

Please note Part 2 report is now confidential appendix.

London Borough of Enfield

Portfolio Report

Report of: Peter George, Director of Development

Subject: Corporate Condition Programme (CCP) for 2023/24

Cabinet Member: Cllr Tim Leaver, Cabinet Member for Finance and Procurement

Executive Director: Sarah Cary, Place

Ward: All

Key Decision: Yes

Purpose of Report

1. To secure Portfolio holder approval for the continuation of the annual Corporate Condition Programme (CCP) for 2023/24.

Proposal(s)

2. That the Cabinet Member for Finance and Procurement approves capital budgets for CCP of £2,322,410 in financial year 2023/24 to be given Second level approval to spend.
3. That the Cabinet Member for Finance and Procurement approves the proposed schemes, listed in the Appendix to this report, that constitute the CCP for 2023/24.
4. To delegate authority to the Director of Development, in consultation with Cabinet Member for Finance and Procurement, to approve variations to the proposed schemes within the CCP allocation for 2023/24.
5. To delegate authority to the Head of Construction, Maintenance & Facilities Management to:
 - a) procure consultants and contractors in accordance with Contract Procedure Rules
 - b) award contracts provided each contract falls within the budget envelope approved in the confidential appendix to this report to deliver the approved schemes; and

- c) to finalise contract documents.

Reason for Proposal(s)

6. The Council's Strategic Asset Management Plan (SAMP) describes the approach to the management of the Council's property assets, including a set of core principles. Those principles include achieving 100% statutory compliance and managing the portfolio to reduce expenditure and increase income.
7. The CCP provides for the lifecycle replacement and improvement of major elements of buildings within the corporate property portfolio. The CCP does not cover schools, or housing maintenance, which are subject to different funding streams. The CCP (formerly known as the Building Improvement Programme / BIP) has been a regular and essential programme for many years. The CCP comprises works that the Council is contractually obligated to carry out; works to address health and safety and other compliance risks and major repairs to ensure buildings remain operational and fit for purpose.

Relevance to the Council Plan

8. ***Good Homes In Well Connected Neighbourhoods*** – The Corporate Condition Programme (CCP) will invest in operational buildings based on prioritised condition criteria, unless there is a good economic, compliance or environmental argument to incorporate lower priorities. The aim is to prevent building failure and to ensure services to the public are not interrupted.
9. ***Safe, Healthy And Confident Communities*** - The proposed programme contains several environmental improvements, particularly in relation to the replacement of inefficient building services plant.
10. ***An Economy That Works For Everyone*** – Capital investment to address poor condition, utilising local SME's to carry out works where possible, to reduce the risk that buildings fall into disrepair and improve the environment for staff and visitors.

Background

11. In July 2019 Cabinet approved 2019 a five-year Strategic Asset Management Plan (SAMP), which describes our approach to managing the Council's property assets. As part of this, a core principle is to achieve 100% statutory compliance, alongside other principles to increase income and reduce expenditure.
12. To support the SAMP, regular capital investment is needed to remediate health and safety matters, repair defects and replace major elements of buildings which have reached the end of their life. This responsibility is addressed via the budget allocation in the CCP.
13. Council gave First level approval of the 10-year CCP programme on 24 February 2022 (KD5353) which includes £2.978m funding for 2023/24.

14. Notable works to be completed from CCP 2022/23 include: (i) heat decarbonisation (the replacement of end-of-life fossil fuel heating systems with air-source heat pumps) at Edmonton Centre, Formont Centre, Civic Centre, Park Avenue Day Centre, Rose Taylor Centre and Thomas Hardy House; (ii) installation of Electric Vehicle charging points at Civic Centre; (iii) repairs and improvement of car park at Civic Centre; (iv) refurbishment of public toilets at Craig Park, Durants Park, Jubilee Park and Tottenham Park; and (v) many safety related improvement works across the corporate property portfolio.

