

Report to the Cabinet



Report reference: ***C-038-2013/14***
Date of meeting: ***21 October 2013***

**Epping Forest
District Council**

Portfolio: **Asset Management and Economic Development**

Subject: **Civic Offices, Other Operational Buildings and Commercial Property – Planned Maintenance programmes 2014/15 to 2017/18.**

Responsible Officers: **Mike Tipping (01992 564280).
Mike Hobbs (01992 564150).**

Democratic Services Officer: **Gary Woodhall (01992 564470).**

Recommendations/Decisions Required:

- (1) That the Five Year Planned Maintenance Programme 2014–2018 for Operational and Commercial Properties be approved;**
- (2) That the progress with works approved for 2013/14 both capital and revenue, be noted (Appendix 1 refers);**
- (3) That the Cabinet decides the level of Capital and Revenue expenditure to be implemented in 2014/15 for essential and planned maintenance works at the Civic Offices and other Operational Buildings and Commercial property (Appendix 2 refers);**
- (4) That the Cabinet decides the level of bids to be made for essential and planned maintenance works at the Civic Offices and other Operational Buildings and Commercial property for the years 2015/16 to 2017/18 (Appendix 3 refers);**
- (5) That the Cabinet notes the Capital and Revenue spending profiles for essential and planned maintenance works at the Civic Offices, other Operational Buildings and Commercial property for the 5 year period 2013/14 to 2017/18 (Appendices 4 and 5 refers);**
- (6) That a bid be made for District Development Fund provision in the sum of £20,000 for 2014/15 as a contingency for emergency works that may arise in respect of unappropriated land;**
- (7) That Cabinet decides what its policy should be in relation to the capital cost of works to the industrial Units at Oakwood Hill;**
- (8) That the Asset Management and Economic Development Cabinet Committee be requested to investigate the establishment of sinking funds for commercial properties to be funded via the annual service charge to commercial tenants and report back; and**
- (9) That a detailed feasibility study into the installation of Solar Panels at the Civic Offices be carried out during 2013/14 and that a detailed report on the outcome be submitted to a future Cabinet meeting with a view to a project being carried out in 2014/15.**

Executive Summary:

This report:

- (a) Gives a comprehensive progress report on all planned maintenance items approved for 2013/14.
- (b) Sets out proposed capital and revenue expenditure for 2014/15.
- (c) Makes capital bids of £5,000; for 2014/15; £186,000; for 2015/16; £134,000; for 2016/17; and £131,000 for 2017/18:
- (d) Makes a District Development Fund bid of £111,000 for 2014/15;
- (e) Sets out the spending profiles both Capital and Revenue for the 5 years 2013/14 to 2017/18.

Reasons for Proposed Decision:

A proactive approach to Facilities Management for all operational buildings and commercial property will ensure that:

- (a) the buildings and their infrastructure will be maintained to an appropriate level meeting health and safety, statutory regulations and contractual obligations;
- (b) the buildings and their infrastructure will be brought to a standard to comply with EU statutory regulations;
- (c) the risk of unreliability and failure of critical systems, services and building fabric is reduced;
- (d) good financial management through forecasting is maintained;
- (e) Services to the public are maintained and that maximum revenue is generated from commercial assets.

Other Options for Action:

- (i) Do nothing. This would lead to deterioration of building fabric and systems which could result in risk to health and safety of staff and public, loss of service and income, increase future management liability, reduced property asset value, breach of legal obligations in respect of commercial leases and contract requirements. There is also a risk that the buildings and infrastructure may not meet future needs of the Council.
- (ii) Defer action until fabric, systems or equipment fails. This would cause varying degrees of disruption depending on the extent of failure and/or system involved and the time scale for procurement and rectification of the defect. Depending on the nature of the failure it could also lead to damage to other parts of the building fabric or services or loss of income. This option would also lead to a request(s) for supplementary finance at the time and have a negative effect on performance standards. The performance of the Council's operations and functions may be compromised.

