



Report to Policy Committee

Author of Report: Lee Inkles / Nathan Rodgers

Lead Officer: Nathan Rodgers, Head of Facilities Management

Report of: Ajman Ali, Executive Director, Operational Services

Report to: Finance Policy Sub-Committee

Date of Decision: March 2023

Subject: Essential Compliance and Maintenance Asset Management Plan

Has an Equality Impact Assessment (EIA) been undertaken?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
If YES, what EIA reference number has it been given? 1426				
Has appropriate consultation taken place?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Has a Climate Impact Assessment (CIA) been undertaken?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Does the report contain confidential or exempt information?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-				
<p><i>“Appendix A and Appendix C are not for publication because they contain exempt information under Paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).”</i></p>				

Purpose of Report:

The purpose of this report is to outline the challenges being faced in terms of the maintenance of the Council’s property estate and the associated risks, such as non-compliance with legal standards and possible building closures due to unsafe conditions. It sets out how, pending the outcome of the Strategic Accommodation Review agreed by Finance Sub-Committee in November 2022, the Council will ensure that these risks are managed.

In November 2022, Finance Sub-Committee also requested a detailed breakdown of the investment required to address current maintenance issues across the Council’s estate and this report also provides that detail.

The report proposes an approach to the prioritisation of repairs which will minimise disruption to services and building users, ensure any maintenance issues are

resolved in a timely manner and allocate funding in accordance with a prescribed prioritisation framework.

Recommendations:

That the Finance Sub-Committee:

- Approves the approach to the prioritisation of maintenance works within the current funding envelope as set out in this report.

Background Papers:

(Insert details of any background papers used in the compilation of the report.)

The Accommodation Strategic Review Committee Report of November 2022:

[Draft Protocol for Cabinet Reports \(sheffield.gov.uk\)](http://sheffield.gov.uk)

The Local Renewable Energy Fund Committee Report of November 2023:

[Draft Protocol for Cabinet Reports \(sheffield.gov.uk\)](http://sheffield.gov.uk)

Lead Officer to complete:-	
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.
	Finance: Kerry Darlow
	Legal: Richard Marrick
	Equalities & Consultation: Ed Sexton
	Climate: Jessica Rick
<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>	
2	SLB member who approved submission: Ajman Ali
3	Committee Chair consulted: Cllr Bryan Lodge
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Committee by the SLB member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.
	Lead Officer Name: Tom Smith
	Job Title: Director of Direct Services

1. PROPOSAL

- 1.1 This report seeks approval of the approach to the prioritisation of maintenance works within the current funding envelope as set out in this report.
- 1.2 All future commissioning decisions implementing the approach set out in this report will be in accordance with the Council's constitution and subject to the relevant Council approvals.

Introduction

- 1.3 Sheffield City Council (SCC) has a large portfolio of buildings. These buildings need to be properly maintained to ensure that they continue to function as efficiently and effectively as possible in supporting the delivery of a wide range of services and our communities.
- 1.4 The deterioration of buildings due to the lack of maintenance can lead to future financial burdens, pose health and safety, legal and other risks and affect the delivery of services. Therefore, the maintenance of buildings is critical for the City Council to deliver its key policy objectives and provide a good environment for SCC's customers, employees, and other users of SCC buildings.
- 1.5 The Accommodation Strategic Review, agreed by Finance Sub-Committee in November 2022, set out the roadmap to reduce the size of the estate, and to provide a more financially sustainable approach to the maintenance of the Council's buildings. However, until this review is complete it is essential that our buildings continue to be maintained and that any investment is allocated and prioritised in the most appropriate way to ensure the effectiveness of our buildings and the safety of our building users.

Background

- 1.6 The Council has an estate of around 4,000 property assets, ranging from statues and monuments to operational farms. Of these assets, 963 fall within the Council's maintenance responsibilities. Of these 963 assets, 864 are buildings. These include the Town Hall and Graves Building. The remainder of the properties are other things such as statues or clocks.

