

From: Peter Oakford, Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services

Rebecca Spore, Director of Infrastructure

To: Policy and Resources Cabinet Committee – 11 October 2022

Subject: Corporate Estate – 10 year planned maintenance predicted spend

Classification: Unrestricted

Electoral Division: All

Summary:

This report provides an update on the output from condition surveys being carried out on Kent County Council's Corporate Estate portfolio.

Recommendation:

The Policy and Resources Cabinet Committee is asked to note progress and the current cost data based on the surveys completed.

1. Introduction

1.1. Kent County Council (KCC) commissioned a county-wide stock condition survey of buildings in the Corporate Estate to support a programme of works required for the next ten years to maintain properties in its portfolio.

1.2. Buildings within the Corporate Estate includes libraries, adult education centres, offices, youth clubs, children's centres and community centres. Please note, this report excludes any costs associated with Sessions House or Invicta House.

1.3. The condition surveys provide information on the internal and external condition of all KCC corporate buildings as well as identifying works required to maintain the buildings in full functioning order.

1.4. This information allows KCC to implement a strategic property portfolio management ten-year plan, with accurate budgets allocated to plan maintenance required for the next 10 years which are aligned to the property estates that the Council currently utilises to support its service delivery.

1.5. The KCC property portfolio maintenance is currently overseen by the KCC Asset Board through the Asset Review Programme (ARP).

1.6. The Asset Management Plan includes all strategic asset management matters across KCC, including service need and delivery, investment and divestment, income generation and overall capital and revenue budget improvement. The asset management plan sets out KCC's current approach, which is focused on Warm, Safe and Dry (WS&D). This approach ensures that the minimum maintenance is prioritised

to ensure that the KCC complies with its statutory duty. This approach has been in place for at least 10 years and as a result due to funding levels has meant a move towards a reactive maintenance approach.

1.7. The condition survey information will enable the production of 10-Year Plan reports, identifying modernisation works required on the following components for each of the properties in the portfolio:

- roofs
- external and internal walls
- windows
- doors
- floors
- ceilings
- redecorating works
- sanitary services
- electrical, mechanical, and plumbing services
- external areas of the property.

1.8. This report provides a summary of the current status of the condition surveys and the 10-Year Plan. The detail behind the data presented has been collated and uploaded on KCC asset system (K2). The data is detailed and includes site plans, floor plans and room data sheets with specific works required.

1.9. The purpose of this report is to report on the budgetary deficit that existed for the maintenance of the KCC property portfolio in previous years and the resultant budgetary requirements for the 10-Year Plan for the property maintenance and modernisation programmes.

2. Condition survey and the 10-Year Plan

2.1. The KCC corporate property portfolio includes libraries, adult education centres, offices, youth clubs, children’s centres and community centres.

2.2. These individual building reports provided estimates of budget requirements for the KCC Corporate Estate 10-Year Plan, based on the information that was available at each period.

2.3. The current position is based on completion of 268 of 372 condition surveys, with 135 10-Year plan reports complete. The table below shows the current position:

Total number of corporate buildings	372
Total number of corporate buildings surveyed	268
Total Number of 10-Year plans produced	135
Total Current Cost Forecast, including fees and Overheads and Profits (OHP) (based on 268 properties)	£69,202,878
Total Estimated Cost Forecast across all sites (includes 15% contingency)	£164,847,555

2.4. The costs reported above included design, project management fees, main contractor overheads and profit plus 15% contingency, which is set to reduce upon 100% completion of condition surveys.

2.5. The data identified the key areas of expenditure on KCC buildings are roofs, external walls, windows, doors, electrical services, and boilers.

3. Financial Implications

3.1. The total gross internal area (GIA) of KCC’s Corporate Estate is 312,300m². Using Building Cost Information Service (BCIS) lowest average rate for rehabilitation/conversion projects (libraries; project type used) of £459/m², the current estimated final spend for the modernisation programme is £164,847,555 (rounded up to £165,000,000) including a 15% contingency.

3.2. The costs shown above exclude inflation and any consequential costs associated with achieving net zero, energy efficiency or service betterment/reconfiguration or redecoration. The figures illustrated above are to maintain the status quo.

3.3. The current KCC corporate maintenance strategy is WS&D. This means minimum repair works only, that ensure the property or building is warm, safe and dry. The table below compares the costs of the 10-Year Plan for modernisation versus the 10-Year Plan for the WS&D strategy for the surveyed properties with complete 10-Year Plans in place.

	Modernisation	Warm, safe, and dry
Surveyed costs (based on completed sites – 135)	£ 69,202,878	£15,490,278
Cost/m²	£586/m ²	£131/m ²

3.4. The current Modernisation of Assets (MOA) budget allocation is shown in the table below. This totals £38.8m for the next 10-Year period. There was previously a second budget for MOA+ specific work which was merged with the MOA budget a year ago which, together with rephasing of work throughout the Covid period, has resulted in larger budgets for 22/23 and 23/24. It should be noted that the WS&D will not address all elements of backlog maintenance and with this approach, the property portfolio will continue to deteriorate.

MOA Medium Term Financial Plan (MTFP) allocation – 2022/23	£6,086,000
MOA MTFP allocation – 2023/24	£8,731,000
MOA – future years MTFP allocation	£3,000,000

4. Corporate implications

4.1. The condition surveys have helped to establish the state of KCC’s Corporate Estate following the implementation of the WS&D strategy as a result of historic limited maintenance budgets.

4.2. The WS&D strategy over a prolonged period has left some buildings requiring extensive works to areas that have not been maintained beyond the minimum levels when a system or building component has failed. There is a real risk of building closure and the consequential impact on service delivery in part or whole due to building failures which are unable to be funded within current budgets.

4.3. If the WS&D strategy is maintained for the next 10 years, the estate portfolio will continue to dilapidate, thus increasing the maintenance costs in the longer term and the risk to service delivery.

4.4. As per section 3 of this report, the budget estimate is based on gross internal floor areas. When applying this calculation, including design and management fees, the total spend over 10 years to clear the backlog maintenance, is in the region of £165 million (£16.5 million per year) against a current budget of £38.8m for the same 10-Year period. The current costs of the modernisation of KCC's property portfolio for the next 10 years stands at £586/m², which is expected to rise when all the condition surveys are complete, and all 10-Year Plans are in place.

4.5. This equates to a predicted average spend of £443,548 per building over the course of 10 years or £44,354 per building per year.

4.6. Based on the current modernisation of assets budget, the budget per building is as follows

- £16,360 for 2022/23
- £23,470 for 2023/24
- £8,064 for future years

4.7 It should be noted, that the predicted spend figures contained within this report are based on the current number of properties within KCC's property portfolio and does not account for any changes to number of properties within the 10-Year period.

5. Conclusions

5.1. Information available from the surveyed properties reflects that the WS&D maintenance strategy cannot be maintained, and a more proactive strategy is necessary.

5.2. With the current level of investment, KCC's portfolio will continue to deteriorate and without further investment, buildings will eventually deteriorate whereby they are not safe to occupy, impacting on service delivery.

5.3. The costs that are required to maintain the status quo are significantly higher than the MTFP allocations and given the financial position of the Council, will require challenging decisions to enable a balanced budget position. The findings of the condition surveys, the approach and service risk will be fed into the considerations when setting future capital budgets.

6. Recommendation

The Policy and Resources Cabinet Committee is asked to note progress and the current cost data based on the surveys completed.

7. Contact details

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