

| | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| Committee(s): Operational Property and Projects Sub Committee – For Decision | Dated: 23 November 2022 |
| Subject: Cyclical Works Programme 2023/2024 and beyond | Public |
| Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly? | Shape outstanding Environments – Our spaces are secure, resilient, and well-maintained |
| Does this proposal require extra revenue and/or capital spending? | Y |
| If so, how much? | £4,980,000 |
| What is the source of Funding? | |
| Has this Funding Source been agreed with the Chamberlain’s Department? | Yes – (City’s Cash & City Fund) |
| Report of: City Surveyor | For Decision |
| Report authors: Matt Baker – Assistant Director – Head of Facilities Management, City Surveyors Jonathan Cooper – Assistant Director -Head of Surveying & Engineering, City Surveyors | |

Summary

1. This report highlights the previously reported maintenance backlog to achieve the Corporate Property Asset Management Strategy 2020/2025.
2. The purpose of this report is to agree funding for the 2023/2024 cyclical works programme (CWP) and seek approval for an alternative strategy for the CWP from 2024 to 2027. The alternative strategy considers the operational and financial context in which the Corporation currently operates.

Recommendation

3. Members are asked to approve the following:
 - Approve a funding request for £4,980,000 for the 2023/2024 CWP. This will fund projects required to comply with minimum statutory requirements, work presenting a significant health, safety & security risk, or work with a significant impact to heritage property.
 - Approve the proposed approach to consider a CWP funding request to cover 3 years from 2024 to 2027. This request will be submitted in 2023 and will fund a programme of works to be delivered between April 2024 and March 2027.
 - Approve that any unspent funding from previous CWP allocations to be retained so that these can be reallocated by the peer review group, which will continue to provide governance around the delivery of the CWP.

Main Report

Background

4. In January 2022, the City Surveyor Operations Group reported to Corporate Asset Sub Committee (CASC) the current backlog of maintenance to achieve the Corporate Property Asset Management Strategy (CPAMS) 2020/25. The purpose of that report was to inform Members of the future funding requirements for the cyclical works programme (CWP) and major capital projects to allow the Corporation to reduce the backlog of maintenance to an acceptable level.
5. This report excludes housing and Institutional property with ring fenced budgets (i.e. schools, police stations, Bridge House Estates, Billingsgate Market and Spitalfields market) but includes the Barbican and GSMD.
6. The overall maintenance backlog was reported as £83.3m (which excluded projects funded as part of the approved 2022/23 CWP). The breakdown is as follows;

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

7. The report also communicated the 5 year look ahead for the CWP and major capital requirements amounted to £138m at current prices.

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

8. Currently, City Surveyors' conduct an annual review of the forward maintenance plans with corporate occupiers and confirm which projects should be bid for in the annual CWP funding request. These projects are then scored against the approved scoring matrix (attached in appendix 2) to create a list of prioritised projects. The projects that are approved for completion are then dependent on the funding envelope provided.
9. In September 2020, a new approach to the CWP was approved by CASC. The changes were designed to give an opportunity to over time reduce the backlog of maintenance across the Operational portfolio.
10. The main changes to the CWP that were agreed;
 - Projects below £10,000 removed from the scoring process and automatically funded
 - 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)

- Categorise projects into the following specific areas: Corporate estate; Barbican and Guildhall School of Music & Drama; Heritage and Open Spaces
- 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 outlined above