The breakdown is as follows:

Establishment Type	Number
Assets and Monuments	46
Community Building	175
Education Centre	14
Infrastructure / Other	76
Land	288
Lettable Buildings	58
Museums and Leisure	30
Office Accommodation	35
Operational Accommodation	143
Residential and Day Care Centre	28
Service Tenancy	70
Total	963

- 1.7 Given the Council's need to prioritise core service delivery, the funding available for maintenance has been limited for several years. Because of this, maintenance has been prioritised to focus on essential compliance and maintenance requirements and there has been limited funding for life-cycle cost replacement of building elements on a cyclical basis. This has left some of our buildings in a poorly maintained condition. Where a safety issue has been identified actions have been taken to mitigate any risk. This has, on occasion, led to the part or full closure of a building to protect the safety of building users.
- 1.8 A programme of condition surveys was undertaken across the corporate estate by Rider Levett Bucknall (RLB) between 2017 to 2020, to understand the extent of future maintenance and funding requirements. Condition surveys were targeted at the largest establishments and sites with the highest footfall and use. To date 199 establishments out of 675 have been completed. Condition surveys were targeted at the largest establishments and sites with the highest footfall and use. The Council is committed and has identified budget to assess the remaining sites through a programme of surveys and assessments.
- 1.9 The purpose of these surveys is to assess building elements, e.g. roofs, windows, floors, and then report on the elements that require attention using a rating system. Each element is ranked based up on a condition, priority, and severity score. Other data sources are also used, such as fire risk assessments, servicing, repair records and life cycle history to build a programme for investment. Since 2020 further, targeted, condition surveys have also been undertaken to update the current condition data held, as well as to collect data on buildings that were not included in the original survey programme.
- 1.10 As part of the survey process each element surveyed was graded condition "A", "B", "C" & "D", with "A" being like new and "D" having failed

or having reached the end of its useful life. Those items in Category “B”, “C” and “D” were then risk assessed and given a probability and a severity rating according to the likelihood that the risks would be realised and the severity of the consequence, which then produced an overall Risk Score (Ranking) for each element.

- 1.11 The survey data collected enabled the Council to prioritise a programme of rectification works, which has been commissioned with spend committed from existing allocations, such as capital investment fund, revenue funding, and grant funding.
- 1.12 By using the method above to prioritise works the Council has been able to deliver schemes to address compliance issues, such as fire safety, at several sites. Additionally, the Council has also been able to identify works that were suitable for grant funding such as Salix and the Public Sector Decarbonisation Scheme and the Council has already delivered several projects utilising these funding streams, which include:
- The delivery of £1.59m of energy efficiency, including LED lighting, swimming pool covers, heating controls, timers, and Building Energy Management Systems (BEMS). This was financed through an original allocation of £240,000 from Salix’s Recycling Fund, which was match funded by a further £240,000 of SCC capital funding.
 - The Salix Recycling fund works has helped to reduce carbon output across the whole council estate by 1881t/co2e per annum.
 - The Council secured £1.1m of Public Sector Decarbonisation Scheme funding in 2021 and recently completed £1.5m of decarbonisation projects including, draught proofing, discreet heating controls and a new Building Energy Management System at Town Hall; Air Source Heat Pump, solar PV and LED lighting at Acres Hill Store; and LED lighting and solar PV at Moor Market.
 - A £3.5m allocation for energy efficiency and renewable energy projects on council buildings has been made available. A report went to the Transport, Regeneration and Climate Committee on 24th November to agree spending parameters of this allocation. Allocation of these funds will be carried out in accordance with this report (which is included in the ‘background’ section of this report.)
 - 10 Decarbonisation Plans have been commissioned as part of a BEIS funded Low Carbon Skills Fund initiative being administered by the Northeast and Yorkshire Net Zero Hub and the Council has committed £30,000 from our revenue budget to carry out further energy audits and feasibility studies. These energy audits and feasibility studies will help inform future grant applications and identify works for the £3.5m for energy efficiency and renewable

energy projects. These energy audits and feasibility studies will also feed into the Accommodation Review process.