Report:

1. At the Council's request a report is submitted to Cabinet each year showing the status of planned and preventative maintenance in relation to the Civic Offices complex combined with the other Operational Buildings and Commercial Properties. The format previously agreed has been used in the compilation of this latest report. As in previous years, all projects are classified into one of seven different categories. These are explained in more detail in paragraph 60 below.
2. A spending profile for both capital and revenue expenditure for the 5 year period 2013/14 to 2017/18 has been provided so that Cabinet can see the level of investment that has already been made and that which is proposed.
3. A number of matters reflected in the report and schedules are worthy of more detailed explanation.

Work Programme 2013/14

Additional Projects

4. In addition to the planned and preventive maintenance programme approved for 2013/14 (see appendix 1) and the normal routine maintenance the Facilities Management Team (FM) have been engaged in a number of additional projects:
 - (a) Recovery from the internal flooding incident in June 2013. Although the physical recovery to normality, i.e. staff being able to move back into their offices, took 7 days, FM staff involvement in the incident has taken far longer and is on going in terms of permanent replacement of damaged electrical equipment where temporary repairs were undertaken, replacement of damaged and stained floor coverings and gathering evidence and information to support the insurance claim.
 - (b) Office Alterations. A number of projects have arisen during the year from Directorates which they have funded but has had a resourcing implication on the FM team in terms of design and project management.
 - (c) At the request of ICT, FM will be project managing the cable installation for the Wi-Fi network within the Civic Offices. This is currently scheduled to be completed by Christmas 2013.
 - (d) At the request of the Director of Finance FM staff have undertaken a redesign of the interview booths in the cashiers area and will implement and manage the refurbishment project.
 - (e) Refurbishment of Homefield House to improve its energy efficiency by removing electric night storage heaters and replacement with a gas fired wet heating system, replacing poorly fitting metal single glazed windows with UPVC double glazed units, upgrading the lighting by the introduction of LED tubes in the existing fittings and better insulation in the roof space.

Epping Forest District Museum

5. Due to the impending closure of the museum in November 2013 for extension and refurbishment, scheduled works for 2013/14 have been deleted resulting in a revenue saving of £10,000. The proposed works will be picked up as part of the refurbishment project.

Loughton Pool

6. Unplanned expenditure of £7,000 in 2013/14 has been necessary in relation to the maintenance of fire dampers in ducting. Whilst SLM are responsible for the maintenance of the fire dampers it was apparent on inspection that some of them had been incorrectly installed. The contribution of £7,000 was to reflect the required rectification works which is over and above SLM's responsibility for routine maintenance.

Work Programme 2014/15

7. Included in the work programme for 2014/15 and 2015/6 is provision for the phased replacement of the windows in the newer building fronting the High Street. These are the original tilt and turn windows installed when the offices were built in the late 80s.

8. Because of their age spare parts are becoming increasingly difficult to obtain, particularly the tilt and turn mechanisms and hinges. The maintenance requirement is increasing with their age.

9. A revenue budget item of £49k has already been approved for 2013/14 to reseal and re-mastic the second floor windows which have started to let in water, particularly at times of heavy rain. This budget also includes the cost of erecting appropriate scaffolding.

10. This work along with other high level maintenance work has been deferred pending a decision on this proposed capital project.

11. Approval of the phased replacement programme over two years would result in a revenue saving £49k. with further economies of scale through timing all high level works so that only one set of scaffolding would need to be erected. The estimated capital cost of the phased replacement programme is £135,000 in 2013/14 and £160,000 in 2015/16.

12. If the capital project is not approved then the £49k would need to be spent as originally proposed.

Oakwood Hill Estate Industrial Units

13. The Council owns 18 industrial workshop units in two blocks, a single storey block of 6 units and a two storey block of 12 units. Revenue income when fully occupied is around £204,000 per annum.

14. The current situation is that negotiations are taking place for the renewal of leases with 3 tenants in respect of 7 units of which one tenant has four units. These cases are in the hands of solicitors. There are currently 3 vacant units one of which is under negotiation and the other 2 are actively being marketed. A further 2 leases will expire and require re-negotiation in 2014.

15. During 2013 Stace LLP were commissioned to carry out a detailed structural survey of the two blocks of units. There is provision in the capital budget in the sum of £313,000 in 2014/15 for roof replacement works.

