

<b>Committee(s):</b> Corporate Asset Sub Committee	<b>Date:</b> 5 <sup>th</sup> September 2018
<b>Subject:</b> Cyclical Works Programme (CWP) - Proposal for 2019-20	<b>Public</b>
<b>Report of:</b> City Surveyor CS: 313/18	<b>For Decision</b>
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## Summary

This report sets out a draft programme of work for 2019/20 in priority order for cyclical repairs and maintenance of the operational property portfolio (circa 600 properties) including the Barbican Centre and Guildhall School of Music & Drama but excluding the three independent schools, Spitalfields and Billingsgate markets and the Police which have alternative funding mechanisms as set out in paragraph three and five below.

These proposed works are required to help maintain the operational properties to a fair to good standard as outlined in the Corporate Asset Management Strategy. The information to create the bid list has been taken from the Forward Maintenance Plans which are reviewed and updated annually for each property.

The bid list has been split into two areas; the Actual List (above the red line) that includes the highest priority projects and a Reserve List (below the red line) which includes those projects that should ideally be undertaken but due to limited budgets does not form part of the actual bid list.

The total estimated cost of the work in the Actual List on the appendix schedules is £12.6m. The proposed programme of work is within the £12.6m assumption made in the Medium Term Financial Forecast. Resource Allocation Sub-Committee approval for the programme resources will be sought in January 2019.

The total estimated cost of the work on the Reserve List is £11.5m.

Projects from the Reserve List will be promoted to the Actual List if savings are found during the lifetime of the programme. Any projects in the reserve list will form part of the following years bid list and will be assessed on their risk to the property and whether it not being completed increases that risk to the deterioration of the condition of the property.

## **Recommendation**

Members are asked to:

- review the attached appendix schedules and approve the recommended works in the Actual List to the value of £12.6m as essential and should be prioritised as proposed;
- review the attached appendix schedules and approve the list of projects in the Reserve List to the value of £11.5m as works that need to be completed should savings from the Actual List projects arise;
- agree the final proposed programme of works be submitted for approval of funding at the meeting of the Resource Allocation Sub-Committee in January 2019;
- approve that where projects on the Actual List are delivered at a saving or do not proceed for any reason that the funding be reallocated by the CWP Peer Review Group to undertake projects from the approved Reserve list and then report to this committee at the next progress report.

## **Background**

1. The Cyclical Works Programme (CWP) commenced in April 2017 after agreement that it would replace the Additional Works Programme (AWP) due to the inclusion of the Barbican Centre and Guildhall School of Music and Drama; the AWP had been operating since October 2008. The CWP allows the City to keep its operational property in good condition and to address the backlog of deferred maintenance within the portfolio.
2. Each year Members are presented with a draft schedule of prioritised works for review and agreement before being submitted to the meeting of the Resource Allocation Sub-Committee in January the following year.
3. The CWP does not include the three independent schools, Spitalfields Market Billingsgate market and the Police Sites excluding Guildhall Yard East which have a variety of alternative funding mechanisms through repairs and maintenance funds and reserves, which are used to fund cyclical works, over and above their local risk reactive repairs and maintenance budgets.
4. During the last 6 months Officers have been working together to create the bid list for the CWP from items in the Forward Maintenance Plans.
5. All projects which are individually valued over £250,000, or form a group of related works that when combined are over £250,000, have been excluded from the CWP and will be taken through the Gateway Process under the governance of the Projects Sub Committee at the required time, subject to a budget being available.
6. The gateway zero and major refurbishment projects which form part of the City Surveyor's Business Plan, and are presented to this committee annually, work

in conjunction with and addition to the CWP to show the City's continued investment to address the backlog of maintenance.

