

To: City Executive Board

Date: 20th May 2009 **Item No:**

Report of: Interim Head of Property & Facilities Management

Title of Report: Property Repairs and Maintenance

Summary and Recommendations

Purpose of report: To inform City Executive Board of the background and current position with regard to Property repairs and maintenance and to seek project approval to the proposals for the capital budget spend on Property Repairs and Maintenance for 2009/2010 and to seek their approval for this work.

Key decision? Yes

Executive lead member: Councillor Bob Price ~ Leader of the Council, Corporate Governance and Strategic Partnerships
Councillor Ed Turner ~ Finance, Housing and Strategic Planning.

Report approved by: Mel Barrett, Executive Director, City Regeneration

Finance: Sarah Fogden
Legal: Jeremy Thomas / Emma Griffiths

Policy Framework: Transform Oxford City Council by improving value for money

Recommendation(s):

City Executive Board is RECOMMENDED:-

- a. To note the report and the proposals for the 2009/10 Property Repairs and Maintenance Programme.

- b. To grant project approval to the capital programme spend as outlined in the report and Appendix 1, subject to there being sufficient capital receipts to finance the works.
- c. To authorise officers to proceed with the proposed works as the funding becomes available
- d. To note the suggested way forward, on the basis of a more detailed paper on the overall Asset Management Plan being presented for approval in due course.

Background

1. The Property & Facilities Management Service manages and maintains the City Councils non-housing property portfolio. This includes the direct management, maintenance, repair and improvement of the Council's administrative buildings and commercial investment properties (such as in George Street, Ship Street, Broad Street, Turl Street) and currently acting in a consultancy role for other properties such as Community Centres, Parks Pavilions and Leisure Centres. We work in partnership with City Works in respect of the strategic and operational management of the Covered Market.
2. At the last estimate there is approximately £10.5M maintenance backlog on these properties, which has built up over number of years. Approximately £3.15M of this is attached to the Leisure Centres which will be managed as part of the Leisure Services partnership with Fusion-Lifestyle (although still financed by the City Council). The remainder can be broken down into broad areas of :~
 - £2.25M on investment properties
 - £2.00M on Administrative buildings
 - £1.85M on Community Centres
 - £1.25M on Parks and Cemetery properties
3. Members will be aware that a new Corporate Asset Management Plan is currently being developed. A key consideration of this work was the review of our Asset Management function carried out by the Audit Commission last year. Even though the new Asset Management Plan is not yet approved, there is an emerging direction of travel established towards a corporate view of all (non-housing) property assets and as part of this the following approach will be developed:~
 - The need to separate maintenance budgets for operational properties from the non-operational investment properties, and

for the relationship between income and expenditure on properties to be developed,

- Development of a process to review all properties within the portfolio to evaluate the condition and suitability of each, leading to a critical assessment and challenge on why we hold the property, in order to establish that it performs and meets corporate criteria and objectives. This assessment will inform the ongoing development of the portfolio and the consequent prioritisation for repair and maintenance activities. An element of this work will be to review and update condition survey information that is currently 3-4 years old, not sufficiently detailed and does not contain information on the building services and plant elements of the properties. This will enable us to have accurate, comprehensive and up to date information, for building structure and plant and equipment on which to base these assessments. This part of the work is likely to take a number of years and will need to be refreshed on a rolling five year programme (assuming funding is available).

These measures each reflect recommendations from the review of the City Council's Asset Management processes carried out by the Audit Commission in 2008.

4. Other issues which have been progressed in the last six months to address the recommendations from the Audit Commission report and the developing Asset Management Plan are:~
 - A move, whenever possible as leases are renewed or properties re-let, for these leases to be on a Full Repairing and Insuring (FRI) basis in order to make the tenant responsible for all repairs and maintenance of the property, (currently the Council has largely retained this external repairing liability. The theory would be that this would result in higher rents being achieved, but even if that is correct the Council has not set aside any part of that increased rent to meet it's repairing responsibilities).
 - Where FRI leases are not possible, or cannot be agreed, then arrangements are being put in place for the Council to have the ability to recover a service charge from the tenant towards the cost of the maintenance for which the Council remains responsible.
5. A further proposal for the 2009/10 financial year is that a full review be carried out across the Council of all commissioning, repair and maintenance activities on non-housing properties. Budgets are currently held in a number of operational service areas in respect of the property they occupy; for example: ~
 - £158k for allotments
 - £165k for ditches and stream maintenance
 - £42k for Covered Market (City Works)
 - £53K for Parks facilities

The review will aim to confirm all of these, establish what the expenditure is for and investigate savings that could be made through a corporate approach to these activities in order to optimise the use of scarce resources. Good practice suggests that in order to maximise the efficiencies in portfolio management there needs to be in place appropriate corporate controls of property related budgets. Recommendations will be brought forward through the Asset Management Plan.

