

<b>Committee(s):</b> Corporate Asset Sub Committee – For Information	<b>Dated:</b> 17 <sup>th</sup> January 2022
<b>Subject:</b> Backlog of Maintenance and 5 Year Cyclical Works Programme Look Ahead – City's Non-Housing Operational Portfolio	<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>	<b>N</b>
<b>If so, how much?</b>	<b>N/A</b>
<b>What is the source of Funding?</b>	<b>N/A</b>
<b>Has this Funding Source been agreed with the Chamberlain's Department?</b>	<b>N/A</b>
<b>Report of:</b> City Surveyor	<b>For Information</b>
<b>Report author:</b> Alison Bunn – Head of Facilities Management	

### Summary

The report sets out the current backlog of maintenance to achieve the Corporate Property Asset Management Strategy 2020/25 (CPAMS) level of good across all its assets as approved in November 2020. In addition, the report gives a five year look ahead for Cyclical Works Programme (CWP) funding from year 2023/24 onwards.

In relation to this report the operational property excludes housing and ring-fenced properties but includes everything else such as Mansion House, Central Criminal Court to name a few. The purpose of this report is to inform Members of the future funding requirements for the CWP and major Capital Projects to allow the City to reduce the backlog of maintenance to an acceptable level.

The overall backlog currently sits at £83.3m; after excluding the funded projects from the CWP for 2022/23. The data is split into three categories: Capital Projects (projects valued over £250,000), CWP (projects valued under £250,000) and the Barbican and Guildhall School.

The 5 year look ahead for the CWP and major capital requirements amount to £138m, however this is likely to rise by an anticipated inflationary rise and a projected increase in material costs of c.20% over the next five years. This would allow the properties to be maintained to a good level.

Please note that due to a different reporting process, that this report does not include information on the backlog of maintenance for ring fenced properties, in this instance these are Police Sites, the 3 Independent Schools, Billingsgate Market and New

Spitalfields Market. This is because their 2022/23 bids are currently being finalised and approved by their respective service committees.

### **Recommendation**

- Members are asked to note the content of this report

### **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 across the Operational portfolio excluding housing and the ring-fenced properties.
2. The main changes to the CWP are:
  - Projects below £10,000 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 in line with the climate action strategy (CAS)
  - Provide funding for all projects that are required
  - Categorise projects into the following specific areas: Corporate estate; Barbican and Guildhall School of Music & Drama; Heritage and Open Spaces
  - Provide a focused programme delivery into a single financial year with a caveat that some may take longer due to planning and statutory permissions
3. The CWP is overseen by the City Surveyor's department who deliver an element of the projects. 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.
4. At this committee in November 2021 the CWP bid for 2022/23 was approved at £11,090,000 and these projects have been excluded from the backlog of maintenance total assuming Resource Allocation Sub-Committee will agree the funding.

5. The operational properties are split into three funds: City Cash, City Fund and Guildhall according to their funding streams.

## **Backlog of Maintenance**

6. The current backlog of maintenance stands at £83.3m, this is the most up to date data and includes projects which were deferred from the 2022/23 bid list due to lack of funding.
7. The backlog of maintenance figures has been created from the up-to-date forward maintenance plans for each property. In essence the list of projects that form the backlog are anything that has been deferred due to lack of funding.
8. There is an element of projects which are naturally deferred as the City Surveyors make an informed decision to sweat our assets, these are not included in the backlog of maintenance figures.
9. The backlog of maintenance is split as follows:

	City Fund	Guildhall	City Cash	Total
Capital Value Projects	£2,401,000	£10,395,000	£2,707,500	<b>£15,503,500</b>
CWP	£12,022,000	£8,148,500	£14,144,000	<b>£34,314,500</b>
Barbican/Guildhall School	£30,000,000	£0	£3,500,000	<b>£33,500,000</b>
<b>Total</b>	<b>£44,423,000</b>	<b>£18,543,500</b>	<b>£20,351,500</b>	<b>£83,318,000</b>