Current Situation

11. In accordance with the above process, the Operations Group have reviewed the 2023/24 forward maintenance plans which has generated a funding requirement of £34m. This can be broken down into the following categories:
 - There is £900k of work required to comply with statutory requirements
 - There is £3.9m of work presenting a significant health & safety and security risk that if not rectified could result in injury or damage or have significant security impacts.
 - There is £4m of work with reputational risks associated with it (either due to listing status of the property/asset or public interface)
 - There is £760k of work which presents a significant impact to asset performance/availability which if not rectified will impact core functions or revenue streams There is £530k of work which significantly supports the City of London's sustainability and equality objectives
 - There is £2.7m of work (515 projects) valued at under £10,000 which are not scored in accordance with the agreed process. The bulk of this relates to building fabric & decorative works
 - The remaining £21m balance is made up of projects which score as follows on the scoring matrix
 - >90 = £3.45m
 - >80 = £6.47m
 - >70 = £5.93m
 - >60 = £2.20m
 - <60 = £2.95m
12. The current delays in the annual funding cycle, due to a review of the medium-term finance plan (MTFP), presents a degree of funding uncertainty and challenges in project delivery within the agreed annual CWP cycle. This is not a City of London staff resource issue.
13. The lack of funding certainty over an extended period of time presents challenges in accessing our supply chain resource.
14. A proportion of the CWP is delivered by our building repairs and maintenance contractor, currently Skanska. Their existing contract is due to expire on the 1 April 2023 and we are currently in a live tender process to select an Integrated Facilities Management provider (incorporating building repairs and maintenance and soft services) across 6 Lots. By taking the proposed approach, this will enable the new IFM providers to mobilise before taking on additional project work.
15. The majority of CWP project work is undertaken by our Measured Term Contractors (MTC's), these contracts expire and are due to be re-tendered in 2023. Should the Contractors change, project delivery is likely to be impacted.

Proposal

16. The Corporation's current financial pressures are well documented and have triggered the capital and revenue project review process. In addition, an operational property review is about to commence.
17. The financial burden of maintenance requirements outlined earlier in this report remains (should we retain our existing property portfolio); however, it feels remiss to not re-assess the CWP funding approach taking into account the context of our current situation. Furthermore, take advantage of all available inputs into producing a more accurate and efficient longer term funding request based on actual needs in the context of property asset plans.
18. Following that approach, this report is seeking approval for £5.007m of funding to be allocated for 2023/24 CWP in order to address statutory requirements, work presenting a significant health, safety or security risk or a risk to heritage property. The list of associated projects is provided with this report. The £5.007m is split as follows;

| Fund | Value |
|-------------|--------------|
| City Fund | £2,291,000 |
| City's Cash | £1,679,000 |
| Guildhall | £1,010,000 |

19. As per the 2022/23 CWP bid, works will be delivered over two financial years (2023/24 & 2024/25). This allows heritage and operationally challenging projects to be properly planned and delivered in the second year. Programme forecast will be split as:

| Year | Value |
|-------------|--------------|
| 2023/24 | £3,800,000 |
| 2024/25 | £1,180,000 |
| Total | £4,980,000 |

20. Delivery of work associated with this funding continues to be governed by the Peer Review Group. A copy of the governance arrangements are attached in Appendix 1.
21. A reserve List of additional schemes totalling £1,161,000 is also provided, these schemes may be progressed if further resources become available within the relevant fund. These projects can be promoted to the actual List should opportunities such as savings arise. Promotion decisions will be made by the peer (as outlined in the attached governance) review group and reported to OPPSC in the next progress report.
22. The Operations Group will, in collaboration with corporate occupiers and corporate property group asset management, produce a CWP funding request and associated works programme to cover 3 years from 2024 to 2027. No additional CWP funding

will be required during this period. It is suggested that a bid is made in 2026 for funding for 3 years from 2027.

23. This will continue to address the existing backlog of maintenance but will consider;

- Operational Property Review outcomes
- Updated Asset Management Plans for each operational property
- Recalibrated forward maintenance plans
- CAFM data on asset condition
- Statutory requirements & Heritage property obligations and priorities

24. A request for the 3 year funding approach will be submitted at Operational Property and Projects Sub Committee (OPPS) in 2023. We would request that funding is confirmed by September 2023 to enable effective programme and resource planning.

25. Any unspent funding from previous CWP programmes, due to savings achieved, are to be retained so that this can be reallocated by the Peer review group. This provides us with an efficient funding route to react quickly to any urgent, unforeseen requirements. The existing CWP programmes that are expected to be completed in 2023/24 are as follows;

| Year Allocated | Value of projects |
|-----------------------|--------------------------|
| 18/19 | £249,000 |
| 19/20 | £641,000 |
| 20/21 | £2,158,000 |
| 21/22 | £265,000 |
| 22/23 | £5,218,000 |
| Total | £8,531,000 |

Benefits

26. By taking a medium-term approach, based on property asset management planning funding certainty can be achieved. In addition, there will be inevitable financial and operational efficiencies to be realised. For example;

