

London Borough of Hammersmith & Fulham

Report: Cabinet Member Decision

Date: 13 March 2020

Subject: CORPORATE PLANNED MAINTENANCE PROGRAMME (CPMP)
2020/2021

Report of: Cabinet Member for Finance and Commercial Services

Responsible director: Keith Fraser
Asst Dir Property & FM
E-mail: keith.fraser@lbhf.gov.uk

Summary

The purpose of this report is to provide proposals for the delivery and funding of the 2020/2021 Corporate Planned Maintenance Programme (CPMP) for the Council's corporate property portfolio.

Since May 2019 the Council's planned maintenance provision has been delivered through an in-house provision following the in-sourcing from Amey. A team of 6 engineers now sit within the council, specialist services such as lifts maintenance are sub-contracted through a supply chain of low-value SME contracts which are intended to provide a stop-gap solution pending a wider supply chain review. Capital projects are now delivered through this service rather than via Amey. The client-side function will consider supplementing the works by calling off public frameworks.

Recommendations

1. Appendix 1 is not for publication on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).
2. That the Cabinet Member approves the 2020/21 Corporate Planned Maintenance Programme (CPMP) budget as set out in exempt appendix 1.
 - 2.1 That the 2020/2021 CPMP monitoring report be prepared for the Cabinet Member every quarter to track the delivery of projects and show any deviations over or under £5,000 compared to the original key decision report for the year. Projects with variations under £5,000 are to be reported in the summary as a financial adjustment within the report.
 - 2.2 That the procurement of capital plant and equipment, works, and services contained within the forward plan be approved in line with Contract Standing Orders under the cover of this report

Wards Affected: All

H&F Priorities

Please state how the outcome will contribute to our priorities – delete those priorities which are not appropriate

Our Priorities	Summary of how this report aligns to the H & F Priorities
<ul style="list-style-type: none">• Building shared prosperity	The Capital Maintenance Plan preserves the Council's estate as fit for purpose and preserves the investment that the Council has made in it.
<ul style="list-style-type: none">• Creating a compassionate council	The Capital Maintenance Plan attempts to address Environmental issues for the benefit of residents, staff, and visitors alike.
<ul style="list-style-type: none">• Doing things with local residents, not to them	The Capital Maintenance Plan has/will take account of the needs of local residents in maintaining the buildings that deliver services directly to them.
<ul style="list-style-type: none">• Being ruthlessly financially efficient	This report is compiled using recent survey data on the state of the estate and has been developed to address the needs of Statutory Compliance, risk and the need to ensure that the estate functions with the minimal investment necessary.
<ul style="list-style-type: none">• Taking pride in H&F	The Capital Maintenance plan attempts to maintain our public buildings in a way that preserves our heritage and place in the community.

Financial Impact

These are contained within exempt appendix 1.

Legal Implications

There are no legal implications arising from this report. Legal advice will be sought for each Procurement within the programme and will comply with the council's Contract Standing Orders and the Public Contract Regulations.

Contact Officer(s):

Name: Keith Fraser
Position: Assistant Director, Property & Facilities Management
Email: keith.fraser@lbhf.gov.uk

Name: Andre Mark
Position: Finance Business Partner
Email: andre.mark@lbhf.gov.uk
Verified by Hitesh Jolapara

Name: Rhian Davies
Position: Borough Solicitor
Email: rhian.davies@lbhf.gov.uk

Background Papers Used In Preparing This Report

None

DETAILED ANALYSIS

Proposals and Analysis of Options

1. The Council's Capital Programme includes provision for an annual rolling programme of £2.5m (adjusted with a contribution of £.936m in 20/21 detailed in the table below to the funding of the Refurbishment of the Town Hall) for capital planned maintenance works. Prior to 2019 a sum was also set aside as a contribution to the management of the Amey TFM contract.