6. A significant proportion of the property portfolio involves the Councils commercial investment properties. These properties, particularly those in the City Centre, contribute approximately £6.4M per annum of rental income. Of this, the City Centre properties contribute £4.35M (approximately 68% of the total rental income). Historically, finances have not been allocated to maintain these properties, such that the external fabric of some of these now needs significant investment in order to protect the properties, the asset value and the income potential. The measures outlined above will, in some part, assist the Council to address these issues over time. The alternative, and this is an approach that we have to follow on a number of occasions (e.g. 28-32 St. Michael's Street) is that we have to offer significant tenant inducements in terms of rent free periods and the like to achieve lettings on acceptable terms and conditions.

Financial Implications and Proposals for the 2009/10 Financial Year

7. During the financial year 2008/09, Members will be aware of the financial constraints that the City Council endured. As a result of this spending on the 2008/09 capital programme was stopped wherever possible and unspent budgets have been transferred to the 2009/10 financial year. These budgets are shown on the spreadsheet at Appendix 1. Also, there are a number of budgets retained in the programme against works at properties where, either further funding may be available through Section 106 funds or where the future of the building is to be confirmed. These are shown in the commentary column of Appendix 1 and are at Blackbird Leys Pool and Barton Pavilion.
8. As a result of the current financial situation the level of capital receipts available to finance the works carried over from 2008/09 is insufficient for all of the projects to proceed at this time, but there are sufficient funds to allow the most urgent works to go ahead. These are the Covered Market internal upgrading (£9,193) and works to improve electrical installations at Parks properties (£40,000) both of which have Health and Safety implications and the DDA improvements at South Oxford Community Centre (£27,096 and £8,194). All other works will be deferred until sufficient capital receipts are received to finance the projects.
9. Budgets available to Property and Facilities Management for Repair and Maintenance are contained in both capital and revenue

programmes. The capital budgets can only be used for works that increase the value or significantly extend the life of the asset. Revenue budgets can be used for all works but are more normally used on day to day or reactive repairs.

10. The new capital budget allocation for Property & Facilities Management for 2009/10 amounts to £820,000. This budget is funded as a contribution to the capital programme from revenue and is therefore available to spend in 2009/10. The breakdown of this budget into specific schemes is shown at Appendix 1 and also described below. This report seeks major project approval for these budgets and requests that Officers be given authority to proceed with the works as set out below.
11. The revenue budget for 2009/10 is £561,247. As in previous years this budget will be used exclusively to keep properties operational, weather proof and to finance on-going servicing costs of such items as boilers, fire alarms, emergency lighting, lifts etc. This budget is barely sufficient to carry out these works and does not allow for any cyclical repairs such as external decoration. It is largely due to this that the maintenance backlog has grown to its current size.
12. In the Asset Management Plan proposals will be set out that seek to develop and review the property portfolio for suitability and condition of each property which will better inform the prioritisation of repairs and maintenance monies. Prior to the implementation of this revised approach proposals for spending of the capital budget continue to be made against the following criteria:~
 - a) Works required for health and safety reasons
 - b) Works required to keep buildings weatherproof and operational
 - c) Works required to address contractual or other legal obligations
 - d) The need to protect as far as possible asset value, rental income and property condition.
13. The breakdown of the two specific new budgets for 2009/10 in the capital programme, for which major project approval is requested, are
 - a) £100,000 for Disability Discrimination Act works. These works are necessary in order that the Council meets its obligations under the Disability Discrimination Act 1994 (criteria c above, and also support criteria a and d). It is proposed that this budget be committed to works at South Oxford (£35,000) and East Oxford (£65,000) Community Centres. Both properties have halls on the first floor that are inaccessible to disabled persons without a lift. In each case, a lift will allow the respective Community Associations to make full use of the buildings and ensure that the requirements of the DDA are met. There are existing budgets in the capital programme (carried forward from previous years) that will support the lift installation at South Oxford CC.