- Increasing our buying power and economies of scale through our supply chain
- Longer term committed resource from our supply chain
- Through effective programming, a reduction of disruption in operational properties
- Considers in flight corporate property review to prevent misallocation of funds to property to be disposed of and/or refurbished, master planning etc
- Enables IFM providers to establish themselves in 23/24
- Reduces impact of change in measured term contract (MTC) providers changing. These are the contractors responsible for delivering the bulk of CWP programmes and is due to be tendered at the beginning of 2023, with new contracts in place by late 2023
- Optimise our current resource structure to meet project needs
- Several large condition surveys have been commissioned to the corporate portfolio, this information will also help inform the forward maintenance plans

Risks

27. By taking this pause to consider all factors outlined above we will further delay the reduction in the maintenance backlog. However, by taking this pause we will ensure that we are spending resource in the most appropriate manner.

Conclusion

28. City surveyor's request approval for a funding request for £4,980,000 for the 2023/2024 CWP. This will fund projects required to comply with minimum statutory requirements, work presenting a significant health, safety & security risk, or work with a significant impact to heritage property. This work will be delivered over 2 financial years (2023/24 & 2024/25).
29. City Surveyor's request approval for the proposed approach to consider a CWP funding request to cover 3 years from 2024 to 2027. This request will be submitted in 2023 and will fund a programme of works to be delivered between April 2024 and March 2027.
30. City Surveyor's request approval that any unspent funding from previous CWP allocations to be retained so that these can be reallocated by the peer review group, which will continue to provide governance around the delivery of the CWP.

Appendix 1 - Cyclical Works Programme – Governance Arrangements

1. The Cyclical Works Programme Officer Peer Review Group (PRG) shall review the proposed Cyclical Works Programme (CWP) and agree 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
2. A summary list of the proposed schemes, in priority order, shall be submitted to Operational Property and Projects Sub Committee (OPPSC) for agreement and then to a meeting of the Resource Allocation Sub-Committee (RASC) for approval. The RASC meeting and the subsequent Policy and Resources Committee (P&R) must 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.
3. Each year’s agreed work programme, and allocation of funding, will then operate 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.
4. Approval will also be sought from OPPSC for a CWP Reserve List of projects at the same time the CWP is approved. This Reserve List of additional schemes, which might be progressed if further resources become available within the relevant fund, shall be submitted to RASC for approval. These projects can be promoted to the Actual List should opportunities such as savings arise. Promotion decisions will be made by the PRG and reported to OPPSC in the next progress report.
5. The PRG is authorised to bring forward projects from the Reserve List if “surplus” resources become available, subject to such projects being advanced on a requirement basis at the Officers discretion with the details being reported in the next bi-annual CWP progress report to OPPSC by the City Surveyor.
6. Each CWP repairs and maintenance scheme shall generally proceed, via the usual internal arrangements/controls within the respective Department.
7. In accordance with advice given by City Procurement, the majority of standard refurbishment and cyclical projects will be procured by continuing with the existing Minor Works Framework which will be renewed as appropriate via a compliant OJEU process. However, some of the higher value projects may be subject to a separate tender process.
8. OPPSC shall scrutinise the progress of schemes based on a bi-annual CWP progress report by the City Surveyor
9. 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 PRG. Approval for the changes will be sought for the City Surveyor under delegated authority from the OPPSC. Smaller project substitutions of below £50k will only require PRG approval.
10. 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 to keep spending within the overall CWP funding approval. In this circumstance, the recommended project changes will be suggested by the PRG. Approval for these changes will be sought from the City Surveyor under delegated authority from OPPSC.

11. Any changes made to the CWP approved Actual List, be they through initiating reserve projects, substitutions, re-prioritisation decisions etc. will be reported to OPPSC within the next CWP progress report by the City Surveyor. Any changes made between the City's Cash, City Fund and Guildhall Admin Projects will need to consider the impact on the respective funds.

12. The above governance arrangements will also generally apply to the Additional Capital Funds Programme noting that because of their size and capital nature these projects will also progress through the gateway process.

Footnote:

The Cyclical Works Programme Officer Peer Review Group (PRG) is an Officer group, chaired by the Head of Finance (Property Services), with representation from the Chamberlain's Department, City Surveyor's Department, Department of Built Environment, Guildhall School of Music and Drama and the Barbican Centre.

