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| <b>Committee(s):</b><br>Corporate Asset Sub Committee  | <b>Date:</b><br>15 <sup>th</sup> September 2020 |
| <b>Subject:</b><br>Review of the Cyclical Works Programme (CWP)  | <b>Public</b>                                   |
| <b>Report of:</b><br>City Surveyor CS:   | <b>For Decision</b>                             |
| <b>Report authors:</b><br>Pete Collinson – Operations Group Director<br>Alison Bunn – Head of FM (Operations Group)<br>Jonathan Cooper – Head of Minor Projects (Operations Group) |   |

### Summary

This report sets out a proposal to enhance the Cyclical Works Programme (CWP). The main points are:

- Moving to a condition-based maintenance approach through the new Computer Aided Facilities Management (CAFM) system currently being procured and due to be implemented Autumn 2021
- Focus the programme delivery into a single financial year
- Removal of smaller value projects under £10,000 by uplifting the City Surveyor's, DBE's or Barbican's local risk budget respectively (using funds previously earmarked for the CWP) to allow project delivery to focus on the larger scale projects
- Altering the project prioritisation matrix to make it more fit for purpose and a fairer system for all properties
- A smaller CWP programme of £3.6m for 2021/22 picking up only essential health and safety works to allow project delivery teams to catch up works delayed due to COVID19 restrictions
- Smoothing of the already agreed CWP programme to create a '4<sup>th</sup>' year
- Introduction of 3-5 yearly building condition surveys funded from funds previously earmarked for the CWP
- Revised key performance indicators to align with these recommendations
- To support the proposed changes to recalibrate the way the Corporation delivers projects in line with any proposed Target Operating Model (TOM) actions and via the correct governance route. The precise details to be reported once the details of the TOM become clearer

### Recommendation

Members are asked to:

- Approve the new approach set out in this report in paragraphs 5 to 19 in preparation for the bid process for 2022/23
- Approve the changes to the project scoring criteria set out in Appendix 1

- Approve the bid of £3.6m for the CWP programme for 2021/22 as set out in Appendix 2
- If the new approach set out in paras 5 to 19 is agreed a further report will be submitted setting out the precise financial implications for 2022/23 which will also require the agreement of Resource Allocation Sub-Committee

### **Current Position**

1. The Cyclical Works Programme (CWP) commenced in April 2017 which replaced the Additional Works Programme (AWP)
2. CWP has been running for 3 years and with the onset of the Target Operating Model (TOM) and Fundamental Review (FR), it has provided the opportunity to review the process to ensure it remains fit for purpose
3. The CWP does not include the three independent Schools, Spitalfields Market, Billingsgate Market and the Police sites excluding Guildhall Yard East.
4. All projects which are individually or collectively valued over £250,000 are excluded from the CWP and form part of the annual Capital Bid process

### **Proposed Changes – CWP Methodology**

5. Remove any project below the value of £10,000 from the bid list and increase the day to day maintenance budget held within City Surveyor's, Barbican or DBE local risk for the works to be delivered via the project arm of the respective maintenance contract and/or the Minor Works framework as part as BAU activity

For the bid list for 2020/21 this would remove 569 of 1,126 or 50.5% of projects and reduce the value of the bid list down by £2,440,020 or 6.5%

The benefits to this recommendation would be:

- The smaller value projects are often lower scoring so this would ensure that the works are undertaken to maintain to a good standard across all properties
  - Delivery of the projects for example in City Surveyors case, would continue through Skanska giving better economies of scale and act as an extension of day to day planned maintenance activity to potential create efficiencies
  - Allow the project team to concentrate on more substantial projects
  - This level of expenditure is more akin to day to day repairs and maintenance rather than cyclical works
6. Remove DBE statutory reservoir inspections and move to their respective local risk budget as this is a legal requirement so the funding should be guaranteed and not part of a bid process

For the bid list for 2020/21 this would remove 19 projects from the list with an overall monetary value of £107,500 to be met from funds previously earmarked for the CWP

The benefits of this recommendation would be:

- Confirmed funding for statutory inspections which is a legal requirement and will ensure that the City remains compliant

7. Remove all the quinquennial inspections from the bid list and move to the City Surveyor's Heritage local risk budget.

For the bid list for 2020/21 this would remove 20 projects with an overall monetary value of £55,000. to be met from funds previously earmarked for the CWP

The benefits of this recommendation would be:

- Confirmed funding for an inspection which will ensure all our heritage assets are maintained in the correct manner

8. Revamp the project prioritisation model developed for the CWP to ensure that it reflects the whole of the property portfolio and ensures that all building assets are represented equally.