	2018/19	2019/20	2020/21
Corporate Asset Capital Investment	£631,000	£413,000	£289,000
Allocated Funds for Essential Works	£1,175,000	£1,175,000	£1,175,000
Capital Contribution (Streetlighting Column Replacement)	£100,000	£100,000	£100,000
Funds Allocated to TH Refurbishment	£594,000	£812,000	£936,000
Total	£2,500,000	£2,500,000	£2,500,000

2. All works will be subject to close scrutiny by Property & Facilities Management (P&FM) in respect to obtaining best value and only works of an essential nature will be undertaken. Works will be tendered in accordance with Contract Standing Orders for each project.
3. The Assistant Director of Property & FM has established internal governance to ensure the works will be monitored and tracked incorporating operational changes made, ensuring that the overall budget outlined in the CPMP is not exceeded.
4. The in-house client-side team will manage these projects through verification and scrutiny to yield best results with regards to value for money and expedited service delivery.
5. Until May 2019 capital projects were delivered via the Amey TFM contract, with The Link acting as the Briefing Client. Since the in-sourcing of the FM contract the client management of capital projects sits with FM. For a number of months leading up to the transfer the delivery of capital projects slowed significantly due to the withdrawal from The Link (due to performance issues) and the unwinding of the Tri-Borough FM arrangements. As a result there is a significant underspend budget carried forward from previous years.
6. As the CPMP was formerly delivered through Amey there was no need to have a supply chain in place for professional services (design cost management, etc) or fit out and construction works. These will need to be procured to sufficient values to be able to deliver the CPMP for a period of up to three years as some projects will inevitably take time to deliver and will span more than one financial year, and a sum has been set aside in the

CPMP to do this. Where possible, existing Framework Agreements will be used to reduce procurement overheads and all contracts will be procured in accordance with Contract Standing Orders.

7. In the past six months since exiting the Amey arrangements, Property Facilities Management have undertaken a review of the CPMP, informed by a comprehensive survey, to prioritise the backlogs and realign the maintenance plan from the ones produced in 2018/19 and 2019/20 in light of the decant from the Town Hall. As a result of the new delivery model, the format of the CPMP has been adapted to reflect the revised approach to prioritisation. The programme has been split to show the capital expenditure allocated directly to its backlog of cyclical planned maintenance and the residual capital sum to be allocated against a range of projects. Therefore, in this year's programme there is a larger element of funds set aside on non-specified projects to cover contingency items known as "various sites" to accommodate a number of smaller capital expenditures on plant and equipment replacement once it goes beyond economic repair or fails. A contingency has been made for repairs based on a condition survey completed in 2018 and any subsequent spend against this contingency will be done according to the Contract Standing Orders.
8. It should be noted that the needs of the organisation dictate that some movement of funding around the CPMP may be necessary, especially for the reactive "unplanned" maintenance works and the Core Planned Maintenance Fund. To govern this a Project Board will be set up to scrutinise the business cases for work, urgent needs that emerge and the re-allocation of funds accordingly. Work may also be re-prioritised according to slippage.
9. The budget allocation against each capital scheme is, at this stage, indicative and subject to change as detailed design, consultation, and procurement are carried out. The overall spend on the programme and forecasted outturns are monitored via the quarterly Capital Programme reports to the Cabinet Member for Finance and Commercial Services and the Capital Programme summary to Cabinet.

OPTIONS AND ANALYSIS OF OPTIONS

10. Following the in-sourcing of the FM contract in May 2019 capital projects are now self-delivered. The demand for support in delivering projects is growing because of a combination of a backlog of projects that have funding streams either in the CPMP or from other sources such as S106 monies. These projects would also have previously been delivered via Amey. The resource levels need to match demand otherwise projects will not be delivered, money will not be spent efficiently and the estate will start to rapidly dilapidate. The proposed model for PFM is to internally re-charge the project management costs back to the capital project and to "flex" the project team accordingly. This is a more cost-effective exercise than using external consultant project managers under the supply chain of the lead designers who will typically charge a fixed percentage of the project costs, and still leaves LBHF bereft of

client-side programme management. Uplifts will not be added to internal re-charges for this resource.

11. An allocation of capital has been included for the replacement of equipment with more energy efficient alternatives when they reach the end of their useable life. Examples of targeted projects include the replacement of lighting with LED equivalents or retro-fitting insulation in addition to other fabric repairs and maintenance. In the same way as the contingency described above (in paragraph 7) spend will be governed in line with Contract Standing Orders and will additionally need to outline how its investment will improve H&F drive to be the Best Green Borough.