7. Members are reminded that the governance arrangements in place for the CWP provide for the following:
  - i. the reviewing of the proposed work programme and agreeing that each scheme should be categorised as a "priority" for keeping the operational property portfolio in a fair to good standard due to the fixed budget available;
  - ii. Submitting a summary list of the proposed schemes in priority order to the meeting of the RASC for approval. This meeting and the subsequent Policy and Resources Committee (P&R) have to consider the submitted works programme and confirm (or otherwise) the allocation of the necessary funding, taking account of the priority listing of the various repairs and maintenance schemes and, other competing priorities in the context of the overall availability of City Fund and City's Cash resources;
  - iii. each year's agreed work programme and allocation of funding then operating within an overall "ring fence" (one each for the City Fund, City's Cash and Guildhall Complex), permitting budget transfers between individual schemes and unspent balances to be carried forward to later years to complete works;
  - iv. submitting to the RASC a "reserve list" of additional schemes which might be progressed if further resources become available within the relevant fund, determined at the Officers discretion;
  - v. Each repairs and maintenance scheme generally proceeding, via the usual internal arrangements/controls within the respective Department approved by the Chief Officer or their representative.
  - vi. City Procurement has advised that the majority of standard refurbishment and cyclical projects will be procured by continuing with the existing interim Minor Works Framework which will be renewed as appropriate via a compliant OJEU process. However some of the higher value and/or specialist projects may be subject to a separate tender process. Once the programme is agreed a rationalisation exercise will be undertaken to maximise opportunities for economies of scale and effectiveness of delivery by bundling types of projects together wherever possible.
  - vii. CASC scrutinising the progress of schemes on the basis of an annual approved performance reports by the City Surveyor; and
  - viii. The CWP Officer Peer Review Group (CWP PRG) is authorised to bring forward projects from the Reserve List if savings can be achieved, subject to such projects being advanced on a requirement basis at the Officers discretion with the details being reported in the next progress report to the Sub-Committee which are planned to be produced bi-annually.
  - ix. Approval will be sought from the CASC for a CWP Reserve List of projects at the same time the CWP is approved. These projects can be promoted to the

Actual List should opportunities such as savings arise. Promotion decisions will be made by the CWP PRG.

- x. Where additional and urgent priority projects are necessary and not in the programme or Reserve List (e.g. bringing forward a replacement lift that is regularly breaking down) the substitution for another project(s) within the approved CWP will be recommended by the CWP PRG. Approval for the changes will be sought for the City Surveyor under delegated authority from the CASC. Smaller project substitutions of below £50k will only require CWP PRG approval.
  - xi. Circumstances may arise where the cost associated with delivering an agreed project increase significantly, resulting in the need for a postponement out of the programme of another un-started project in order to keep spending within the overall CWP funding approval. In this circumstance, the recommended project changes will be suggested by the CWP PRG. Approval for these changes will be sought from the City Surveyor under delegated authority from CASC.
  - xii. Any changes made to the CWP approved Actual projects list, be they through initiating reserve projects, substitutions, re-prioritisation decisions etc. will be reported to CASC within the next CWP update report. Any changes made between the City's Cash, City Fund and Guildhall Admin Projects will need to consider the impact on the respective funds.
8. The CWP will be delivered over a three year period, with individual projects programmed according to a number of factors including season (e.g. external decorating is best programmed for better weather months), operational requirements, design, other adjustment with any major projects, specification and procurement lead times and manufacturers/contractors delivery forecasts.

## **Current Position**

9. Actual and Reserve lists have been prepared for works required in 2019/20. These are attached in Appendices A, B and C and are separated into City Fund, City's Cash and Guildhall Complex.
10. The list has been split into two elements:
- The Actual list which includes projects that are classed as essential and have been prioritised accordingly
  - The Reserve list which includes projects that should also be undertaken to help keep the property in a "fair to good" condition, but have less immediate reputational, financial and operational impact and risk to operations. Due to budgetary constraints these are not likely to be funded in 2019/20 unless savings can be found and thus will be deferred into the "Bow Wave" of operational portfolio cyclical maintenance