It is proposed to remove the 'Maintaining Income Stream' and replace it with a 'Sustainability' category and alter the weighting for each category. Appendix 1 explains the detail.

The benefits of this recommendation would be:

- More emphasis is given to asset performance and maintaining the good standard of our properties
- Stops the maintaining income stream from skewing the data and loading all funding to certain properties
- Allows the ability for Sustainability projects to be included as they will be returning the investment with lower energy costs (in the context of the recent Climate Change Action - Sustainable Buildings approach)

9. Take into account any newly revised policies for property maintenance and allow for the sustainability projects to include improvements rather than a like for like replacement.

The benefits of this recommendation would be:

- Adhering to CoL policies
- Ensure we are using the most up to date sustainability technology
- Payback period reduced which will bring greater long-term energy savings

10. Provide funding for all projects that are required, i.e. fund the whole bid list

The benefits of this recommendation would be:

- Reduction in the backlog of maintenance - whilst the initial bid year is likely to be high this would not be sustained as the backlog of works would be reduced
- Ability to maintain operational properties to a good standard

Though it is accepted this would be constrained by available resources in any one year.

11. Categorise the projects into specific areas:

Barbican

Guildhall School

Heritage – Mansion House, Central Criminal Court, Smithfield Market

Open Spaces

The benefits of this recommendation would be:

- Clear demarcation of where funding is being spent
- Mirror individual Asset Management Plans (AMP)

12. Undertake a smaller CWP programme in 2021/22 of £3.6m where only essential health and safety projects are funded. See Appendix 2 for the project details.

Benefits of this recommendation would be:

- All outstanding projects completed
- Ability to refocus the CWP and start year 2022/23 afresh considering condition-based data as part of the next generation CAFM system
- Essential works funded to ensure that all urgent items are completed
- Savings could be utilised for new urgent projects or project budget increases

13. Utilisation of the new Computer Aided Facilities Management (CAFM) system in place from November 2021 to begin to create condition-based maintenance plans which will drive the bid list going forward

Benefits of this recommendation would be:

- Accurate bid lists which are based on condition and only projects that need to proceed will be included
- Longer term efficiency savings on the CWP once the known backlog is reduced
- Better understanding of what the backlog of maintenance includes
- Accurate data fed from the day to day Planned Preventative Maintenance (PPM) and reactive repairs – connecting day to day maintenance with cyclical requirements
- This also offers the opportunity to further align the FM, project and CAFM team to ensure a joined-up approach is achieved

14. Smoothing of the current programme of works to create a 4<sup>th</sup> year. This was at the request of the Chamberlain to ease the pressure of expenditure particularly in the 20/21 and 21/22 financial years. Works programmed to be completed in the latter years of the programme have been forecast later to create a 4<sup>th</sup> year, this means the current £26.3million CWP works programme is spread over 4 years rather than 3. A further report will be coming to this committee in November to go through the detail for Members to confirm.

Benefits of this recommendation would be:

- Accurate forecast expenditure for the next 4 years of CWP
- Resources can be appropriately diverted to other parts of the business, as deemed necessary
- Ability to focus resource for the delivery of urgent projects in the 21/22 programme

### **Proposed Changes – Project Delivery**

15. The proposed changes will require a revision of the organisational structure and resource utilised to deliver CWP. This would be carried out through the correct governance route

The benefits of this recommendation would be:

- Fit for purpose structure with the resource and expertise allied with new methodology and delivery proposals
- Use external consultants when we need to flex up e.g. for when CWP increases in one year and to not affect the in-house team when the CWP flexes down another year
- Potential to further utilise Skanska to deliver primarily engineering projects where value for money can be demonstrated

16. Introduction of 3-5 yearly stock condition surveys to all CoL property

The benefits of this recommendation would be:

- Update the forward maintenance plans, using the CAFM system, creating a symbiotic relationship between the planned preventative maintenance and the forward maintenance plan
- Rolling programme will ensure that our condition data is always current, creating confidence within the FMP and to better address any backlog impacts

17. Focussed programme delivery into single financial year

The benefits of this recommendation would be:

- More focus on actual project delivery and a better understanding of what projects will be delivered and when
- All urgent projects delivered in a timely manner
- More straight forward performance monitoring mechanisms
- Delivery of clear priorities to the property, carrying less risk for the corporation
- Projects will be planned in the prior year(s) with permissions sought and design complete so that works can be delivered within programmed year. Projects team will need appropriate budget provision in order to commission surveys etc.

### **Proposed Changes – Measurement / Key Performance Indicators**

18. Comparison of overall projects completed rather than budget spent

The benefits of this recommendation would be:

- Moves focus away from increasing project expenditure to delivering projects and encourages a focus of achieving savings for the Corporation
- Potential to incentivise efficiencies made e.g. return efficiencies to CWP budget or local risk
- Introduce a spend to save initiative based on condition and not shelf life
- Adhere to value for money (VFM) linked to asset management plans
- Deliver additional projects 'in-year' i.e. over deliver

19. Emphasis on reducing reactive repairs demand and reducing any major failures

The benefits of this recommendation would be:

- Ensuring that the condition surveys are informing and prioritising the correct works across the portfolio. Potential to reduce expenditure on reactive repairs and reducing impact to building users
- Improved reputation of the corporation as building managers/ owners

20. Client/ End user project satisfaction surveys

The benefits of this recommendation would be:

- Objective data that demonstrates that the correct projects are being undertaken and prioritised appropriately
- Highlights areas of improvement and contractor performance levels that can later be implemented in to their Contractual KPI's

### **Financial Implications**

21. A number of the proposals set out above have potentially significant financial implications. Should Members agree to the proposed approach a further report will be submitted setting out the full financial implication for approval, before they are actioned.

### **Corporate and Strategic Implications**

22. The CWP links to the City Surveyor's Business Plan:

**Strategic asset management:** We will develop asset management strategies that align Corporate Property Strategy, Investment Property Strategy and risks. We will ensure that we unlock the potential of our property assets in a way that supports the efficient delivery of the Corporate Plan and Service Departments' objectives.

**Property assets and facilities management:** We will ensure buildings are fit for purpose, sustainable, safe and secure, providing access for all, meeting service needs and community expectations and delivering value for money through enhancing our efficiencies; this includes asset management plans, facilities management including hard (planned and reactive maintenance) and soft services (cleaning, security, etc), cyclical projects and minor

improvements and delivery of major capital projects for refurbishments and new builds.

## Conclusion

23. The CWP methodology has been shared and discussed with our key stakeholders and whilst many are supportive of the new approach there are some concerns about the reduced 21/22 programme and also concerns around all projects being delivered within a timely manner and how that would fit into the business operational needs.
24. The new process will allow us to more accurately predict the CWP spend over the next 3 – 5 years through more accurate cyclical maintenance plans. This will enable future financial planning by the Chamberlain.
25. By implementing the proposal in this report, a more effective, accurate and efficient approach can be achieved.
26. Should this committee agree to these proposals a further report will be presented with the 2020/23 CWP bid to explain the details on programme delivery and slippage.

## Appendices

- Appendix 1 – Proposed Changes to Project Scoring Criteria
- Appendix 2 – CWP Bid List 2021/22

### Appendix 1 – Proposed Changes to Project Scoring Criteria

| Current Category                              | Current Weighting | Proposed Category           | Proposed Weighting |
|---|-------------------|-----------------------------|--------------------|
| Health, Safety, Security & Equality           | 5                 | Health, Safety and Security | 5                  |
| Asset Performance including Energy Efficiency | 5                 | Asset Performance           | 5                  |
| CoL Reputational                              | 4                 | CoL Reputational            | 3                  |
| Maintaining Income Stream                     | 4                 | Sustainability & Equality   | 4                  |
| Client Feedback                               | 2                 | Client Feedback             | 3                  |