1.13 Future Maintenance & Investment

1.14 The estimated cost of works required to meet all building elements across the 199 establishments surveyed with a condition grade “B”, “C” & “D” is £91m based on nationally published schedules of rates and is broken down as follows:

<u>Building Element</u>	<u>Rectification Cost</u> <u>(£000's)*</u>
CCTV	514
Ceilings	1,937
Electrical Services	4,635
External Areas	26,133
External Walls Windows and Doors	13,369
Fire Protection	13,177
Fixed Furniture and Fittings	191
Floors and Stairs	3,799
Internal Walls and Doors	4,180
Mechanical Services	6,628
Redecorations	2,638
Roofs	13,385
Sanitary Services	644
Grand Total	91,230

A more detailed breakdown of these assessments can be found in Appendix A. (Appendix B is a summarised version of this that does not contain closed information)

1.15 In addition to the above it is estimated that a further £25m is required for Town Hall refurbishment, £10m for Graves Building (Central Library) refurbishment and £35m for depots. The Council estimates that a further £39m will be required across the remaining corporate estate to account for market volatility and anticipated condition survey findings on the remaining estate.

1.16 The table below provides a summary of the estimated funding required across the corporate estate over the next five years:

Item	Estimated Cost (£000s)
Condition Data	91,000
Town Hall	25,000
Graves Building (Central Library)	10,000
Depots	35,000
Market volatility, anticipated condition survey findings on remaining estate	39,000

Totals	200,000
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1.17 Of this £200m, it is currently estimated that £48m is required for ‘critical’ work (as referenced in the Accommodation Strategic Review Committee Report of 7th November 2022). The £48m consists of £23m identified in the condition surveys (see Appendix C – Appendix D is a summarised version that does not contain closed information) with elements assessed as being of ‘C’ and ‘D’ grade, and £25m of estimated costs for the future critical maintenance needs of the Town Hall, Graves Building (Central Library), Staniforth Rd & Manor Lane depots. However, these are subject to further detailed survey and investigation.

1.18 It should be noted that the £200m outlined above is an estimated figure created at time of the condition survey and the Council expects that the actual costs could be greater due to a range of factors such as: higher logistics costs, returning demand from industry workload, higher material costs for example the increase in global metals and fuel prices.

1.19 In addition to the £200m investment identified above, there are also other priorities that will require investment that will need to be funded from the total funding allocation. These include:

- Undertaking day to day repairs and maintaining statutory compliance
- Cosmetic elements / decoration to sensitive and high-profile public areas such as crematoriums, chapels, civic ceremonies etc.
- Modernisation of service tenant accommodation to meet the decent homes standard within Parks, Bereavement Services and Maintained Schools
- The maintenance, repair and investment of 22 public clocks, 45 war memorials & monuments, 19 closed church yards, dams & watercourses
- Resurfacing and repairs to unadopted highway footpaths such as Parks and Cemeteries
- Inspection programmes of structural defects and remediation
- Decarbonisation surveys to enable external funding bids to support net zero

1.20 **The Approach to Prioritisation of Building Maintenance Works**

The table below sets out total funding available over the next five years:

	£000s	2021/22- 2022/23	5 years to 2027/28	Grand Total
	Description	Actual	Forecast	Forecast
Revenue Budget	Repairs		10,775	10,775
	Compliance		5,460	5,460
	Total Revenue Budget		16,235	16,235
Investment	Capital budget	6,000		6,000
	B/Sheet provn & Rev to Cap	1,600	4,185	5,785
	Salix fund	480		480
	Total Investment Funding	8,080	4,185	12,265
Spending Plans	Revenue	-685		-685
	Capital	-2,928		-2,928
	Total Committed/Planned Spend	-3,613		-3,613
	Net Investment Funding	4,467	4,185	8,652
Funding Opportunities	Shared Prosperity Fund		2,100	2,100
	Local Renewable Energy Fund		3,500	3,500
	Public Sector Decarbonisation Fund			
	Total Funding Opportunities		5,600	5,600