11. The project prioritisation model developed for the CWP has been applied to projects identified from forward cyclical maintenance/replacement plans of the Barbican Centre, the Guildhall School of Music and Drama and the operational properties under the City Surveyors management.
12. Essential Projects for consideration of including within the bid list are ranked in order of priority according to the following criteria and scoring mechanism.
  - Health, Safety & Security (weighting 5)
  - Asset Performance including energy efficiency (weighting 5)
  - COL Reputational (weighting 4)
  - Maintaining Income Stream (weighting 4)
  - Client Feedback (weighting 2)
13. The CWP PRG, chaired by the Head of Finance Property Services, has met twice to consider the draft prioritisation of projects across all Departments. The panel has provided a “sense check” to ensure that the prioritisation ranking reflected in the Prioritisation model has been rigorously and consistently applied and that the outcomes in terms of prioritisation align to the City’s strategic aims and objectives.
14. The Reserve list is prioritised and therefore if savings have been achieved the CWP Peer Review Panel will assess the projects in order to determine which projects will be taken forward.
15. The CWP PRG confirmed that, based on the draft overall CWP prioritised project list, and the provisional 2019/20 funding envelope for the CWP allowed for in the Medium Term Financial Strategy, that they were of sufficient priority to be recommended for advanced approval. That remains to be the case now and the overall prioritised project list for the 2019/20 CWP has been prepared, considered by the CWP PRG and recommended for approval by Members.
16. At the request of the Director of Open Spaces the draft programmes were presented to Hampstead Heath Highgate Wood and Queens Park Committee, Epping Forest and Commons Committee and Open Spaces City Gardens and West Ham Park Committee during June/July 2018.
17. The draft programme has been presented to the Barbican Board in May 2018.
18. The draft programme was also forwarded to Chief Officers for consultation, review, and impact on their operational service needs. Comments, where received have been considered by the CWP PRG and any changes of priority have been incorporated into the schedules.
19. The properties already identified as part of the current Service Based Reviews and Operational Property Review have not been included in the CWP bid. The list will continue to be reviewed as and when changes in the status of a property are made to ensure that work is not carried out unnecessarily.

20. The costs provided have been based on estimated outturn prices and do not take account of any potential savings which may arise through market conditions and specific procurement initiatives or cost changes for future market.

21. The Actual List funding is split as follows:

City Fund -	£5,141,000
City Cash -	£5,322,000
Guildhall Complex -	£2,137,000
<b>Total -</b>	<b>£12,600,000</b>

The Guildhall Complex has been funded by £1,478,000 from City's Cash and £659,000 from City's Fund.

### **Corporate and Strategic Implications**

22. The proposals in this list support the theme "Protects, promotes and enhances our environment" within the City Together Strategy.
23. The CWP 2019/20 aims to continue to adopt a corporate wide approach to prioritisation of cyclical repairs and maintenance across the City's operational property portfolio.
24. Prioritisation of additional works will depend upon a number of constituents and the consultation feedback but will also need to reflect the City's on-going Corporate Property Asset Management Strategy and the strategic objectives contained therein to manage the City's operational assets effectively, efficiently and sustainably to deliver strategic priorities and service needs. Furthermore consideration will be made to any other strategic asset management decisions, which reflect the wider corporate objectives to ensure that the City can meet its overall criteria relative to the management of its property assets.
25. However, the scale of the backlog of cyclical maintenance of deferred and future liability remains a challenge, and further constraints and opportunities need to be explored to meet the financial liability i.e. more property reviews to reduce footprint of portfolio. The current back log for the corporate estate, Barbican, GSMD and Ex Halls is in the region of £78.7m. The CWP along with the Additional Resources for City Fund properties is assisting with stabilising the backlog of maintenance however further capital resources is required to fully reduce it.

### **Implications**

26. The proposed CWP programme for 2019/20 is within the £12.6m assumptions made within the Medium Term Financial Strategy. The assumed funding envelope for the City Cash CWP projects in the 2019/20 bid included within the medium term financial strategy is £6.8m and for City Fund CWP projects is £5.8m. Resource Allocation Sub-Committee approval for the programme resources will be sought in January 2019.

27. However, more opportunities need to be found to meet the City's future maintenance costs and ensure our properties are available and safe for the services and departments that occupy them.
28. Consideration is being given by Officers to whether the minimum project value for the CWP is increased to £5,000. With all projects under that level being undertaken through day to day building repairs budgets. A budget adjustment from the CWP would be required to ensure that the day to day budgets would be uplifted to cover this amount. This approach would assist with reducing the back log of cyclical maintenance. Officers are working on the figures and practicalities of this suggestion and will report back to this committee in due course.

## **Conclusion**

29. The proposed programme for 2019/20 presents a further opportunity to continue to contribute to the maintenance of the City's operational asset portfolio.

## **Appendices**

- Appendix A City's Cash Schedule of works
- Appendix B City Fund Schedule of works
- Appendix C Guildhall Complex Schedule of works
- Appendix D How and where has the money been invested

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