16. In summary the survey indicates the estimated total cost of works required to maintain the external fabric of the blocks is £206,251. This is divided into two amounts, firstly works for which tenants are directly responsible for organising and carrying out in the sum of £9,550 and secondly works for which the Council is responsible for organising and carrying out in the amount of £196,701.

17. The cost of the roof and gutter works contained within the figure of £196,701 amounts to £181,200. These figures are budget estimates which would be the subject of competitive

tendering.

18. In relation to the roof works Stace has identified four possible options as follows:

- (i) Localised roof repairs;
- (ii) Liquid Applied Coating;
- (iii) Overlay Sheeting; and
- (iv) Complete Roof Renewal.

19. There are advantages and disadvantages with all of these options and having considered these it is recommended that option (iv), complete roof renewal is the preferred solution for the following reasons:

- (a) it will remove all liability of maintaining the asbestos material in the existing roof;
- (b) it will provide a future life expectancy of 30 years;
- (c) it will make a significant contribution to meeting the requirements of the Energy Act 2011; and
- (d) it will improve the appearance and marketability of the units.

20. Stace in their report also highlight the requirements of the Energy Act 2011 which sets out that as from 2018 it will become illegal to let a commercial building that fails to meet the minimum energy efficiency standards.

21. The introduction of the regulations will impact on all of the Council's industrial/commercial premises and could lead to improvements becoming necessary to bring them up to a good Energy Performance Certificate (EPC) rating that would satisfy legal requirements to enable them to be let.

22. The EPC calculations will include the efficiency of any heating, lighting and ventilation systems and the insulation quality of the building fabric.

23. Under the terms of their leases tenants of these units are responsible for the interior maintenance of the units. The Council is responsible for maintaining the external fabric of the blocks and all communal areas. The Council has the right to pass on its costs through a service charge which is levied annually.

24. The service charge in recent years has been between £500 - £1,000 per annum per unit. If you divide the total cost of works that the survey identifies between the tenants the service charge would be in the order of £11,458 per unit. Some tenants would have to pay multiples of this amount to reflect the number of units they lease.

25. There is then the issue of betterment to consider. Whilst it may be in the Council's interest to replace the complete roof and at the same time improve the insulation, tenants may well argue that they should not be expected to pay for those improvements and that they should only have to pay for a like for like replacement roof.

26. The tenants may well have recourse through the Landlord and Tenant legislation to challenge the Council on this which could ultimately be determined through the courts.

27. A positive outcome for the tenants would then result in the Council having either to provide

a like for like replacement at a lower cost and be faced with additional costs later on to meet the requirements of the Energy Act or pay now for the cost of betterment in preparation for the introduction of the Energy Act in 2018..

28. As these tenancies are mainly with small businesses Cabinet may wish to consider whether in the current economic climate it would be reasonable to expect the tenants to meet these additional costs which may place a strain on their finances and ultimately their businesses and indeed whether it is realistically achievable.

29. Cabinet is therefore requested to consider the principle of whether its wishes to adhere to the terms of the leases in respect of recovering all of its costs through the annual service charge or consider bearing the greater proportion of the capital cost of works with the tenants perhaps being expected to meet a smaller proportion of the costs excluding elements of betterment or none at all.

30. Whatever view the Cabinet takes there will be a need to consult with tenants before any works proceed.

31. This is the first time that the Council has had to consider spending significant sums of money to maintain its commercial assets. Up until now the Council has not had a policy of maintaining a sinking funds to absorb some or all of cost of major repairs.

32. It is therefore recommended that the Asset Management and Economic Development Cabinet Committee be requested to consider the establishment of such funds.

Leisure Centres

33. The Five year condition survey approved by Cabinet in 2011 categorised Epping Leisure Centre, Loughton Pool and Ongar Leisure Centre as all being in a satisfactory condition although itemised and costed works were identified over the five year period covered by the survey. The condition survey did not look specifically at projected life expectancies for the various buildings.

34. In the same report Waltham Abbey Pool was categorised as being in a poor condition particularly in relation to the roof structure and covering. At the time it was the view of the Chief Building Control Surveyor that the potential cost of providing a new roof to the pool should be considered as part of a wider consideration of the life expectancy of the rest of the building and its infrastructure.