- b) £720,000 for Building Improvements. The breakdown of these proposals is as follows:
- i) £300,000 - To support the Leisure Services contract (with Fusion Lifestyle) which was approved by City Executive Board in January 2009. This will be used to carry out works for which the City Council has retained responsibility at Temple Cowley, Hinksey and Blackbird Leys Pools and the Ice Rink. This is a contractual commitment. These works will reduce the maintenance backlog and ensure the continued service at these sites as required by our contract with Fusion Lifestyle (criteria c, but also support a, b and d). Examples of these works include:~
 - Repairs to the exterior of Blackbird Leys Leisure Centre,
 - Replacement air conditioning units at Ferry Sports Centre,
 - Structural repairs at Hinksey Pools,
 - Replacement boiler and water storage tank at the Ice Rink,
 - Repairs to roof coverings at Temple Cowley Pools.
 - ii) £40,000 for drainage improvements and roof repairs to properties in Broad Street and George Street (criteria a, b, c and d). It should further be noted that other budgets totalling £151,970, already in the capital programme (carried forward from previous years), are also proposed for repairs and refurbishment of commercial investment properties (as shown in Appendix 1) in order to protect the properties, the asset value and rental income.
 - iii) £80,000 for Town Hall repairs and improvements (criteria, b and d). Proposed work includes window repairs to contribute to energy conservation measures, partial decoration of the Main Hall (last fully decorated in 1981), roof and parapet repairs for the 1930's extension and improvements and refurbishment of staff toilet areas.
 - iv) £145,000 for repairs and improvements to Community Centres (criteria a, b and d). Proposed work includes fixed wiring improvements at Blackbird Leys and South Oxford Community Centres and roof and rainwater goods repairs at South Oxford CC. The electrical wiring improvements are to bring installations up to modern standards and replace old systems that are requiring increasingly frequent and costly annual repairs while the roof and rainwater goods are to prevent deterioration of the building.

- v) £35,000 for Parks and Churchyard wall repairs (criteria a, c and d). Stone walls at St Andrew's Churchyard, Brasenose Farm, Headington Hill Park, Bury Knowle Park and St Giles Churchyard have either failed and been made safe (taken down), or are deteriorating to the extent that they could pose a potential safety issue in the coming years. Several of these are in conservation areas.
 - vi) £50,000 for improvements and repairs at the Covered Market (criteria a, b, c and d). Suggested work includes improvements to the male traders toilet, improvements to signage at the High Street and Market Street entrances and stonework repairs to the facade in Market Street that has deteriorated in recent years. These works are subject to discussion and agreement with the Covered Market Traders Association.
 - vii) £40,000 for improvements to Sandy Lane Pavilion (criteria a, b and d). Currently, there is only natural ventilation in this building and the consequent build-up of steam and condensation from showers is causing deterioration to the building. Additionally, improvements are required to toilets and general layout to improve the facility.
 - viii) £20,000 Contingency. An unallocated contingency sum has been allowed for any unforeseen costs on the above projects and for other unforeseen emergencies.
14. Some of the above schemes have energy saving implications that will contribute to the Council's carbon reduction targets. These will be worked up in conjunction with the Climate Change Team in order to identify where Salix funding can be used to support the projects. The savings made from these schemes is required to be paid back into the Salix fund over a number of years (the payback period) in order that the fund becomes self-financing and can be used for other projects in the future.

Staffing Implications

15. Staff from within the Property & Facilities Management Service Area will, as far as possible, carry out the design and management of the proposed works. However, it may become necessary to engage external consultants to assist with this work because of other priorities or workload.
16. Wherever possible Oxford City Homes will be offered the work involved in accordance with existing arrangements. However, because of the complexity and/or specialist nature of many of the projects, and the

need to ensure value for money, it is likely that many of the schemes will need to be competitively tendered.

