

<b>Committee(s):</b> Corporate Asset Sub Committee – For decision	<b>Dated:</b> 24 <sup>th</sup> November 2021
<b>Subject:</b> Cyclical Works Programme 22/23 Bid Report	<b>Public</b>
<b>Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?</b>	Shape outstanding Environments – Our spaces are secure, resilient, and well-maintained
<b>Does this proposal require extra revenue and/or capital spending?</b>	Y
<b>If so, how much?</b>	<b>£11,090,000</b>
<b>What is the source of Funding?</b>	<b>City Cash, City Fund and Guildhall Admin</b>
<b>Has this Funding Source been agreed with the Chamberlain’s Department?</b>	Y
<b>Report of:</b> City Surveyor	<b>For Decision</b>
<b>Report author:</b> Alison Bunn – Head of Facilities Management	

### Summary

The report sets out the bid for the 22/23 Cyclical Works Programme (CWP) in line with the new approach to the CWP which was agreed by this committee on the 15<sup>th</sup> September 2020.

The overall bid is for £29,878,000 and is made up as follows:

City Cash: £11,248,000

City Fund: £14,476,500

Guildhall: £4,153,500

However, it is extremely challenging for the City to be able to afford this level of funding with its current financial pressures. Therefore, in agreement with the Chairman of this committee a risk-based approach has been adopted, this risk-based approach has brought the overall funding envelope down to £11,090,000 which has been agreed as a manageable level of funding.

This risk-based approach will mean that the backlog of maintenance for the operational estate (excluding the Barbican Centre and Guildhall School) will sit at £54.2m which is an increase of £18.8m from when this was last reported to this committee in January 2020.

It also needs to be noted that by reducing the funding envelope for 22/23 (but retaining the same number of operational assets with their associated maintenance requirements) it is only pushing the required level of funding forward by one year and it is now believed that the CWP bid for 23/24 will be £33m.

The report maps out the proposed capital bids for 22/23 which total £17,167,000 and cover all the operational estate except the Barbican Centre and Guildhall School as these are reported separately.

It is proposed that with a reduced programme being funded that project delivery will take place within a two-year delivery window.

### **Recommendation(s)**

- Note the required level of funding of £29.9m for the CWP 22/23 Bid
- Agree the risk-based approach which requires funding of £11,090,000
- Agree that the programme will be delivered over a 2-year period
- Note the list of capital projects valued at £17,167,000 put forward as part of the 22/23 capital bid process
- Note the level of backlog maintenance for 22/23
- Note that required funding for repair and maintenance on operational assets is likely to remain substantially unfunded unless/until the number of property assets can be reduced

### **Main Report**

#### **Background**

1. In September 2020, a new approach to the CWP was approved by this committee, the changes were designed to enhance the CWP and to give an opportunity to over time reduce the backlog of maintenance in the operational estate.
2. The main changes to the CWP were:
  - Projects below £10,000 were to be removed from the scoring process and automatically funded from the CWP
  - Statutory Inspections for the Department of the Built Environment (DBE) were to be removed from the scoring process and automatically funded through CWP
  - Quinquennial Inspections for the Heritage Team within City Surveyors were to be removed from the scoring process and automatically funded through the CWP
  - A revamp of the project prioritisation scoring process to remove Income Generation and replace with Sustainability and Equality
  - Allow for sustainability projects to include improvement rather than just a like for like replacement
  - Provide funding for all projects that are required
  - Categorise projects into the following specific areas: Barbican, Guildhall School, Heritage (Mansion House, Central Criminal Court and Smithfield Market) and Open Spaces with the remainder of the properties sitting within the Corporate Group
  - Provide a focused programme delivery into a single financial year

Appendix 1 gives the full report from September 2020 with all the agreed changes to the CWP.

- The CWP is overseen by the City Surveyor's department who deliver an element of the projects however projects undertaken by the Barbican and Guildhall School and the engineering projects for the Department of the Built Environment (DBE) are delivered by their own teams and so are accountable for their element of project delivery not the City Surveyors' Department.

### Current Position

- The CWP bid for 22/23 has now been collated and is made up as follows:

City Cash:	£11,248,000
City Fund:	£14,476,500
Guildhall:	£4,153,500
<b>Total:</b>	<b>£29,878,000</b>

- Of that £29.9m the following are projects which are valued under £10,000 split per fund is:

City Cash:	£1,710,000
City Fund:	£925,500
Guildhall:	£93,500
<b>Total:</b>	<b>£2,729,000</b>

### Proposed Option

- Due to the size of the bid, it is unrealistic to assume that the Corporation can afford this level of CWP funding with its current financial pressures, under the guidance of the Chairman of this committee the list was reviewed in line with the level of risk to the City to determine which projects should be funded.
- The list was reviewed in relation the Health, Safety and Security scoring criteria which has the following description:

#### Scoring Description

9	<p><b>1</b> Required to provide to comply with statutory requirements</p> <p><b>2</b> Where failure to provide could have effect on wider populous</p>
7	<p><b>1</b> Where failure to provide might negate insurance cover</p> <p><b>2</b> Required to maintain to the equivalent of a highway's agency standard</p>
5	<p>There is deemed to be a valid and current health and safety risk and that risk is likely to increase disproportionately if works are not undertaken within a reasonable time frame (say within 18 months).</p>
3	<p><b>1</b> Where works are considered industry best practice</p> <p><b>2</b> Where works have been recommended in a Fire Risk Assessment</p>
1	<p>No H&amp;S implications</p>

8. It is proposed that all projects that score 9 and 7 on this criterion are funded, this amounts to £5,846,000.
9. It is also proposed that all projects that score 5 on this criterion are graded into a 5+ and 5- with those projects scoring a 5+ being funded in this bid with the 5- being assured guaranteed funding in the following bid year 23/24. This amounts to £3,240,000.
10. It is further proposed that of those projects that are valued under £10,000, a considerable amount is critical and needs to be funded in this CWP bid, this amounts to £2,004,000. With the remaining projects being less critical and can be funded in the following bid year 23/24.
11. The following table identifies the funding required following the risk-based approach totalling £11,090,000:

<b>Risk Score</b>	<b>City Fund</b>	<b>City Cash</b>	<b>Guildhall</b>
9	£250,000	£250,000	£0
7	£3,396,000	£1,145,000	£805,000
5+	£1,765,000	£1,020,000	£455,000
Under £10k	£690,500	£1,223,000	£90,500
<b>Total</b>	<b>£6,101,500</b>	<b>£3,638,000</b>	<b>£1,350,500</b>

12. A Bilateral Finance meeting was held on the 8<sup>th</sup> October 2021 with the Chairs and Deputy Chairs of this committee, Finance Committee and Resource Allocation Sub Committee. This risk approach and funding level was presented and was approved in principle as the right way forward.
13. Whilst this approach means that an affordable level of funding is achieved for the CWP bid 22/23, it needs to be noted that this does not eliminate the risk to the City and the City Surveyor's preferred option is that the full £29.9m is funded.
14. Appendix 2, 3, 4, 5 and 6 gives the breakdown of projects to be included in each fund, under £10k and rationale for how the projects meet the Health, Safety and Security Criteria.

### **Backlog of Maintenance**

15. One risk of not providing the total required level of funding is the impact it will have on the backlog of maintenance. If only the £11,090,000 is funded from the 22/23 Bid the backlog of maintenance excluding the Barbican Centre, Guildhall School, and ring-fenced properties (Schools, Police, New Spitalfields and Billingsgate Markets) will be £54.2m.
16. This is an increase of £18.8m from the last time the backlog was reported to this committee in January 2020. The increase is due to a reduced CWP programme for 21/22 being agreed which only allowed urgent health and safety items to be undertaken due to the Covid pandemic and the full requirement of money for the 22/23 bid not being funded.

17. Considering this situation, the Chair of this committee has requested a deep dive into the current back log of maintenance and what the next five years of CWP funding requirement is. Once the CWP Bid for 22/23 funding is approved at this committee work will start on this task with the intention of bringing a report to this committee in January 2022.

18. Members should note that, for many years now, not all the required funding for essential repair and maintenance across the operational estate has been approved, despite being recommended by officers and included in annual bids. This situation is likely to remain, with future bids likely to also be substantially unfunded, unless/until the number of operational property assets (and associated maintenance requirements) can be reduced. Future better utilisation and potential rationalisation of the operational estate is part of the approved Corporate Property Asset Management Strategy 2020-25, progress on which is the subject of a separate report on this committee agenda.

### **Capital Projects**

19. Larger value projects that exceed £250,000 have been removed from the bid list and will form part of the City Surveyor's submission to the 22/23 annual Capital bid process. The overall value of the projects that will be put forward is £17,167,000 these projects have been deemed as essential and need to be progressed. Appendix 7 gives a list of the projects.

### **Governance**

20. The CWP 22/23 bid list has been created in consultation with all service departments and the Corporate Property Asset Management Team.

21. The bid list has been presented to the CWP Peer Review Panel which is chaired by the Chamberlain's department and subsequently agreed by that group.

### **Project Delivery**

22. The CWP is overseen by the City Surveyor's department who undertake an element of the project delivery. There are however projects undertaken by the Barbican and Guildhall School and the engineering projects for the Department of the Built Environment (DBE) are delivered by their own teams and so are accountable for their element of project delivery not the City Surveyors' Department

23. Due to the late approval of the bid list for 2022/23 it is proposed that the programme is delivered over a 2-year period rather than 1 year which was agreed as part of the new approach, this will allow officers the chance to deliver the programme on time and smooth the transition to the new delivery mechanism. Thereafter, the CWP bid for 2023/24 will be a one-year delivery programme.