- 1.21 It is therefore proposed that, given the level of current budget and the estimated cost of required maintenance, a prioritisation approach is required to ensure that the Council is investing its limited budget in a targeted way to address the most critical issues.
- 1.22 Required works have initially been categorised by theme with the intention of targeting the most urgent issues first. The list below shows the themes within two priority areas:

Priority 1:

- Fire Safety
- Mechanical Services
- Electrical Services
- Roofs

Priority 2:

- External Walls Windows and Doors
- Internal Walls and Doors
- Floors and Stairs
- CCTV Programme
- Ceilings
- Redecorations

- External Areas

1.23 Using the condition survey data, elements have then been risk assessed with a weighting score based on the following calculation:

Condition (1 to 4) x Risk (Probability (1 – 5) x Severity (1 – 5))

1.24 The maximum weighting score possible is 100 for the worst condition elements with a high probability of failure and severe consequences should that failure be realised.

1.25 It is also proposed that a set of business rules are then applied in the future to ensure the most urgent repairs are undertaken first. These business rules are as follows:

1. If a repair cost less than £5,000 it will be undertaken using existing revenue budget, regardless of priority.
2. If the cost of the repair is estimated to be above £5,000 and it is an emergency or business critical repair, it will be undertaken.
3. If the cost of the repair is estimated to be above £5,000 and it is not an emergency or business critical, it will be risk assessed using the risk assessment criteria as set out in section 1.23.
4. Works will be added to the programme should the repair be assessed as having an overall weighting score of 60 or above and will be prioritised for repair if funding is available, or for mitigating actions to identified, implemented and continuously monitored.
5. Works falling below the score of 60 will not be added to the programme but will continue to be monitored and recorded.

Worked Example:

- A building fault is identified such as a broken floor tile. The fault is inspected and if it is identified the repair cost is less than £5,000 then it is carried out, funded from revenue.
- If the inspection identifies a further issue with the floor and the repair will cost more than £5,000 it is scored against the criteria of condition, risk and severity. At this point an inspection regime is introduced so the area is inspected regularly, with the findings recorded and any required mitigation is put in place, such as warning signs.
- If the condition score is 2, risk is 2 and severity 1, then $2 \times 2 \times 1 = 4$ and this is considered to be acceptable condition, low risk and low severity as the score is less than 60. On this basis, the issue will continue to be monitored and recorded.
- If the condition score is 4, risk is 5 and severity 5, then $4 \times 5 \times 4 = 80$ and this is considered poor condition, high risk and high severity as the score is higher than 60. On this basis, the work will be added to the capital programme and

prioritised accordingly, with the issue being monitored and recorded until the rectification works are carried out.

1.26 Initial Maintenance Programme Budget Allocation

Based on assessment using the prioritisation approach above, the table below shows the funding that is currently available and how the Council currently intends to use this against the various investment categories. These are subject to review given the ongoing assessment work on the Council estate.

Description	£000s
Compliance Failures - Statutory e.g. Fire Safety, Asbestos, Electric, Gas, Water etc	1,709
Mechanical Services	1,384
Electrical Services	364
Roofs	742
External Walls, Windows & Doors	250
Internal Walls and Doors	173
Sanitary Services	
Redecorations	37
CCTV Upgrade Programme	136
Floors, Stairs, Ceilings	109
External Areas - Non Highway footpaths	250
Fixed Furniture and Fittings	
Cosmetic Improvements High Profile e.g. Crematoriums	250
Decent Homes - Service Tenancies	675
Clocks - 22 designated as public clocks	50
45 War Memorials & Monuments	58
Dams & Watercourses	500
Closed Church Yards	50
Subtotal Investment Cost	6,737
Decarbonisation works towards net zero	480
Condition Surveys	300
Structural Surveys	135
Decarbonisation Surveys	200
BEMS	200
Contingency	600
Subtotal Surveys & Data Gathering	1,915
Net Confirmed Investment Funding	8,652

1.27 There will also be opportunities to bid for addition government funding as and when it becomes available for example: SCC can bid for a share of the Shared Prosperity Fund, this is £2,198,000 of funding over the next 2 years which has been allocated to Sheffield to help reduce inequalities between communities, as part of the Government's wider "levelling up" agenda. SCC has also secured £3.5m from the Local Renewable Energy fund and is working to deliver a number community-based energy efficiency and renewable energy projects.