Main Considerations for the Council

15. The annual CCP works programme is prepared from building condition survey information, in conjunction with knowledge of service priorities, that objectively informs the prioritisation of all works. However, building condition and service priorities can often change suddenly and without notice, creating urgent response requirements that are best managed by re-prioritising the approved schemes. Officers will consider the Council's contractual obligations and health and safety risks when re-prioritising the works with the approval of the Director of Environment and Operational Services, to ensure that condition and service priorities are met and the budget allocation is not exceeded.

16. Lifecycle replacement works present significant opportunities to reduce the environmental impact of the Council's buildings by replacing failed or end-of-life elements with modern equivalents that have increased energy and environmental performance. Examples include increasing the thermal insulation of the building envelop (roofs and glazing), increasing the efficiency of heating and cooling systems, air-source heat pumps.

17. The programme of works includes schemes that will increase the accessibility of the Civic Centre by staff and the public, as required by the Equality Act 2010, that will enable increased space utilisation, reduced running costs and enable new income streams from external letting.

18. The Council's budget pressure has required a review of all Services for the purpose of identifying operating savings. In response, Budget EMT on 22 November 2022 directed that the CCP 2023/24 programme be reduced by 30%.

19. In order to objectively identify which projects to defer in order to meet the saving, a risk-based selection process was used that started with projects relating to sustainability, then staff safety, equalities, and so on. The table below illustrates.

Works Type:	Current Programme:	Revised Programme:
Urgent Health & Safety	£194,500	£208,500
Asbestos Abatement	£120,000	£120,000
Equalities & DDA	£850,000	£850,000
Staff Safety	£312,300	£250,300
Public Safety	£793,500	£793,500
Sustainability	£641,000	£0

Contingency	£66,700	£100,481
Totals	£2,978,000	£2,322,481

20. The full 30% savings target could not be realised without deferring essential works required to ensure legislative compliance with Health & Safety and with Equalities. A reduced saving of 22% could be realised without any impact to Health & Safety and with Equalities by deferring all sustainability works and reducing the contingency.

21. Refer to the Appendix for the CCP proposed schemes for 2023/24.

Safeguarding Implications

22. There are no safeguarding implications of this proposal.

Public Health Implications

23. Capital investment to address poor building condition will reduce the health risk of buildings for staff and visitors. This should also be taken as an opportunity to improve the sustainability of buildings so encouraging active travel (for example cycle parking) and improvements such as insulation. Efforts to reduce the carbon footprint of the estate will help to reduce the effect of climate change, itself considered to be the greatest threat to the health of the public in the 21st century.

Equalities Impact of the Proposal

24. The Council has a duty under the Equality Act 2010 to pay due regard to the needs of the protected characteristic groups, including ensuring the accessibility of Council buildings to staff, visitors and the public, and that the Corporate Condition Programme includes improvement works that increases accessibility to meet the requirements of the Act where previously it may not have.

25. None of the CCP proposed schemes have any negative Equalities impacts, however some proposed schemes will positive Equalities impacts by providing improved access for staff and visitors with disabilities. These are listed in the attached Appendix as 'Equalities Works DDA Works'.

26. The condition improvement works of the Council Chamber at the Civic Centre will include substantial improvements to accessibility which will directly benefit meetings of the Council, increase public participation in local democracy, and also enable external income for the third-party hires.

Environmental and Climate Change Considerations

27. The operational use of Council corporate buildings accounted for approximately 49% of Scope 1 and 2 carbon emissions in 2019/20. The level of emissions from a building is dependent on its performance requirements, its size and the selection of the technologies used. Effective routine preventative maintenance can reduce emissions by addressing related issues, including in respect of fabric degradation.

28. The Corporate Condition Programme (CCP) provides for the timely replacement of building elements at the end of their design lifespan. It also provides an opportunity, in combination with Salix (interest-free financing scheme for funding energy efficiency measures) and the Public Sector Decarbonisation Scheme (PSDS; a grant scheme to fund heat decarbonisation measures) to make viable schemes that improve the environmental performance of our buildings that would otherwise not proceed.