Appendix 2 – CWP Project Scoring Criteria Matrix

| Criteria | Health, Safety & Security | COL Reputational | Sustainability & Equality | Asset performance | Client Feedback | |
|--------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Criteria weighting | 5 | 3 | 4 | 5 | 3 | |
| Description | <p>1 To what extent is the COL exposed to risk if project not undertaken in this programme</p> <p>2 Is the project required to meet a statutory compliance standard (e.g. Reservoir Act)</p> <p>3 Is the project required to meet the equivalent of a highways agency standard (structural integrity)</p> | <p>1 To what extent is the COL reputation tarnished or risked if the project is not undertaken in this programme</p> <p>2 How does the proposed work maintain or protect the heritage of the property or its local standing</p> | <p>To what extent does the specific project contribute towards Sustainability and Equality in accordance with the Climate Action Strategy and Equalities Act</p> | <p>What impact will sudden unexpected failure of the asset have on the COL to deliver its front line services</p> | <p>1 Is the project of sufficient importance to the occupying department that they consider it meritorious from a front line service delivery perspective</p> <p>2 Is their Member or committee or other interests that have not been taken into account</p> | |
| RATING SCALE | 0 | | | | | |
| | 1 | <p>1 No H&S implications</p> | <p>1 No reputational impact</p> <p>2 Non public support space, temporary use, underutilised or</p> <p>3 Not listed, General operational building, staff welfare or</p> <p>4 Listed (any grade) but project not relevant to listing status</p> | <p>1 No impact on Sustainability</p> <p>2 No impact on Equality</p> | <p>Failure will have little or no impact on front line service delivery</p> | <p>The occupying department has not identified this project as a priority</p> |
| | 3 | <p>1 Where works are considered industry best practice</p> <p>2 Where works have been recommended in a Fire Risk Assessment</p> | <p>Isolated service user /stakeholder complaints contained within business unit</p> | <p>1 Where the project will improve Energy Efficiency and Sustainability</p> <p>2 Where works are required to cover provision of welfare facilities for Members of the public generally</p> | <p>1 Failure will have minor impact on service delivery, typically up to 1 day</p> <p>2 unexpected failure unaffordable against local risk budget</p> <p>3 Where the project will improve energy efficiency</p> | <p>1 The Head of Service has identified this project as key to their service delivery</p> <p>2 There were other relevant factors that were not available to the evaluation team</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> | <p>Adverse local media coverage, multiple service user & stakeholder complaints but with careful handling it can be managed</p> | <p>1 Where the project will significantly improve energy efficiency and sustainability</p> <p>2 Where works are needed to facilities that are relied upon by a protected group in a general purpose building such as public car park</p> | <p>1 Service disruption 2-5 days</p> <p>2 Repeated failure of the asset - repairs proved unsuccessful.</p> <p>3 Beyond economic repair</p> <p>4 There is no viable long term workaround solution</p> <p>5. Where the project will significantly improve energy efficiency</p> | <p>1 A Consultative Committee has expressed its wish that the project be considered of more importance than others</p> <p>2 A Chief Officer has expressed a wish that the project be considered as more important than others</p> |
| | 7 | <p>1 Where failure to provide might negate insurance cover</p> <p>2 Required to maintain to the equivalent of a highways agency standard</p> | <p>1 Adverse national media coverage 1-3 days</p> <p>2 Grade 2 or 2*, Conservation area or of national importance</p> | <p>1 Project will assist with delivering the Climate Action Strategy</p> <p>2 Where works are needed to facilities that are specifically provided for a protected group such as primary school, medical centre and Children's Library</p> | <p>Service Disruption > 1week to 4 weeks</p> | <p>A Member or Service Committee has expressed a wish that the project be given priority over others</p> |
| | 9 | <p>1 Required to provide to comply with statutory requirements</p> <p>2 Where failure to provide could have effect on wider populous</p> | <p>1 National publicity more than 3 days . Possible resignation of A Member or chief Officer</p> <p>2 Scheduled Ancient Monument, Grade 1, National Importance</p> <p>3 Required as a result of Court case</p> | <p>1 Project is mandated by Law</p> <p>2 Where failure to provide could have effect on wider populous</p> | <p>Service disruption > 4 weeks.</p> | <p>1 CASC has expressed their wish that the project be included as a priority list project (above the line)</p> <p>2 A Senior Grand Committee has expressed a wish that the project be included a priority list project (above the line)</p> |