1.28 **Going Forward – Accommodation Strategic Review**

The mitigation plans above are only a temporary measure and urgent action is needed to bring the estate up to a standard that is fit for purpose. The remaining Capital Investment Fund (CIF) budget of £5,097,794 is not sufficient to deliver the full programme of works and a continued lack of investment could lead to further building closures therefore, the only option is to either increase funding to address the future maintenance needs or to reduce the size of the estate and invest the money saved into the buildings that are to be kept, or a combination of both.

1.29 Reducing the size of the estate in accordance with the Accommodation Strategic Review will ensure that the Council has the ability to maintain its retained estate in such a way that it is of good quality and remains effective and efficient.

1.30 As comprehensive maintenance of the current estate is unaffordable, urgent action is required to address the cost, quality, and use of the estate. This is also referenced in the One Year Plan, the Delivery Plan, Corporate Risk Register, Sheffield Land and Property Plan and the Accommodation Strategic Review that all form part of the 2022-23 budget planning process.

1.31 The Accommodation Review agreed by Finance Sub Committee on the 7th of November 2022 highlighted the issues facing the Council's corporate estate and obtained committee approval for the Accommodation Review's scope, approach, targets, and short-term actions which included seeking approval to reduce the running cost of the corporate estate over the next five years by 25%, with Moorfoot being the first major building approved for closure. This 25% saving in running costs releases the funds to be re-invested into our remaining properties to ensure their ongoing effectiveness. This review will include comprehensive consultation and collaboration with key stakeholders.

1.32 **Reporting Progress**

A quarterly Progress Report will be provided to Finance Sub-Committee, highlighting progress on the schemes as well as expenditure details.

2 HOW DOES THIS DECISION CONTRIBUTE?

2.1 The Council has declared a climate emergency and agreed an ambitious deadline for net zero by the end of the decade. During 2021/22 the Council agreed the Ten Point Plan which sets out the broad objectives that will respond to the climate crisis.

2.2 As part of the property review highlighted in the scope of this programme, there will be opportunities to reduce the Council's carbon footprint by reducing its overall energy usage, decommissioning energy inefficient

buildings and investing in energy improvements for our remaining property.

- 2.3 The installation of renewable energy and associated energy efficiency works on Council buildings, will help deliver on the Council's decarbonisation targets and help reduce energy costs.
- 2.4 The Council's approach to asset management should be about more than just budget savings. There is an opportunity ensure our accommodation is fit for purpose and meets the requirements of our services and communities into the future. The Accommodation Strategic Review provides us with the mechanism to re-shape our estate to suit the needs of our organisation and our communities. This plan ensures that the properties we retain are adequately maintained and invested in so they continue to operate effectively for our organisation and communities.
- 2.5 In order to minimise external expenditure, the Council's in-house services will be utilised wherever possible. A recent modernisation of our Repairs and Maintenance Service means that the Council is able to deploy staff to work on Corporate Buildings, as well as staff from the Corporate Repairs service within Facilities Management. This flexibility will also help mitigate the risks of tendering works in a currently challenging construction and maintenance market. This approach will also provide excellent opportunities for our cohort of apprentices.
- 2.6 Additionally, the Council has begun engagement with Sheffield College to provide trainees the opportunity to gain experience of working within our portfolio, thereby improving the skills and employability of local young people.

