

**ESTATES AND BUILDING MAINTENANCE INSPECTIONS**

*To:* **AUDIT & ACCOUNTS COMMITTEE**

*Meeting Date:* **28 March 2019**

*From:* **Chris Malyon, Deputy Chief Executive & Chief Finance Officer**

*Electoral division(s)* **All**

*Forward Plan ref:* **Key Decision:  
No**

*Purpose:* **To provide background information in respect of the Council's approach to the inspection, and maintenance, of buildings within its asset portfolio.**

*Recommendation:*      **It is recommended that the Committee:-**

- (1) Notes the contents of this report;
- (2) Supports the commissioning of non-intrusive condition surveys to be undertaken for all maintained nursery, primary and secondary schools in Cambridgeshire and Peterborough, and for the Cambridgeshire element to be funded from the Councils 2019/20 maintenance allocation from the Department for Education;
- (3) Requests that this survey become baselined as an operational activity and be commissioned so that all schools are reviewed on a rolling basis of 5 years;
- (4) Proposes that a report is prepared for both Commercial and Investment (C&I) and Children and Young People's (CYP) Committees that evaluates the option of bringing the property management functions for both schools and non-school assets together in to a single delivery model;
- (5) Requests that that the on-going merger of schools property data (paragraph 7.3) in to the Council's corporate property database, K2, is undertaken as a priority and is then maintained as an on-going basis by a single service (recommendation 4 refers);
- (6) Requests that a further report be presented setting out a proposal for integrating how property related income is recognised within the accounts of the authority and how this can be managed more effectively.

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## **1. BACKGROUND**

- 1.1 Commercial & Investments Committee in September 2018 considered a report which looked at the inspection programme for buildings occupied or leased by the County Council. Buildings owned by the Council or let out on short term leases are inspected regularly but schools, and properties let on long leases (>25 years), including school sites let to Academy Trusts, are not.
- 1.2 It was requested that a report be prepared for the January 2019 Audit & Accounts committee to include:
- A list all property assets.
  - A list of all property inspections, with a summary of findings.
  - A list of leased properties to include lease length, lease terms, repairing obligations and rent collection.

A link to this report presented to the Committee is in the source documents section below.

- 1.3 Not all the information required was available in time for the January report and as a consequence a revised report was requested for the March Committee. This revised report contains more detail on Education and fuller information on inspections and leases.

## **2 OVERVIEW OF RESPONSIBILITIES FOR PROPERTY MATTERS**

- 2.1 The responsibility for the management of functions and therefore the information requested is overseen by different teams in the Council. There is not a single point of responsibility within the Council and the drafting of this report has highlighted that this lacks transparency and coordination. The teams responsible for the various activities are set out below:
- Education – maintained schools
  - Property - non schools properties
  - Compliance - all CCC properties
  - Strategic Assets – landlord and tenant information, and County Farms
  - Accounts Receivable (LGSS) – debt management for all property debt
- 2.2 Appendix 1 contains a full list of the County Council's property assets, including schools, produced from the K2 database.

## **3 EDUCATION REMIT**

- 3.1 When a school becomes an Academy the Council is statutorily required to lease the school to the Academy for a period of 125 years at zero rent, based on the model lease prepared by the DfE as this protects the Council's interest by ensuring that:
- the land and buildings would be returned to the Council when the lease ends;
  - use is restricted to educational purposes only;

- the Trust is only able to transfer the lease to another educational establishment provided it has the Council's consent.

The Trust (depending on the lease wording) is only able to sublet part of the site with approval from the Council.

The leases are Full Repairing and Insuring leases and therefore the responsibility for the maintenance of the site becomes the responsibility of the Trust. Before the leases are agreed the Trust about to take over the lease may seek an upfront commitment from the Council that it will fund and undertake work to the school buildings and/or external areas in order to mitigate their future operational liabilities. This process is a matter of negotiation between the Council and the Trust as in the majority of situations the works identified are not an urgent priority for the Council concerned.