10. The backlog split into the operational property grouping is as follows:

Categories	City Fund	City Cash	Guildhall	Total
Barbican	£30,000,000	N/A	N/A	<b>£30,000,000</b>
Heritage	£3,124,000	£4,358,000	N/A	<b>£7,482,000</b>
Corporate Property	£11,299,000	£1,205,500	N/A	<b>£12,504,500</b>
Open Spaces	N/A	£11,288,000	N/A	<b>£11,288,000</b>
Guildhall School	N/A	£3,500,000	N/A	<b>£3,500,000</b>
Guildhall Complex	N/A	N/A	£18,543,500	£18,543,500
<b>Total</b>	<b>£44,423,000</b>	<b>£20,351,500</b>	<b>£18,543,500</b>	<b>£83,318,000</b>

11. Please note the figures for the capital value projects only relate to information from the Forward Maintenance Plans and do not include other non-M&E and Fabric related projects such as implanting new ways of working.

## **5 Year CWP and Capital Look Ahead**

12. The estimated 5-year CWP and Capital monetary requirement is £137,895,000, broken down as follows:

<b>23/24</b>	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>	<b>Total</b>
£65,047,500	£23,646,000	£23,352,500	£13,003,000	£12,846,000	<b>£137,895,000</b>

13. The split per fund is:

<b>Guildhall</b>	<b>23/24</b>	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>	<b>Total</b>
CWP	£9,186,000	£3,825,500	£3,195,500	£3,001,500	£2,918,000	£22,126,500
Capital	£8,990,000	£1,555,000	£6,150,000	£600,000	£0	£17,295,000
	<b>£18,176,000</b>	<b>£5,380,500</b>	<b>£9,345,500</b>	<b>£3,601,500</b>	<b>£2,918,000</b>	<b>£39,421,500</b>

<b>City Fund</b>	<b>23/24</b>	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>	<b>Total</b>
CWP	£15,262,000	£5,506,500	£5,570,000	£3,673,500	£4,246,000	£34,258,000
Capital	£5,169,000	£3,480,000	£0	£350,000	£720,000	£9,719,000
	<b>£20,431,000</b>	<b>£8,986,500</b>	<b>£5,570,000</b>	<b>£4,023,500</b>	<b>£4,966,000</b>	<b>£43,977,000</b>

<b>City Cash</b>	<b>23/24</b>	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>	<b>Total</b>
CWP	£21,205,500	£5,979,000	£6,707,000	£4,033,000	£4,962,000	£42,886,500
Capital	£5,235,000	£3,300,000	£1,730,000	£1,345,000	£0	£11,610,000
	<b>£26,440,500</b>	<b>£9,279,000</b>	<b>£8,437,000</b>	<b>£5,378,000</b>	<b>£4,962,000</b>	<b>£54,496,500</b>

14. The split into the operational property grouping is as follows:

<b>City Fund</b>						
<b>Categories</b>	<b>23/24</b>	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>	<b>Overall Total</b>
Barbican	£782,000	£782,000	£782,000	£782,000	£782,000	£3,910,000
Heritage	£3,105,000	£2,099,000	£739,500	£402,000	£1,722,000	£8,067,500
Corporate Property	£16,544,000	£6,105,500	£4,048,500	£2,839,500	£2,462,000	£31,999,500
	<b>£20,431,000</b>	<b>£8,986,500</b>	<b>£5,570,000</b>	<b>£4,023,500</b>	<b>£4,966,000</b>	<b>£43,977,000</b>
<b>City Cash</b>						
<b>Categories</b>	<b>23/24</b>	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>	<b>Overall Total</b>
Heritage	£12,093,500	£4,783,500	£4,050,500	£1,053,500	£1,535,000	£23,516,000
Open Spaces	£12,486,500	£3,822,500	£3,922,000	£2,891,500	£2,932,000	£26,054,500
Corporate Property	£1,380,500	£193,000	£-15,500	£953,000	£15,000	£2,526,000
Guildhall School	£480,000	£480,000	£480,000	£480,000	£480,000	£2,400,000
	<b>£26,440,500</b>	<b>£9,279,000</b>	<b>£8,437,000</b>	<b>£5,378,000</b>	<b>£4,962,000</b>	<b>£54,496,500</b>

15. The values in year 23/24 are significantly higher as they incorporate the backlog of maintenance spend, as each year a project is not funded it is deferred to the following year when it becomes part of the bid process again. When in the bid process other factors such as site redevelopment are considered to determine if the project should be put forward in the bid or deferred to a future year.