3 HAS THERE BEEN ANY CONSULTATION?

- 3.1. This report has been written in consultation with building experts as well as internal stakeholders in Finance and Legal.
- 3.2. The purpose of this paper is to agree a methodology for prioritising expenditure on critical repairs based on condition data. As such, building professionals were consulted on the best approach to take.
- 3.3 No external consultation has taken place at this high level. Consultation with building users and stakeholders will take place on a property by property basis aligned to the programme of works or need for mitigation measures.
- 3.4 The Accommodation Strategic Review provides a mechanism for us to consult on the future use of buildings. Investment will be targeted at properties we are retaining as agreed through the review or ones which are in imminent risk of failure or causing harm prior to their disposal.

4 RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 Equality Implications

An Equality Impact Assessment has been carried out. Failure to invest in our portfolio could potentially lead to some building closures which could result in people being denied access to services.

Each individual scheme for capital works will have its own EIA carried out to ensure all works are fully compliant.

4.2 Financial and Commercial Implications

The financing of these works will be managed through the Council's Capital Approval Process. The Business Partnering Team in Finance and Commercial Services will support colleagues across Direct Services and Capital Delivery Service with strategic procurement input and financial business partnering. Capital Delivery Service (CDS) will also support programme delivery through procurement transactions and contract management as required.

The Accommodation Strategic Review provides the mechanism for us to reduce the size of our estate, thereby reducing the financial liability for further backlog maintenance. i.e. The new estate will be smaller, of higher quality and adequately maintained within affordability.

4.3 Legal Implications

The Council has a duty to ensure that all buildings under their control comply with relevant statutory, regulatory and corporate standards.

The proposed strategies will enable the Council to maintain statutory compliance for some of the Council's buildings.

4.4 Climate Implications

A Climate Impact Assessment has been completed. Investment in our portfolio provides us with the opportunity to make a positive impact by investing in improved insulation, heating controls and lighting etc.

We are also using the condition data combined with energy usage to identify works that are suitable for grant funding such as Salix, Public Sector Decarbonisation Scheme and £3.5m allocation for energy efficiency and renewable energy projects. Each subsequent scheme will have its own individual impact assessment.

The estimated costs identified at the time of the condition surveys were based on like for like replacement of those elements surveyed. However, in order to respond to the Climate Crisis and support the Council's aim for Carbon Zero, additional investment will be required to install low energy alternatives and improve insulation within our buildings, meaning additional investment in our estate will also be required to meet this

commitment. However, this does provide an opportunity to improve the quality of the estate and 'future-proof' the infrastructure within.

4.5 Other Implications

Investment in our properties will make them safer and more effective for delivering services and supporting our communities.

The use of apprentices and trainees will improve the skills and employability of local young people.

5 **ALTERNATIVE OPTIONS CONSIDERED**

5.1 To approve our strategy for prioritising works within the current funding envelope as described in this Policy Committee Report:

Do nothing would result in the continued underinvestment in our properties leading to building failures and potential risks to safety

5.2 To approve the approach to prioritising repairs to the Corporate Estate:

Do nothing would result in pressure on the revenue budget with repairs being carried out beyond affordability, leading to building failures and potential risks to safety.

6 **REASONS FOR RECOMMENDATIONS**

6.1 To approve our strategy for prioritising works within the current funding envelope as described in this Policy Committee Report.

Outcome: Capital Works will be within affordability and prioritised in such a way as to minimise risk and avoid building failure / closure.

6.2 To approve our business rules for prioritising repairs to the Corporate Estate.

Outcome: Repairs will be within affordability and prioritised in such a way as to minimise risk and avoid building failure / closure.

The Capital Works progress and expenditure reporting will be transparent and timely and open to scrutiny in accordance with all council policies and procedures using a methodology which is robust and familiar to all stakeholders.

Appendices

Appendix A – Detailed Condition Data Costs (£91m)

Appendix B – Summary Condition Data Costs (£91m)

Appendix C - Minimum Funding Requirement (£23m)

Appendix D – Summary Minimum Funding Requirement (£23m)

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