- 3.2 As a result of academy conversions, which happen throughout the year, the number of schools which the Council maintains has been, and continues to reduce steadily. Maintained schools have the status of: community, voluntary controlled, voluntary aided (VA) or foundation schools
- 3.3 The Department for Education (DfE) provides two different funding streams to address school condition issues.
  1. Responsible bodies, which include the local authority for maintained schools and larger academy trust with 5 or more establishments and at least 3000 pupils receive an annual allocation of School Condition Funding. This funding methodology is driven by the Property Data Surveys that were commissioned by the government in 2012 as well as a pupil led element. The DfE administers funding through the Condition Improvement Fund for single academy trusts and smaller multi-academy trusts.
  2. Schools receive an individual Devolved Formula Capital (DFC) allocation to maintain their buildings and undertake small scale capital projects.
- 3.4 The expectation is that schools should carry out surveys and repairs themselves using their DFC before they seek financial support from the Council. The Cambridgeshire Good Stewardship guidance details what schools are expected to do, see the link in the source documents section. This is in the process of being updated.
- 3.5 It is recognised, however, that the level of funding awarded to schools in the form of DFC is generally only sufficient to meet the cost of minor works and day-to-day maintenance. Ultimately, the Council still retains a duty of care to the children who live in Cambridgeshire to ensure that the schools in which they are educated are safe and in good condition. In practice therefore, schools take responsibility for day-to-day maintenance within the confines of the devolved budget, while the Council takes responsibility for major items of work that relate to retaining the integrity and safety compliance of the buildings. This will include expenses such as new boilers, heating systems, or roof works.
- 3.6 The DFC allocations for 2019 are detailed below:

Local Authority	Total DFC	Total Schools Condition Funding	Total VA DFC	Total VA Schools Condition Funding
Cambridgeshire	£2,230,030	£3,877,013	£282,888	£585,233
Peterborough	£759,251	£1,263,379	£211,164	£333,617

- 3.7 In 2012, Cambridgeshire commissioned a stock condition survey of all its maintained schools, at a cost of £105,000. The results of those surveys were used to develop an annual programme of planned preventative maintenance, with the highest priority items being addressed first. That programme of work is on-going and the 2019/20 Schools Condition Funding allocation for Cambridgeshire is already fully committed.
- 3.8 In recognition of the need to ensure that decisions on future capital investment are taken on up-to-date information, a tender process for a refreshed set of non-intrusive condition surveys is about to be undertaken for all maintained nursery, primary, special and secondary schools in Cambridgeshire and Peterborough. The exception to this will be those schools that are in the process of converting to academy status and/or where the Councils have commissioned surveys in the recent past linked to, for example, larger building projects. The cost of the surveys has been estimated in the order of £150,000, taking account of the inclusion of Peterborough maintained schools and cost inflation since 2012. Peterborough City Council will pay their respective proportion of the cost.
- 3.9 Once completed the surveys will determine the work plan and priorities for investment over the next five years. It also means that as and when the Councils receives notification of schools choosing to convert or having to convert to academy status, we will already have a good base-line assessment of their condition needs ahead of the conversion.

#### **4 PROPERTY SERVICES REMIT**

- 4.1 Property Services are responsible for carrying out planned preventative and reactive building maintenance, including condition survey inspections on all non-schools properties, 177 in total. The inspection work has been tendered out to specialist professionals with ad hoc inspections carried out by the in house team as part of business as usual.
- 4.2 There are some exceptions, for example where the budgets are with the Service – Park and Ride locations; Children's Centre buildings which are in transition with leases being agreed; or where the maintenance responsibility is with the school (depending on the location).
- 4.3 The current condition survey programme runs on a five year cycle and is linked to in the source documents section below. The schedule has been slightly updated since then with some more dates added. Also linked are both parts of a recent example of a condition survey report. Part 1 of the survey report is narrative and photographic, and Part 2 comprises a table of indicative costs, which allows for inclusion into a larger assessment of Condition Survey works across the portfolio. The surveys are reviewed by the Property Team for:
- Technical assessment of the indicated issues
  - Further review of critical systems if indicated in the report
  - Critical (statutory) works will be carried out as soon as is practicable (revenue or capital as defined by cost of works)
  - Identified maintenance issues will be carried out under the revenue term contract