Risks that may arise if the proposed decision and related work is not taken

29. The Corporate Condition Programme helps ensure operational continuity, prevent major failure of buildings and reduce the total maintenance costs over time;

30. As detailed under "Legal Implications", should relevant statutory functions not be complied with, there is an increased possibility of legal action with associated financial penalties and/or imprisonment;

31. Under-investment in capital condition works would not reduce the level of carbon emissions produced by buildings.

32. We would advise that regular review of the risk and issues assessment is planned by service, to track any developing issues or risks.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

33. There is a risk of financial overrun on individual proposed schemes where the extent of the replacement works could not be fully surveyed by condition surveys; this risk is considered very low and will be fully mitigated by using robust project management and contingency.

34. The Council may be at risk of prosecution if injury or death is to result from the deferral of health and safety related remedial or improvement works.

Financial Implications – drafted by Atul Lad 16/01/2023

Summary

35. The capital approval process has two stages: First level approval is the inclusion of a programme of capital expenditure described in basic terms into the 10-year Capital Budget, whereas Second level approval is the approval to spend individual projects within the programme, typically on a year-by-year basis.

36. Cabinet is requested to provide Second level approval to spend approved budget of £2.3m in 2023/24 (code 2021RA07) as approved at First level by Council 24th Feb 2022 (KD5353) to be financed entirely from borrowing. The £2.3m will allow works detailed in this report to commence in 2023/24 with an estimate £0.7m of works likely to continue into 2024/25.

37. 2023/24 CCP works programme:

Type of Works	Original Programme	Revised Programme
01. Urgent Health & Safety Works	£0.2m	£0.2m
02. Asbestos Abatement Remedial Works	£0.1m	£0.1m
03. Equalities Works DDA Works	£0.9m	£0.9m
04. Staff Safety Works	£0.3m	£0.3m
04. Public Safety Works	£0.8m	£0.8m
05. Sustainability Works	£0.6m	£0.0m
Contingency	£0.1m	£0.1m
Total	£3.0m	£2.3m

38. Budget adjustments for 2023/24 Budget:

	£	Note
2023/24 Allocation	£3.0m	1
22% Reduction	(£0.7m)	2
Reduced 2023/24 Budget	£2.3m	
Reprofile into 2024/25	(£0.7m)	3
Reprofiled 2023/24 Budget	£1.6m	
2022/23 Carry Forward	£0.5m	4
Final 2023/24 Budget	£2.1m	

Note 1

Initial 2023/24 budget allocation (Council 24th Feb 2022 KD5353)

Note 2

Agreed 22% reduction to the budget

Note 3

Estimated £0.7m of works are expected to continue into 2024/25. 2023/24 budget reduced by £0.7m and 2024/25 budget increased by equal amount

Note 4

Budget carry forward from 2022/23, this relates to works already approved and in progress that will continue into 2023/24.

39. The procurement of, and where appropriate feasibility studies for, the approved schemes will commence during the 2023/24 financial period in order to achieve the complete delivery of the programme by the end of 2024/25.

40. Expenditure will be in line with Council's Capitalisation Policy with any expenditure not qualifying as capital charged to revenue.

41. Assuming cost overruns met through contingency of £100k there will be no additional borrowing required.
42. If contingency is insufficient additional borrowing will be required with additional expenditure against General Fund revenue which will increase should the cost of borrowing increase.
43. Consumer Prices Index (CPI) currently 9.1% and expected to increase to nearly 12% by December 2022, although this is an average which masks construction inflation which is higher.

Budget impact – capital

44. CCP capital budget 2023/24 is £2.978m as approved by Cabinet then Council 16th and 24th Feb 2022 respectively (KD5353).
45. Therefore, there is no additional impact on capital budgets for 2023/24.
46. The 2023/24 budget will be reduced by £0.7m.

Budget impact – revenue

47. Expenditure which does not meet the criteria for capitalisation, as set out in the Council's Capitalisation Policy, will be charged to revenue.
48. Estimated revenue costs avoided £25k per annum (net of interest and MRP) in respect of the revised programme reducing the overall allocation by 22%.
49. Financing costs on the revised programme are calculated at 7% interest rate, over 20 years with assumed capital expenditure funding by borrowing of £2.3m.