Environmental Implications

17. The staff who will be designing and managing these schemes have a good working relationship and work closely with the Climate Change Team. The two groups will liaise over the proposed programme in order to identify and implement any energy saving/carbon reduction measures that can be incorporated into the works. An example of this might be increased insulation when carrying out roof repairs. In order to ensure that the greatest benefit can be achieved for carbon reduction and energy efficiency opportunities the two teams will work together to identify where Salix and other funding sources can be used to support these works.

Risks

18. Failure to carry out these works may result in one or more of the following:

- Further deterioration of properties and an increase in the maintenance backlog.
- Possible failure to meet contractual obligations.
- An increased risk of Health and Safety failures.
- An increased risk of building failure and closure.
- An increased risk of reduction in rental income.
- A reduction in the asset value.

The schemes proposed have been identified as among the highest risk in relation to these categories and carrying them out will therefore mitigate this risk as far as possible.

19. A risk assessment has been carried out and is attached at Appendix 2. All risks have been mitigated to an acceptable level.

Legal Implications

20. Work should not be done on property unless the Council has the repairing obligation to do so, either statutory or contractual. Individual contracts should be tendered in line with the EU Procurement requirements.

Equalities

21. Equalities issues relate to the Disability Discrimination Act works proposed within the programme at South Oxford and East Oxford Community Centres. Failure to carry this work out will mean that these buildings will not be fully compliant and cannot be utilised to their fullest extent.

Conclusions and way forward

22. The projects identified in this report are amongst the most urgent from the overall maintenance backlog requirements across a broad range of the property groups in the portfolio. Particular emphasis needs to be placed on maintenance of the commercial investment properties due to the high revenue income received and the need to protect this investment.
23. The proposed corporate review of repairs and maintenance, and the work to identify other repairs and maintenance budgets held by service departments, will identify where savings and efficiencies can be made.
24. In addition to the proposed refurbishment and repair works, Members are asked to agree the proposals outlined in the report, particularly the strategy to assess and review the portfolio in greater detail, leading to a critical assessment and challenge on why we hold the property, as recommended in the review of Asset Management practices carried out by the Audit Commission in 2008. This work will begin in the 2009/10 financial year and is recognised as the starting of an on-going programme of review and re-assessment of the portfolio.
25. Recommendations
City Executive Board is RECOMMENDED to:
 - a) To note the report and the proposals for the 2009/10 Property Repairs and Maintenance Programme as set out in the report
 - b) Grant project approval to the capital programme spend as outlined in the report and Appendix 1 subject to there being sufficient capital receipts to finance the works.
 - c) To authorise officers to proceed with the proposed with the proposed works as the funding becomes available.
 - d) Note and agree the proposed way forward on the basis of a more detailed paper on the overall Asset Management Plan being presented for approval in due course.

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List of background papers: None.

Version number: 6.0

Property Repair and Maintenance ~ Capital Programme 2009/10

Budgets Highlighted in BOLD are 2009/10 new budgets for which approval is sought

Property / Budget Heading	Budgets carried forward from 2008/09	New budgets for 2009/10		Commentary
DISABILITY DISCRIMINATION ACT WORKS				
East Oxford CC lift		£65,000		To allow access to the 1st floor areas of the building
South Oxford CC Lift		£35,000		To supplement other budgets in the programme
			£100,000	New 2009/10 budget. See report ~ paragraph 12(a)
South Oxford CC Lift	£27,096			To allow access to the 1st floor areas of the building
South Oxford CC Toilet upgrades	£8,194			To supplement other budgets in the programme for the new lift (all toilet improvements are complete)
Tourist Information Centre entrance door improvements		£10,000		
			£10,000	New budget for 2009/10
LEISURE CENTRE WORKS				
To support the Leisure contract		£300,000		
			£300,000	New 2009/10 budget. See report ~ paragraph 12(b)
Blackbird Leys Pool - New filters	£87,975			Awaiting decisions on future of the building arising from the Leisure Strategy review

