

# BUSINESS SUPPORT OVERVIEW AND SCRUTINY COMMITTEE

16 OCTOBER 2007

## BUILDING REPAIRS AND MAINTENANCE / PROPERTY RATIONALISATION

Report From: Deborah Upton, Assistant Director (Corporate Services)

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### 1. Purpose of item

- 1.1. This report advises members of the level of the maintenance backlog, the measures being taken to reduce the backlog and the current budgetary position.

### 2. Recommendations

- 2.1. That members note the report and comment as appropriate.

### 3. Background

- 3.1. In November last year the Finance and Corporate Services Overview and Scrutiny Committee received a report setting out the situation with regard to building repairs and maintenance.
- 3.2. The report also advised members that a new round of condition surveys was about to commence to establish a more accurate understanding of the level of maintenance backlog. These surveys were to not only establish the total level of the backlog, but were to also assess its priority level by placing defects into one of the following four categories:
  - 1 – *Urgent work* that will prevent imminent closure of the premises and/or address an immediate high risk to the health and safety of occupants and/or remedy a breach of legislation.
  - 2 – *Essential work* required within two years that will prevent serious deterioration of the fabric or services.
  - 3 – *Desirable work* required within three to five years that will prevent deterioration of the fabric or services.
  - 4 – *Long term work* required outside the five-year planning period that will prevent deterioration of the fabric or services.

3.3. This information would allow the Council to establish more accurately the true extent of the backlog and the relative priority need, which would in turn enable resources to be targeted more effectively.

3.4. Members were also advised that over time a number of other initiatives were being implemented, which would seek to improve and rationalise the Council's operational property portfolio.

#### 4. Financial resources

4.1. The 2006/2007 capital programme for building repairs and maintenance was £1.7m. Expenditure during 2006/2007 amounted to £270,000 and £1,430,000 was, therefore, carried over into 2007/2008.

4.2. The current forecast indicates that £430,000 will be spent this year with the balance of £1,000,000 being spent in 2008/2009.

4.3. In addition to the capital resources outlined above, the building repairs and maintenance fund (BRMF) exists to fund planned maintenance of essential mechanical and electrical plant and machinery known as PMAs. Revenue expenditure in 2006/2007 amounted to £499,000 leaving a balance of £438,000 for 2007/2008 and future years. The projected spend on PMAs during 2007/2008 is in excess of £690,000 which will, obviously, create a further budget pressure on the current programme. Provision has been made in the Medium Term Financial Plan for 2008/2009 and future years to address this deficiency.

#### 5. Outstanding backlog

5.1. The condition surveys referred to above were completed earlier this year and the total backlog for each property, by directorate and service, is set out in Appendix 1. The total backlog in all priority categories amounts to just under £36m. This is substantially higher than the figure last reported to members because the earlier estimates of the backlog were based upon surveys carried out over five years ago and have not reflected subsequent defects.

5.2. In accordance with the definitions above the table below sets out the level of backlog for each directorate by reference to its relative priority category.

| Directorate       |                    |                   |                   |                   |                    |
|-------------------|--------------------|-------------------|-------------------|-------------------|--------------------|
| Priority Category | CS                 | BS                | ChS               | RD                | Totals             |
| 1                 | £3,196,125         | £797,313          | £217,923          | £106,052          | <b>£4,317,413</b>  |
| 2                 | £14,742,513        | £4,335,762        | £837,448          | £985,781          | <b>£20,901,503</b> |
| 3                 | £8,674,950         | £849,462          | £152,716          | £268,189          | <b>£9,945,317</b>  |
| 4                 | £333,310           | £200              | £27,030           | £8,472            | <b>£369,012</b>    |
| <b>Totals</b>     | <b>£26,946,898</b> | <b>£5,982,737</b> | <b>£1,235,117</b> | <b>£1,368,494</b> | <b>£35,533,245</b> |

- 5.3. To gauge those properties with the largest backlog Appendix 2 sets out the information in descending order. It should be noted that the first seven properties, each with backlogs of over £1m account, for over half the total backlog. The Castles alone account for over one quarter of the backlog.
- 5.4. In addition to the condition surveys, officers, as suggested by members, are in the process of developing other indicators to assess the comparative performance of property assets. These include energy consumption and running costs. Together these will form a more comprehensive assessment of each asset's suitability.
- 5.5. With the new condition surveys now in place it will also now be possible to more accurately measure the impact of each repairs programme in reducing the backlog. The impact of the last two programmes in reducing the backlog is illustrated in the table below.

| Programme | Cost              | Backlog reduction | Variance         |
|-----------|-------------------|-------------------|------------------|
| 4         | £1,417,057        | £1,435,161        | -£18,104         |
| 5         | £967,094          | £1,231,000        | -£263,906        |
|           | <b>£2,384,151</b> | <b>£2,66,6161</b> | <b>-£282,010</b> |

- 5.6. To ensure the backlog of maintenance is managed effectively it remains essential that the Council adequately resources both the revenue and capital elements of the building repairs and maintenance fund.

## 6. Property rationalisation

- 6.1. As outlined in earlier reports the strategy to reduce the backlog is reliant upon the successful implementation of a number of Council initiatives. One of these is to challenge the retention of property assets not clearly identified as fulfilling a service need.
- 6.2. Consequently in this and the previous two financial years the Council has disposed of nearly one hundred property interests. As detailed in the table below these have or will generate capital receipts of over £16m, which is then available to fund Council priorities.

| Year          | No. of Disposals | Total Receipts |
|---------------|------------------|----------------|
| 2005/06       | 30               | £5.01m         |
| 2006/07       | 33               | £6.58m         |
| 2007/08       | 35*              | £5.10m*        |
| <b>Totals</b> | <b>98</b>        | <b>£16.69m</b> |

\*end of year estimate

- 6.3. Cabinet considered the most recent properties under active consideration for rationalisation and disposal at its last meeting. As a result authority was given to dispose of a further twelve property interests judged surplus to the Council's requirements, which have been added to the disposals programme.

- 6.4. The programme now contains a number of properties with maintenance backlogs the disposal of which, as the table below demonstrates, will lead to a significant reduction in the maintenance backlog. Many of these properties are no longer required as a direct result of the Council's recent purchase of its new headquarters building, Gun Wharf.

| <b>Property</b>                  | <b>Backlog</b>    |
|----------------------------------|-------------------|
| Civic Centre                     | £3,622,465        |
| Municipal Buildings & Park Lodge | £820,778          |
| Compass Centre                   | £322,702          |
| Chatham Registry Office          | £226,520          |
| Kingsley House                   | £125,000          |
| Local Office                     | £48,588           |
| <b>Total</b>                     | <b>£5,166,053</b> |

- 6.5. In addition to these measures there are a number of capital funded schemes to improve Council owned assets, elements of which will reduce their maintenance backlog. Examples include the Medway Park development at the Black Lion and improvements to Strood Sports Centre and Medway Crematorium.
- 6.6. To ensure further reductions it is essential the process of property rationalisation and improvement to retained assets remains a priority for the authority.

## **7. Financial and legal implications**

- 7.1. As detailed within the body of the report.

## **8. Background papers**

Building Repairs and Maintenance - report to Finance and Corporate Services Overview & Scrutiny Committee 29 November 2006.

### **Contact for further details:**

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