24. Phasing of the 2-year delivery would be set as follows:

<b>Fund</b>	<b>Year 1</b>	<b>Year 2</b>
City Cash	1,212,665	2,425,335
City Fund	2,033,831	4,067,669
Guildhall	450,166	900,334
<b>Total</b>	<b>3,696,662</b>	<b>7,393,338</b>

25. The City Surveyors department will work closely with its term contractors to ensure that works are appropriately programmed over the next 2 years. These programmes will also require agreement with service departments. It is possible to ensure a timely delivery an element of the bid will be put aside for additional staff costs to deliver the programme.

26. Some more complicated projects within the bid list may struggle to complete within the 2 years, particularly those of historic interest or those buildings that may have limited available shutdown periods. These will be identified at an early stage and appropriate measures will be taken to re-programme works in a later year. Projects in this category are thought to relate to less than 20% of the overall bid.

### **Corporate & Strategic Implications**

27. Strategic implications – The funding of the CWP 22.23 list will ensure that we are able to deliver the following corporate plan objective: Shape outstanding Environments – Our spaces are secure, resilient, and well-maintained. It also allows the City Surveyor's department to deliver the following objectives in its 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.

28. Financial implications – The proposed Cyclical Works Programme bid for 2022/23 of £11.09m is in excess of the £4m assumed within the current Medium Term Financial Plan. It will therefore be necessary to identify further funding if the bid is to go ahead. Should CASC approve the bid the funding will, therefore, be the subject of a further report to Resource Allocation Sub-Committee in January 2022, when this issue can be considered in the context of the City's overall budgetary position.

29. Resource implications – The changes proposed by the Operations Group as part of the TOM have considered the increased CWP and will enable delivery of the proposed bid list. The TOM has been approved and came into effect on the 27<sup>th</sup> September 2021, work is now underway to resource the delivery team accordingly.
30. Legal implications – These works will ensure that the City maintains its assets to meet its statutory obligations.
31. Risk implications – If the full CWP 22/23 bid list is not funded there is a risk that the unfunded element will increase the backlog of maintenance on the operational estate due to a reduced programme being undertaken in 21/22 due to the Covid pandemic.

It also needs to be noted that the measured term contracts expire at the end of 2022 and the building repairs and maintenance contract expires in early 2023 the inability to retender these contracts within the agreed timescales might impact on the delivery of the CWP within the delivery window proposed.

Figures from the construction Industry show that prices for materials have grown from between 3% for M&E components, 22% for Timber, 31.8% for fabricated structural steel and 37.3% for concrete reinforcing bars in the year April 2020 to April 2021. It is expected that those prices due to supply and demand will continue to rise further in 2021/2022 so there is a risk that not funding the whole bid list will see more expensive projects going forward which will mean the bid list will continue to have a higher value even though it will be formed of fewer projects.

32. Equalities implications – None

33. Climate implications – The CWP works to assist with the City to deliver its Climate Action Strategy, by undertaking the required level of cyclical maintenance on an annual basis.

34. Security implications - None

## **Conclusion**

35. It is acknowledged that this is an unprecedented year for the 22/23 CWP bid with an overall value of £29.9m, however in line with the new approach to the CWP it is imperative that funding is agreed and prioritised.

36. The purpose of the new CWP approach was to produce a more dynamic list which could be delivered within a delivery envelope of one year which was supported by this committee and all stakeholders within the organisation.

37. However, it is acknowledged that it is unrealistic for the City to be able to fund the total amount required, it is therefore proposed a risk approach is adopted and only those projects that score 9, 7 and 5+ on the Health, Safety and Security

scoring category and critical projects on the under £10k list are funded at £11,090,000.

38. For this approach to work it needs to be acknowledged that all those unfunded projects from 22/23 need to be funded in the following bid year 23/24 along with any new projects that are required in that year. Therefore, it is likely the bid list for 23/24 will be in the region of £33m.
39. If these works are not funded, it will add to the backlog of maintenance levels and mean that we are unable to maintain the operational properties to a good standard as per the corporate property asset management strategy.
40. This situation is likely to remain, with future CWP bids for essential maintenance likely to also be substantially unfunded, unless/until the number of operational property assets (and associated maintenance requirements) can be reduced.

## **Appendices**

- Appendix 1 – Review of the Cyclical Works Programme (CWP) September 2020
- Appendix 2 – City Cash Risk Based Scoring Matrix 22.23
- Appendix 3 – City Fund Risk Based Scoring Matrix 22.23
- Appendix 4 – Guildhall Risk Based Scoring Matrix 22.23
- Appendix 5 – Projects Under £10k
- Appendix 6 – CWP 22.23 Risk Overview
- Appendix 7 – Capital projects 22.23

## **Background Papers**

- Review of the Cyclical Works Programme (CWP) – 15<sup>th</sup> September 2020
- Cyclical Maintenance Back Log – 29<sup>th</sup> January 2020

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