

AUDIT AND RESOURCES COMMITTEE

TUESDAY, 8 FEBRUARY 2022

REPAIR AND RENEWAL PLAN 2019/20 - 2023/24 UPDATE 2022

Report of the Lead Building Surveyor (Property Services)

Recommendation:

It is recommended that Audit and Resources Committee notes the progress against the Repair and Renewal Plan 2019/20 - 2023/24.

Summary

The Council owns multiple operational buildings allowing the Council to deliver a wide range of front-line services and community benefits, as well as owning a successful commercial property portfolio that is forecast to deliver a net revenue surplus to the Council of in excess of £9M in 2021/22.

Focus for Scrutiny

The Repairs and Renewals Plan is developed to span 2019/20 – 2023/24 to enable the Council's operational and commercial buildings to be maintained in a good state of repair. This report details the progress against the approved plan.

Statutory Powers

* Local Government Act 1972, Sections 111 and 151

Strategic Implications

1. This report provides an overview of the Council's property portfolio and highlights areas where continued future investment is needed over the remaining two years of the Repair and Renewal Plan to ensure these assets remain both operationally and commercially effective.
2. This report provides a view on progress of the Repairs and Renewal (R and R) programme which has been affected by COVID-19 since March 2020 due to restrictions, staff absence and limited contractor availability. The initial programme was reviewed and amended in March 2020 following the first COVID-19 lockdown with consideration for its urgency and priority to replace and renew defective and unreliable components to the Council's operational

and investment buildings. (Refer to appendix 1 for latest plan 22/23). These works do not include future large-scale capital investment as this forms part of future and on-going work to determine the strategic direction of the Council's property Portfolio.

3. The Repairs and Renewal Plan allows the Council to continue to have a proactive and commercial approach to its property portfolio, actively supporting the corporate objectives of maintaining a sustainable environment and providing infrastructure to support a prosperous community.

Introduction

4. The Council holds an asset list for all Council owned and leased property excluding its Housing Assets. In determining the level of funding needed to maintain assets, the Property Services Team carried out site visits and desk top surveys of over 300 sites on this asset list to review the current condition of its built estate back in 2019. Since then, Property Services have carried out 140 detailed building surveys and are aiming to ensure all sites are surveyed at least once every 24 months.
5. The Repair and Renewal Plan for 2019/20-2023/24 was brought to this Committee for review in October 2019. Of the £4m budget planned for 2019/20 to 2021/22 55% has been spent or committed. Delays have been experienced, primarily due to the Covid-19 pandemic and schemes have been deferred into future years dependent on priority.

Impact of COVID-19

6. Covid19 has affected the programme since March 2020 as the country went into lockdown and working from home was made compulsory for those who could. This prevented site visits to review and survey works covered within the Repair and Renewal Plan.
7. Work on the plan was further impacted by the need for COVID-19 compliance when site visits were allowed. This prevented normal progress on site and planning of works as contractors followed Government guidance and ceased operations. As construction began to re-mobilise work restarted on the plan, with a concerted effort to utilise the benefits of vacant space created by lockdown measures. Direct services supported this, with the regular visual inspection of sites complying with safe systems of work.

8. Operational Properties

- The operational portfolio of property includes the following significant assets:
 - Itchen Valley (IVCP) and Lakeside Country Parks
 - Eastleigh House
 - The Point

- Operational depots in Hedge End and Dutton Lane
9. These buildings all require continuous planned investment to replace infrastructure and provide necessary compliance. This report quantifies the spend on operational properties over the remaining 2 years and it is intended that this report will continue to be updated annually. The Council will always minimise repairs and renewal costs whilst delivering value for money, and this will continue through this initial 5-year programme of works.
 10. Any new buildings acquired will be added to the asset list with any necessary expenditure upon purchase being covered within the initial business case.

Commercial Properties

11. The commercial portfolio includes industrial and retail parks, hotels, office blocks and leisure facilities such as:
 - The Ageas Bowl
 - Hilton Hotel
 - David Lloyd Centre
 - Black Horse House
 - Hampshire House
 - Omega House
 - Wessex House
 - Link 1 and 2
12. Some of these assets require investment to replace infrastructure and ensure compliance. However, many of these properties are let on Full Repairing leases whereby the lessees are fully responsible for repairs. In addition, a proportion of the expenditure will be recoverable from tenant service charges with the remainder being funded from rental income. Several buildings including Black Horse House, Hampshire House, and Link 1 and 2 were constructed during the 1980/90s and will require further strategic decisions/investments to maintain their value.
13. Any new buildings acquired will be added to the asset list with any necessary expenditure upon purchase being covered within the initial business case.
14. Property Services have developed a programme of works and a delivery strategy in consultation with Finance. An updated schedule is provided within Appendix 1 to this update.

15. The initial programme was reviewed and amended in March 2020 following the commencement of the first COVID-19 lockdown. 6 low priority projects have been deferred until the 2022/23 budget period and 7 projects were delayed during 2021/22. The programme was reprioritised, considering the COVID restrictions to enable other projects to be brought forward. This included replacement electrical infrastructure and improved structural fire safety to Black Horse House, an upgraded electrical supply to IVCP, Anti vandal doors and replacement roof sections to Mitchell Road Car Park, Mechanical service improvements to Eastleigh House, and some areas refurbished at The Point.