Property / Budget Heading	Budgets carried forward from 2008/09	New budgets for 2009/10		Commentary
Blackbird Leys Pool DDA works	£19,000			Awaiting decisions on future of the building arising from the Leisure Strategy review
Blackbird Leys Pool Auto doors	£12,700			Awaiting decisions on future of the building arising from the Leisure Strategy review
Blackbird Leys Pool Various DDA works	£2,000			Awaiting decisions on future of the building arising from the Leisure Strategy review
Blackbird Leys Pool Lift	£15,000			Awaiting decisions on future of the building arising from the Leisure Strategy review
Ice Rink Various DDA works	£2,061			Residual budget - to be used to supplement reception works (in liaison with Leisure operator)
Ice Rink Reception Desk	£9,247			For alterations to improve DDA access (in liaison with the Leisure operator)
IMPROVEMENTS TO INVESTMENT PROPERTIES				
Roof repairs and external refurb - 44-46 George St.		£30,000		
Drainage improvements - Broad Street properties		£10,000		
			£40,000	New budget for 2009/10. See report ~ paragraph 12(b)ii
External repairs and refurbishment ~ 15-16 Broad Street	£15,000			
External repairs and refurbishment ~ 17-23 Broad Street	£50,000			
External repairs and refurbishment ~ 24-25 Broad Street	£36,970			
	£101,907			Budget brought forward from 2008/09
External repairs and refurbishment ~ 12-13 Broad Street	£30,000			
External repairs and refurbishment ~ 14 Broad Street	£20,000			
	£50,000			Budget brought forward from 2008/09

Property / Budget Heading	Budgets carried forward from 2008/09	New budgets for 2009/10		Commentary
TOWN HALL & ADMIN BUILDING IMPROVEMENTS				
Town Hall - Leaded light window improvements		£10,000		To assist with energy conservation
Town Hall - Internal decorations		£30,000		Main Hall
Town Hall - Roof repairs		£10,000		Parapet to the 1930's block
Town Hall - Staff toilet improvements		£30,000		
			£80,000	New budget for 2009/10. See report ~ paragraph 12(b)iii
Town Hall Office Security	£25,300			To enhance the security of the offices in the 1930's office block ~ Budget brought forward from 2008/09
Town Hall Main Staircase lighting	£11,500			To improve the lighting on the main stairs for DDA purposes ~ Budget brought forward from 2008/09
Blue Boar Street Offices	£3,220			Improvements to electrical installations~ Budget brought forward from 2008/09
COMMUNITY CENTRE IMPROVEMENTS				
Blackbird Leys CC - Wiring improvements		£25,000		As identified in the annual inspection
South Oxford CC - Wiring improvements		£50,000		As identified in the annual inspection
South Oxford CC - Replacement rainwater goods		£20,000		A high proportion of the rainwater goods are old, damaged and leaking
South Oxford CC - Roof refurbishments		£50,000		To prevent water penetration into the main hall
			£145,000	New budget fro 2009/10. See report ~ paragraph 12(b)iv
Community Centre water by-law improvements	£30,000			For remedial works identified in surveys ~ Budget brought forward from 2008/09

Property / Budget Heading	Budgets carried forward from 2008/09	New budgets for 2009/10		Commentary
Rose Hill CC Various DDA works	£5,347			Awaiting decisions on the use of S106 funding for a larger scale refurbishment of the building ~ Budget brought forward from 2008/09
PARKS AND CHURCHYARD WALL REPAIRS				
St Andrew's churchyard wall repairs		£3,000		To rebuild a failed stone wall in the disused churchyard
Brasenose Farm Depot stone wall repairs		£12,000		To rebuild a deteriorating section of boundary wall
St Giles Churchyard stone wall repairs		£5,000		To rebuild a deteriorating stone wall in the disused churchyard
Headington Hill Park stone wall repairs		£10,000		To rebuild a deteriorating section of boundary wall
Bury Knowle Park stone wall repairs		£5,000		To rebuild a deteriorating section of wall
			£35,000	New budget for 2009/10. See report ~ paragraph 12(b)v
COVERED MARKET IMPROVEMENTS				
Covered Market - Male traders toilet improvements		£20,000		Subject to discussion and agreement with the Covered Market Traders Association.
Covered Market - Signage improvements		£15,000		
Covered Market - Stonework Repairs to Market Street		£15,000		
			£50,000	New budget for 2009/10. See report ~ paragraph 12(b)vi
Covered Market Internal upgrading	£9,193			To improve the emergency lighting installation ~ Budget brought forward from 2008/09
PARKS PAVILION IMPROVEMENTS				