35. It was subsequently agreed that this would be taken into account as part of the development of a Leisure Strategy for the District post 2016 when the current leisure management contract is due for renewal..

36. To inform the development of that strategy it is considered that further more detailed condition surveys should be carried out of all four leisure centres specifically looking at projected costs for maintaining the buildings in a good or satisfactory condition compared to the projected life expectancies of the buildings.

37. It is proposed that this work should be carried out in 2014/15 and a budgetary amount of £49,200 has been included in the programme for this purpose.

Energy Efficiency and Carbon Reductions

38. Performance at the Civic Offices continues to improve following the latest independent survey for the Display Energy Certificate (DEC) in June 2013.

39. The annual DEC performance since introduction in 2009 is shown below. In terms of the

ratings, A (0-25) is the most energy efficient and G (over 150) is the least energy efficient. The typical rating for this type of building would be D (76-100)

Year	DEC rating
2009	G (269)
2010	F (148)
2011	F (136)
2012	E (112)
2013	E (103)

40. Performance continues to improve albeit at a slower rate as was to be expected now that the major areas of improvement to windows and heating systems in the condor building and rear extension and a more efficient energy management system for the complex have been completed. Work to replace older light fittings in the Conder building and rear extension with LED light panels continues. Trials have commenced in the newer building to replace the older fluorescent tubes and ballasts with LED light tubes within the same fittings.

41. 2012/13 saw a further reduction in electricity consumption of 4.8% (53,209 kilowatt hours) compared to 2011/12. However gas consumption increased significantly. This is attributable to the particularly cold winter period with the heating being turned on earlier than in previous years and having to work harder to maintain average temperatures to around 21 degrees Celsius.

42. To remind members the LED panels referred to have a number of advantages, they are maintenance free and have a five year warranty. They operate on lower wattages and provide a better spread of light than the units they are replacing. Typical reduction in wattage values are – in corridors 50 watts down to 18 watts and in offices 97 watts down to 40 watts. Because of the better spread of light provided by the LED light panels less units are required than the more traditional fluorescent units being replaced.

Solar Panels

43. In previous years the Cabinet has considered the installation of solar panels to the roof of the Civic Offices. At the time the technology was relatively new, installation costs high and the pay back period fairly long.

44. The project was removed from the Planned and Preventative Maintenance Programme although budget allocation for the project was retained in the Capital Programme.

45. Technology has improved and is still evolving but a recent proposal for the installation of solar panels indicates that it is now worth reviewing the project.

46. Indications are that for an investment of around £110,000, a return of between 11-14% through a combination of Feed in Tariff (FIT) revenue, export revenue and energy cost savings could be achieved with a simple pay back period of between 7-8 years.

47. It is therefore proposed to carry out a feasibility study in the current financial year, present a further detailed report to Cabinet with a view to a project commencing in 2014/15.

Un-appropriated Land

48. Over the last 18 months or so there has been a requirement to carry out urgent works in relation to assets the Council owns which are not clearly within existing Directorate responsibilities.

49. Examples include two separate stretches of Cholera Brook in Waltham Abbey where the Council has riparian responsibilities to keep the brook clear of obstructions and an area of land in Loughton High Road which is not part of the adopted highway and which through lack of maintenance has resulted in an insurance claim for injury. In previous years it has been necessary to carry out works to prevent unauthorised incursions onto Council land.

50. The problem is that the Council is not necessarily aware of these areas until a problem arises which then invariably requires urgent attention for which there is no budget provision.

51. Once the responsibility has been identified budgetary provision is included in the planned and preventative maintenance programme on an on going basis to provide regular maintenance as has been the case with Cholera Brook.

52. To overcome these problems in future Cabinet is requested to make a bid for District Development Funding in the sum of £20,000 as a contingency for carrying out urgent works as required to areas of un-appropriated land.

53. If the budget is not fully spent in any one year the underspend would roll forward to the next year.

General

54. Continuing Service Budget provision in the sum of £118,000 already exists and this has been taken into account in calculating the DDF requirements set out in the appendices.

