indicative programme with CPM carrying out the client liaison function.

4.5.9 **Other** – This programme of work shall be delivered jointly by CPM and LBS in partnership as part of Property and Contracts within Housing Leeds.

5 Conclusions

5.1 The delivery of the BLM Year 1 programme is essential to protect the condition of the operational estate, reduce risk. A number of the assets included within the programme are public facing and accommodate services and teams all of whom contribute towards delivering the councils priorities.

6 Recommendations

The Director of Resources and Housing is requested to give authority to spend the 2018/19 £5m Backlog Maintenance budget via a combination of LBS direct labour and a range of LBS external contractor arrangements.

7 Background documents¹

7.1 SIB report 23.02.18 - Backlog Maintenance Priority1 and Priority2 (Urgent and Essential Works)

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.