16. Appendix 2 includes a full list of projects which make up the 5 year look ahead figures.

## **Redevelopment Opportunities**

17. There are several proposed refurbishment and redevelopment opportunities within the Operational portfolio which if progressed and executed will result in a significant reduction of the backlog of maintenance. These include north and west wings at Guildhall, Walbrook Wharf, the 3 wholesale markets and Barbican Centre. However, it needs to be noted that it will not necessarily mean a large reduction in the CWP, or major projects spend over the next five years as whilst the buildings are still in occupation by the City and in certain properties our third-party tenants they need to be maintained to a safe and compliant state and in accordance with the City's repairing obligations within leases.

18. For example:

- Guildhall Refurbishment programme would result in a reduction of circa £6m from the backlog of maintenance due to the re-development or refurbishment of the North and West Wings, subject to committee approval.
- Walbrook Wharf redevelopment would result in a reduction of circa £1.8m from the backlog of maintenance due to the re-development of the entire building, again should redevelopment be the preferred option going forward.
- Redevelop and future-proof the Barbican Centre for the next generation

Please note the above three projects are subject to final design, specification, and approved funding.

## **Corporate & Strategic Implications**

19. Strategic implications – The funding of the CWP and Capital Projects 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 Asset Management Strategy 2020/25 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.

20. Risk implications – The figures produced do not consider any increases in prices due to the pandemic, inflationary increases and the implications of Brexit which are currently unknown.
21. There is a risk to the City if it doesn't perform its lease repairing obligations for its third part tenants which could result in a breach in covenant and potential legal actions by tenants.
22. If the major projects/programmes are not progressed or delivered it needs to be noted that significant investment would be required to bring these properties back into the good level of maintenance set by the City.
23. The ring-fenced properties namely New Spitalfields Market, Billingsgate Market, Police Sites and the three Independent Schools have not been included in the backlog of maintenance analysis. These sites operate an annual cyclical maintenance bid process which is currently being finalised, it is therefore proposed to give an accurate picture that a further report on the backlog of maintenance for the ring-fenced properties is submitted to the next committee in May 2022.

## **Conclusion**

24. The current backlog of maintenance for the Operational portfolio (excluding housing and ring-fenced properties) sits at an estimated £83.3m to achieve the good level of maintenance set by the CPAMS.
25. The 5 year look ahead for CWP and Capital project requirements is £138m which would be subject to inflationary rises as time progresses.
26. It is recognised that this is a significant financial commitment required by the City to ensure that its properties are maintained in a safe and compliant manner which aligns to the Corporate Property Asset Management Strategy 2020-25 and target condition of Good overall.
27. The consequence of not investing in the operational portfolio is that overtime the buildings will become uncompliant and potentially uninhabitable. The other option for the City could be to look to reduce the number of operational assets which will inevitably reduce the backlog of maintenance and future CWP spend going forward.
28. A benchmarking exercise is now being undertaken to compare our FM costs against similar organisations, previously we have not been able to complete this task but now with meaningful data in place we are able to ensure that any benchmarking completed is accurate and a real comparison.

## **Appendices**

- Appendix 1 – Backlog of Maintenance Data
- Appendix 2 – 5 Year Forecast of Projects

## **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
- CWP Bid List 22/23 – 24<sup>th</sup> November 2021

**Alison Bunn**

**Head of Facilities Management – Operations Group**

T: 020 7332 1069

E: [alison.bunn@cityoflondon.gov.uk](mailto:alison.bunn@cityoflondon.gov.uk)