55. The Planned Maintenance Programme provides a structured way of ensuring that the Council's property assets are properly maintained and improved to meet Health and Safety requirements, statutory regulations, contractual obligations, customer demands and the long term protection and value of the authority's assets.

56. The Council has contractual obligations to undertake all necessary external and structural maintenance works to the four leisure centres managed by Sports Leisure Management Ltd. This, and future programmes, includes the commitments as set out in the terms of the leisure management contract. Contractual commitments also apply to commercial premises i.e. industrial estates, shops and other commercial lettings where the Council has external and structural responsibilities.

57. The attached detailed schedules comprise the following:

- (a) Appendix 1 – Progress report on works during 2013/14;
- (b) Appendix 2 – The approved expenditure for 2014/15 both capital and revenue;
- (c) Appendix 3 – Bids for new capital provision for 2015/16 to 2017/18; and
- (d) Appendices 4 and 5 – Spending profiles for capital and revenue expenditure for the five year period 2013/14 to 2017/18.

58. When reviewing appendix 1 members will note it is anticipated that all of the allocated projects for 2014/15 have or will have been completed by the end of the financial year apart from those projects that is proposed to carry forward into 2014/15 to achieve economies of scale on scaffolding costs.

59. When reviewing appendix 2 members will note that additional capital funding of £5,000 is

requested in 2014/15 and that additional DDF funding of £111,000 is requested for 2014/15.

60. At members request all proposed projects are classified using the following seven categories. More than one category may apply to specific projects.

- (1) Health & Safety and Legislative Implications;
- (2) Essential Work – Major repairs to Fabric and Building Services that may result in a loss of service provision or loss of income;
- (3) Works Commenced as part of a programme on a phased basis;
- (4) Investment in Carbon Reduction and/or Renewable Energy;
- (5) Desirable Work – Repairs to fabric and building services;
- (6) Repair Work to expensive – Cheaper to sell Asset and Rent back; and
- (7) HRA works

61. A number of projects will see a return on the investment in the long run by contributing towards savings on energy consumption or reduced maintenance costs. Whilst at this stage it is impossible to quantify those savings the schemes in question have been highlighted with an asterisk (*) in the status column of appendices 2 and 3.

Resource Implications:

Bid for capital funding as follows:

	2013/14 Revised £000	2014/15 Estimate £000	2015/16 Estimate £000	2016/17 Estimate £000	2017/18 Estimate £000	5 Year Total £000
New Bids	0	5	186	134	131	456
Total Capital Bids	0	5	186	134	131	456
Approved Budget	914	619	332	298	0	2163
Profiling	-403	338	0	65	0	0
Total Budget Proposed	511	962	518	497	131	2619

Bid for DDF revenue funding as follows:

	Revised 2013/14 £000	Estimate 2014/15 £000	Estimate 2015/16 £000	Estimate 2016/17 £000	Estimate 2017/18 £000	5 Year Total £000
Planned Maintenance Programme	305.33	323.50	166.90	154.45	190.05	1140.23
Existing CSB Budget	118	118	118	118	118	590.00
Existing HRA Budget	16.25	6.5	6.5	6.5	6.5	42.25
Additional Funding Required	(58.92)	160.00	31.40	52.95	65.55	250.98
Current DDF Approved Budget	230.00	39.00	11.00	-23.00	0	257.00
Amount not required if new windows project proceeds	0.00	49.00	0.00	0.00	0.00	49.00
Additional DDF Requirement	(58.92)	111.00	31.40	52.95	65.55	201.98

Legal and Governance Implications:

None.

Safer, Cleaner and Greener Implications:

A number of the included projects have energy reduction/carbon emissions reduction implications as a result of improving installations, installing more modern energy efficient plant, equipment, controls and alternative sources of generation.

Consultation Undertaken:

There has been no external consultation undertaken in respect of this report.

Background Papers:

None.

Impact Assessments:Risk Management

Regular planned and preventative maintenance helps to reduce the risk of interruptions to the Council's day to day operations from critical and partial systems failure, assists with financial planning and reduces the need to seek supplementary finance outside of the budgetary process.