Dilapidations

16. The cost of repairs and renewals on the Councils commercial properties, where liability rests fully with the tenants under the terms of their leases is approx. 25% of the commercial portfolio. Costs for these repairs is covered by the tenants whilst they are in occupation. However sometimes this is not possible when a tenancy ends early, for example if they become insolvent. Provision for such eventualities has not been included in this plan property reserves would be used to cover this eventuality.
17. Pro-active inspections of tenanted buildings are prioritised to ensure tenants are complying with their maintenance and repairing obligations when they are in occupation which will reduce the risk of dilapidation costs falling to the Council upon lease expiry. During COVID-19 it has not been possible to carry out as many site surveys as planned, increasing the risks of unforeseen events. However, the Council's estate is monitored with regular visual site visits by the Direct Services and Local Area Services Teams.

Financial Implications

18. The updated capital cost of the proposed repairs and renewals plan is summarised in the table below. It has been updated and revised to reflect the effects of COVID 19 on the progress of the plan.
19. Expenditure is forecast to increase in 2021/22 and onwards as spend delayed due to the impact of COVID 19 has been reprofiled into future years. It is anticipated that up to £1,000,000 of spend originally planned to be spent by 23/24 will now be spent after this date.

	2019/20	2020/21	2021/22	2022/23	2023/24
	Actual	Actual	Forecast	Forecast	Forecast
	£	£	£	£	£
Operational Buildings	192,000	344,000	404,000	1,097,000	250,000
Commercial	15,000	125,000	403,000	818,000	530,000

Buildings					
Total	207,000	469,000	807,000	1,915,000	780,000

20. Operational buildings do not provide the Council with a direct income source, but instead ensure that the Council can continue to provide services. Expenditure on operational buildings related to repairs and renewals will, as has historically been the case, be funded through borrowing. The revenue implication of the forecast 2021/22 expenditure is £46,000 per annum.
21. The repairs and renewals expenditure on Commercial Properties will be funded initially from borrowing with the associated borrowing costs being funded from income brought into the Council through rents and service charges. Although expenditure will be funded through borrowing, for some properties there may be reserves that can be utilised or the cost of works recovered from tenants through the service charge for the building. This will be monitored on a case-by-case basis and decisions delegated to the Chief Finance Officer and Lead Asset Manager to determine the most appropriate form of funding, to deliver best value for money for the Council.
22. To remain prudent, the Council will be using an asset life that matches the expenditure incurred. The Council would usually use 50 years for expenditure on buildings. It is noted that this expenditure will not extend the life of the Council's property portfolio over its current 50-year life span, and therefore this borrowing should be repaid over a shorter life, to better fit the likelihood that similar works may need to be carried out again in the future.
23. Expenditure will be carefully programmed to ensure minimal disruption to any operations or business tenants, and to maximise income generation. Liability for dilapidations to the commercial portfolio will also be monitored, ensuring the Council works in a pro-active manner to minimise any potential costs should dilapidation claims arise.
24. The Repairs and Renewals 5-year plan will continue to be revisited annually and developed into a rolling programme, with an updated report being brought for approval to Cabinet every 5 years the next being 2024/25.

Risk Assessment

25. This report outlines the progress to date against the approved Repairs and Renewals plan which aims to replace defective fabric and equipment with up-to-date technology and comply with building regulations, statutory and industry standards.
26. If the Council fails to maintain its property portfolio it risks financial implications due to the risk of increased or unforeseen costs and decreased revenue return from rental. Surveys and works to date have ensured that these risks are being managed and mitigated where appropriate.

Climate Change and Environmental Implications

27. To progress the Climate Change Strategy and support Decarbonisation the Council is proactively looking at alternative fuel systems when replacing heating and cooling systems and replacing building fabric with high performance materials to improve thermal performance. Where possible materials and resources are sourced from local suppliers and manufacturers.

Equality and Diversity Implications

28. The Equality Act is relevant to the decision in this report as the decision relates to eliminating discrimination, advancing equality of opportunity, or fostering good relations between different people. A full Equality Impact Assessment (EIA) has not been carried out, because while there is some equalities impact, it is not proportionate to carry out a full EIA at this point.

Conclusion

29. This report demonstrates the progress to date against the Repairs and Renewals Plan 2019/20-2023/24. The report explains the inevitable impacts the Covid-19 pandemic has had on the delivery of the plan and the steps taken to mitigate risks and reprioritise work as appropriate.

NIGEL STEPHENS
LEAD BUILDING SURVEYOR

Date: 21 January 2022
Contact Officer: Nigel Stephens
Tel No: 8423
e-mail: nigel.stephens@eastleigh.gov.uk
Appendices Attached: 1

LOCAL GOVERNMENT ACT 1972 - SECTION 100D

The following is a list of documents which disclose facts or matters on which this report or an important part of it is based and have been relied upon to a material extent in the preparation of this report. This list does not include any published works or documents which would disclose exempt or confidential information.

* List Background Papers None.