Debt

50. The programme is funded entirely from borrowing. Assuming no cost overrun there will not be any additional impact on debt

Taxation

51. VAT input tax to be recovered as normal – no other tax implications identified.

Risks

52. Risk section (above) states cost overruns will be accommodated by contingency which is £265k.
53. CPI, currently at 9.1%, is expected to reach 12% by December 2022 although this is an average and masks higher construction inflation.

Legal Implications

54. The Council, as a corporate landlord has numerous duties under common law and under statute (including Health and Safety at Work etc. Act 1974, Health and Safety Offences Act 2008, and Corporate Manslaughter and Homicide Act 2007, Occupiers liability Acts 1957 and 1984) with regards the premises that it owns and/or controls. These duties extend to all people on premises controlled by the Council whether or not, they have lawful authority to be on those premises. The Council can exercise the general power of competence under section 1(1) of the Localism Act 2011 to do anything that individuals may do, provided it is not prohibited by legislation and subject to Public Law principles. Further, section 111 of the Local Government Act 1972 permits the Council to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions. The funding of a Capital Condition Programme recommended in this report would be within the Council's powers.
55. A well planned, executed and funded maintenance programme will assist the Council to demonstrate that it takes seriously its obligations as an organisation in control of premises and may assist it to defend any legal action taken as a result of any incident occurring on premises within its control.
56. All contract award decisions must comply with the Council's Constitution and, in particular, the Contract Procedure Rules. Where the value of a contract procured pursuant to this report is above the threshold under the Public Contracts Regulations 2015 (PCR 2015), the procurement of such contract(s) must comply with the requirements of Part 2 of the PCR 2015.
57. The Council must ensure that the contracts are in a form approved by the Director of Law and Governance. Any contract with a value above the Key Decision threshold must be sealed.
58. The Council must ensure value for money in accordance with the Best Value principles under the Local Government Act 1999.
59. In line with the Public Sector Equality Duty, the Council must have due regard to the need to eliminate discrimination and advance equality of opportunity, as set out in section 149 of the Equality Act 2010 (the Act). It covers the following nine protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. Section 149 of the Act requires public authorities to have due regard to several equality considerations when exercising their functions. The main objective of the duty is to ensure public policies and programmes are implemented fairly, in particular with regard to their impact on the protected characteristics identified above and the weight to be attached to it is a matter for the decision maker, bearing in mind the issues of relevance and proportionality.

Workforce Implications

60. There are no workforce implications of this proposal.

Property Implications

61. Failure to undertake appropriate capital condition works can lead to loss of property value, reduced environmental performance, a building becoming unfit for purpose, Service operations being disrupted and ultimate closure on suitability or health and safety grounds.
62. The CCP reflects the objectives of the Strategic Asset Management Plan (SAMP) as the properties within the programme have been prioritised on condition survey information as well as taking into account contractual lease obligations and also corporate proposals for their future redevelopment, adaption or disposal. In that regard, no works are envisaged to be superseded or made redundant by property activity in the short to medium term.
63. Capital works to some properties (e.g. some parks properties) are not shown within the CCP programme as these works will be funded via alternative agreed funding streams, such as Build the Change or the Corporate Property Improvement Programme (CPIP).

Other Implications

64. None.

Options Considered

65. Do nothing – this is not a sustainable option because building condition will continue to degrade and will become unsuitable or unfit for purpose and potentially unsafe to operate as well as reducing in value.
66. Do less – this is not a sustainable option as the building condition survey data shows the estimated total backlog for capital condition works on corporate properties had risen to £18m and needs to be halted and slowly reversed.

Conclusions

67. The proposals are necessary to maintain the condition of the Council's buildings, to ensure the fitness for purpose and operational continuity of the Council's buildings, to minimise the total lifecycle cost of the Council's buildings and to ensure staff productivity, engagement and wellbeing.

Report Author: James Wheeler
Head of Construction Maintenance and Facilities Management
James.Wheeler@Enfield.gov.uk
07929 185629

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Appendices One – confidential table of CCP works

Background Papers

None.