- Planned programme for non-critical works in line with corporate objectives

- 4.4 Contractors provide an indicative cost. In the Bargroves example there is an indicative cost for replacement of the fire alarm system; actual costs would be determined by investigation and quotes. Column 1 gives the total cycle estimate. The work is necessarily irregular but smooths out when the profiles of the other properties being inspected and repaired each year are taken into account. Condition survey priorities may change according to corporate aims and objectives with low priority work at the end of the cycle if funding allows; for example decorations will be carried out only if there is an imperative need and funding to do so. Priority will always be given to statutory, and health and safety requirements.
- 4.5 Costs of condition surveys are funded from the maintenance revenue budget. Tendered costs of the survey and the report are based on the m2 of the property, plus any additional costs as agreed. Previously these costs were capitalised; this is no longer possible as individual surveys do not meet the £10k de minimis for capital spend and they do not directly enhance the value or lifespan of the asset. Therefore condition surveys are now a cost pressure on the revenue (operational) budget, in the region of the figures below:
- 2016 – 2017 - £30k
  - 2017 – 2018 - £40k
  - 2018 – 2019 - £20k
  - 2019 – 2020 - PREDICTED - £40k

## **5 COMPLIANCE TEAM REMIT**

- 5.1 Compliance are responsible for property health and safety related inspections on all Council-owned properties as well as external properties that are shared and/or contain our staff. This includes Asbestos, Legionella, Fire and Contractor Control plus the statutory maintenance to ensure the Council is operating in compliance with current property regulations as required by the Health and Safety Executive and other regulatory bodies.
- 5.2 The Council has a responsibility to ensure that children are being educated in a safe and secure place (including academies) and external Adult and Children Social Care providers offer a safe and secure place. This responsibility is based on Government guidance issued subsequent to the Grenfell Fire. Compliance has a Key Performance Indicator (KPI) of 10% inspections which is based on risks as identified by officers and/or various committees.
- 5.3 A risk based approach is used, for example schools and social care buildings carry more risk and are inspected more regularly, whereas farms carry a lower level of risk and subsequently are inspected less frequently. All corporate offices and libraries are inspected each year.
- 5.4 Due to the fact that 91% of our schools still have asbestos-containing material, a strict management approach is in force. The schools carry out self-checks on asbestos twice each year using software known as Frontline which highlights any issues which are reported directly to Compliance. This process meets the requirements of the Control of Asbestos Regulations (2012).

## **6 STRATEGIC ASSETS REMIT**

- 6.1 Strategic Assets are responsible for Landlord and Tenant matters on leased properties with inspections carried out by contractors as part of the asset valuation programme every five years and backed up by ad hoc inspections by officers in between.
- 6.2 The County Farms estate uses in-house surveyors to carry out a programme of five yearly building inspections with ad hoc visits in between. Asbestos surveys are carried out every five years by specialist contractors overseen by the Compliance team.
- 6.3 Lease information on rents and tenancy terms as requested by Audit & Accounts Committee is given at Appendix 2. Cleansing of this information is underway as this year's asset valuation programmes comes to an end.

## **7 INCOME COLLECTION PROCESSES**

- 7.1 The collection of income from rents, leases, and other property based arrangements are undertaken across the Council. The work required to bring this report together has identified that the processes are fragmented and there is a lack of consistency of approach. Major leases and agreements are supported by legal agreements and appropriate documentation but there are many less formal arrangements that have been negotiated locally and could therefore leave the Council at risk of potential claims were an event to arise that resulted in litigation.
- 7.2 Although the risk is a relatively low the position has been driven by the old approach to budgeting – i.e. departmental cash limits. As a result services sometimes used the ability to generate income from the use of assets to negate the potential savings requirement set within the budget setting process. As the Council no longer budgets in this way the need to adopt a very service based approach to income from property is less relevant. It also is contrary to the corporate landlord model within which the Council purports to operate. The Council could therefore centralise the responsibility for and the budgets associated with the income generated from the use of property to external users without any budgetary consequences.
- 7.3 Having recognised the 'debt' due in respect of property income the responsibility for debt collection and management then falls upon LGSS. The debt is collected within the policies approved by the Council in respect of debt management. Whilst the income, and therefore the level of arrears, in respect of property income is not shown within the Council's corporate property database the information is retained within the Council's core resources system – ERP Gold. Debt management is managed centrally and any recovery processes are adopted consistently in accordance with the aforementioned policies. It is not suggested that this centralised approach is changed as recovery is managed by those experienced in such matters.