Reasons for Decision

12. A Key Decision is required to provide proposals for the funding and delivery of the 2020/2021 CPMP programme and to obtain approval, which is a fundamental element of the Council's asset strategy for investing capital investment to reduce the backlog of maintenance to ensure its retained core assets are fit for purpose.
13. Over 2020/2021, the programme will be monitored and tracked, by the Corporate Finance team. The Council undertakes asset reviews to understand opportunities for greater utilisation. In addition, recent building surveys undertaken for the majority of the Council's operational portfolio also identifies planned maintenance investment.

Procurement Implications

14. Relatively low-value specialist contracts were let in 2019 to fill capability gaps in the in-house Direct Labour Organisation (DLO) where it was uneconomic to recruit (such as lift engineers). As the Housing DLO have reviewed their procurement position P&FM will utilise as much of the procurement as possible but will have to procure its own, longer-term, supply chain for FM services and consultancy support for larger Capital projects. Where possible existing arrangements and framework agreements will be used to minimise time and expense in procurement.
15. Approval for each procurement and/or award must be sought individually in line with the Contracts Standing Orders. The procurement team will work closely with FM officers to ensure all service needs are met and contracts are procured compliantly while delivering value for money.

Implications completed by: Andra Ulianov, Head of Contracts and Procurement

Equality Implications

16. There are no negative equality implications for protected groups arising from Cabinet approval of this programme. The works are, in most cases, ensuring the Council meets its statutory obligations.

Implications verified/completed by: Peter Smith, Head of Policy & Strategy - tel. 020 8753 2206.

Risk Management Implications

17. Risks associated with the delivery of the programme are to be managed within the services existing risk management framework. This means that the service will identify any principal risks to the achievement of objectives, record them and undertake that they are allocated, measured, reviewed, and mitigated. The programme contributes positively to the management of property, environmental risk and maintaining our statutory health and safety duty noted on the Council's operational risk register. Where property related health and safety risks are identified they now inform a risk register at SLT Assurance.
18. Corporate health and safety must be consulted before, during and after capital works to ensure health and safety compliance is maintained to protect staff and the public. Corporate Health and Safety, will report on health and safety compliance of capital works to Audit Pensions and Standards Committee to provide reassurance to Members.

Implications verified/completed by Michael Sloniowski, Shared Services Risk Manager - Tel. 0208 753 2587

Implications verified/completed by Paul Barton, Head of Corporate Health & Safety

IT Implications

19. There are no IT implications associated with this programme as the works are associated with cyclical planned maintenance and in most cases, ensuring the Council meets its statutory obligations.

Implications verified/completed by: Veronica Barella, Chief Information Officer – Tel. 02087532927.

Property Implications

20. The Asset team have provided property advice on assets that are to be retained for full operational use. The CPMP 2020/2021 programme was compiled on a risk basis approach. Key risks that were considered as priority were legislative obligations; health and safety to staff and public and business critical issues and risks that could cause operational impact to services using the buildings. If these works were not to be completed, the likelihood of breach in legislation, accidents or incidents as well as and services impacts on key services. A review of the capital expenditure projects to be undertaken in 2020/2021 will occur during the year. The Council will have information on return on capital investment whether it has reduced reactive; day to day expenditure going forward and energy efficiency and full accessibility.

Implications verified/completed by: Nigel Brown, Head of Asset Strategy and Portfolio Management – Tel. 02087532835.

Implications for Business

21. This is a substantial contract which can give rise to sustainable economic development benefits for the local community.
22. The Assistant Director Property & FM will work closely with the Economic Development Team to identify and implement a package of economic development measures, including creating employment and skills opportunities and local supply opportunities for local SMEs.

Implications verified/completed by: Albena Karameros, Economic Development Team – Tel. 020 7938 8583.

List of Appendices:

Appendix 1: CPMP 2020/21 Proposed Programme - contained within the exempt part of the report.