Property / Budget Heading	Budgets carried forward from 2008/09	New budgets for 2009/10		Commentary
Sandy Lane Pavilion ventilation improvements		£40,000		To improve the ventilation and prevent further deterioration of the building
			£40,000	New budget for 2009/10. See report ~ paragraph 12(b)vii
Barton Pavilion DDA improvements	£2,081			Awaiting decisions on the use of S106 funding for a larger scale refurbishment of the building ~ Budget brought forward from 2008/09
Barton Pavilion DDA Changing Room	£19,000			Awaiting decisions on the use of S106 funding for a larger scale refurbishment of the building ~ Budget brought forward from 2008/09
Parks Properties	£40,000			To complete works identified from surveys to upgrade electrical installations ~ Budget brought forward from 2008/09
CONTINGENCY				
Contingency		£20,000		To allow for unforeseen costs on any of the above budget costings.
			£20,000	New budget for 2009/10. See report ~ paragraph 12(b)viii

CEB Report Risk Register

Risk Score **Impact Score:** 1 =Insignificant; 2 = Minor; 3 = Moderate; 4 = Major; 5 = Catastrophic **Probability Score:** 1 = Rare; 2 = Unlikely; 3 = Possible; 4 = Likely; 5 = Almost Certain

No.	Risk Description Link to Corporate Objectives	Gross Risk		Cause of Risk	Mitigation	Net Risk		Further Management of Risk: Transfer/Accept/Reduce/Avoid		Monitoring Effectiveness				Current Risk	
		I	P			I	P	Q 1	Q 2	Q 3	Q 4	I	P		
1	Legal challenge for failure to complete DDA works	3	3	Failure to complete DDA improvements	Mitigating Control: Complete DDA works as included in programme Level of Effectiveness: (HML) H	1	1	Action: REDUCE ~Works to programmed for 2009/10 financial year Action Owner: J Bellenger Mitigating Control: Monthly review of work programme to ensure works are carried out Control Owner: J Bellenger	Outcome required: Works complete to programme with no challenges Milestone Date: 31 st March 2010	⊗ ⊗ ⊗ ⊗	⊗ ⊗ ⊗ ⊗	⊗ ⊗ ⊗ ⊗	⊗ ⊗ ⊗ ⊗		
2	Continued deterioration of buildings leading to building failure, reduction in rental income and reduction in asset value.	2	4	Failure to carry out Repair and Maintenance works	Mitigating Control: Assess all works to identify most urgent / critical works and prioritise these into the work programme Level of Effectiveness: (HML) H	2	2	Action: REDUCE ~ Most critical works to be identified and programmed for the 2009/10 financial year Action Owner: J Bellenger Mitigating Control: Monthly review of work programme to ensure works are carried out Control Owner: J Bellenger	Outcome required: Works completed with no failures Milestone Date: 31 st March 2010						

No.	Risk Description Link to Corporate Objectives	Gross Risk		Cause of Risk	Mitigation	Net Risk		Further Management of Risk: Transfer/Accept/Reduce/Avoid		Monitoring Effectiveness				Current Risk	
3	Health and Safety Failure	3	2	Failure to carry out repair and maintenance works results in a failure affecting the H&S of staff or the public	<p>Mitigating Control: Assess all works to identify most urgent / critical works and prioritise these into the work programme</p> <p>Level of Effectiveness: (HML) H</p>	2	2	<p>Action: REDUCE ~ Most critical works to be identified and programmed for the 2009/10 financial year</p> <p>Action Owner: J Bellenger</p> <p>Mitigating Control: Monthly review of work programme to ensure works are carried out</p> <p>Control Owner: J Bellenger</p>	<p>Outcome required: Works completed with no failures</p> <p>Milestone Date: 31st March 2010</p>						
4	Deterioration of buildings causes breach of lease terms	3	2	Failure to carry out repair and maintenance works results in a breach of our lease obligations to tenants	<p>Mitigating Control: Assess all works to identify most urgent / critical works and prioritise these into the work programme</p> <p>Level of Effectiveness: (HML) H</p>	2	1	<p>Action: REDUCE ~ Most critical works to be identified and programmed for the 2009/10 financial year</p> <p>Action Owner: J Bellenger</p> <p>Mitigating Control: Monthly review of work programme to ensure works are carried out</p> <p>Control Owner: J Bellenger</p>	<p>Outcome required: Works completed with no challenges</p> <p>Milestone Date: 31st March 2010</p>						