## **8 PROPERTY INFORMATION DATABASE**

- 8.1 Property information is held in a variety of databases and spreadsheets. In 2014 an estate management database provided by Tribal and known as K2 was procured by LGSS, which at that time managed both Cambridgeshire and Northamptonshire property assets. The aim

was to have a single version of key property information which is transparent and available to users across the Council. Implementation has been slow and has been compounded by the demerger of both Councils' property teams from LGSS in 2017.

- 8.2 K2 contains the core property data. This is being improved and added to as data is "cleansed". A database manager is being recruited whose responsibility will be to further develop the database. K2 contains the rental information as given in the lease but rent invoicing and collection is recorded on ERP, the Council's financial system.
- 8.3 Education previously used an older version of K2 to manage schools property data, and this also included some other properties that overlap with the Estates portfolio. Their data has been loaded into Cambridgeshire's K2 instance and is being maintained by the Education Capital team. Further structural changes in the way data is held will be required before the data held by Education Capital can be fully merged with the rest of the Council's property data.

## **9 PROPOSED ARRANGEMENTS**

- 9.1 It is clear from collating the information required for this report that the Council's approach to property management is a little fragmented. Although the Council has a central estates and property function and in theory operates under a corporate landlord model many property responsibilities sit with operational services. There is therefore an opportunity for the Council to look at roles, responsibilities and budgets for property related functions again. This report has highlighted a number of non-people related actions that could be undertaken immediately, albeit they will need some resource to create this capacity, in bringing a single view of all property in to the corporate asset base – currently K2.
- 9.2 There is a rolling programme of condition surveys for non-schools programme and these surveys feed in to the setting of priorities for the budget setting process. This is however not replicated for education properties. This report recognises that the nature of schools and their budgets are different from those of Council core properties. However in spite of schools being responsible for the upkeep of the buildings within which they operate the Council still has a duty of care to the children that are educated there. This report is therefore recommending formalising an inspection process and using this information to inform the allocation of a maintenance programme.
- 9.3 In order to create a fully integrated central property service that is responsible for all on-going property related matters would involve the redirection of some resources from across the Council. This work has not been undertaken to date and would involve an appropriate HR process. If the Committee felt that this would assist the Council in developing a more robust corporate landlord model than the one that has operated to date then a further report will be developed setting out the implications of this approach.

## **10 ALIGNMENT WITH CORPORATE PRIORITIES**

### **10.1 A good quality of life for everyone**

There are no significant implications for this priority.



## **10.2 Thriving places for people to live**

There are no significant implications for this priority.

## **10.3 The best start for Cambridgeshire's children**

There are no significant implications for this priority.

# **11 SIGNIFICANT IMPLICATIONS**

## **11.1 Resource Implications**

The costs associated with undertaking non-intrusive condition surveys for all Cambridgeshire schools are set out in the report. Further reports will be presented to C&I and CYP Committees setting out the resource implications for bringing the responsibilities for property management in to a single service.

## **11.2 Procurement/Contractual/Council Contract Procedure Rules Implications**

There are no significant implications within this category.

## **11.3 Statutory, Legal and Risk Implications**

There are no significant implications within this category.

## **11.4 Equality and Diversity Implications**

There are no significant implications within this category.

## **11.5 Engagement and Communications Implications**

There are no significant implications within this category.

## **11.6 Localism and Local Member Involvement**

There are no significant implications within this category.

## **11.7 Public Health Implications**

The undertaking of regular surveys of council property will assist the Council in discharging its statutory, health and safety, and safeguarding responsibilities.

<b>Implications</b>	<b>Officer Clearance</b>
<b>Have the resource implications been cleared by Finance?</b>	Name of Financial Officer: Chris Malyon

# **12. SOURCE DOCUMENTS**

<b>Source Documents</b>	<b>Location</b>
Previously provided: 1. Previous report from January A&A Committee 2. Good Stewardship guidance for schools 3. Property Services inspection dates 4. Bargroves condition survey	<a href="#">Link</a> <a href="#">Link</a> <a href="#">Link</a> <a href="#">Link</a>

New appendices: 1. Full property list from K2 2. Lease information	Appendix 1 Appendix 2
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