

AGENDA MANAGEMENT SHEET

Name of Committee Resources, Performance & Development

Date of Committee 11th November 2008

Report Title Property Condition Maintenance Backlog

Summary This report explains the current condition of the Council's property stock. The data is used to enable planned maintenance work to be costed, prioritised and planned. The report provides some conclusions as to the effect the level of investment has made to date on backlog maintenance.

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Would the recommended decision be contrary to the Budget and Policy Framework?

No.

Background papers None

CONSULTATION ALREADY UNDERTAKEN:- Details to be specified

- Other Committees
- Local Member(s)
- Other Elected Members Councillor Booth; Councillor Atkinson and Councillor Haynes
- Cabinet Member Councillor Cockburn - for information
- Chief Executive
- Legal Barry Jukes
- Finance David Clarke - Strategic Director, Resources - reporting officer
- Other Chief Officers
- District Councils

Health Authority

Police

Other Bodies/Individuals

FINAL DECISION YES

SUGGESTED NEXT STEPS:

Details to be specified

Further consideration by this Committee

To Council

To Cabinet

To an O & S Committee

To an Area Committee

Further Consultation

Executive Summary

- This report explains the current condition of the Council's property stock. The data is used to enable planned maintenance work to be costed, prioritised and planned.
- The report provides some conclusions as to the effect the level of investment has made to date on backlog maintenance.
- Over the last 6 years WCC has invested approximately £53.68m in maintenance works (planned and reactive).
- The value of backlog maintenance has increased from £128.56m in 2002/03 to a value of £137.45m at the start of 2008/09.
- A strategic approach to the entire management of the property portfolio is required to enable targeting of finite resources which will deliver the greatest benefit to the Council as a whole.

Agenda No

Resources, Performance & Development - 11th November 2008.

Property Condition Maintenance Backlog

Report of the Strategic Director, Resources

Recommendation

That the contents of this report be reviewed by this Committee.

1. Introduction

- 1.1 This report has been drafted to explain for the Overview and Scrutiny Committee the current condition of the Warwickshire County Council (WCC) property stock. Establishing the condition of the portfolio is necessary to enable the planned maintenance works to be costed, prioritised and planned.
- 1.2 All surveys are carried out in accordance with the Department for Children, Schools and Families (DCSF - formerly DfES) requirements. A description of the condition grades and priorities used, along with particular WCC site specific examples are given in **Appendix B**.
- 1.3 It should be noted that the methodology is based on the assessment of condition of the component elements of the properties, as opposed to a summarised condition ranking to the property itself. Detail on the assessment of overall property condition ranking is subject to a separate Corporate Asset Management Plan (AMP) Performance Indicator Report, presented to this committee at its 16th September 2008 meeting.

2. Background

- 2.1 As part of the Asset Management Plan (AMP) process, property condition surveys were originally commissioned through an external consultant in 2002/03. Their aim was to identify the works necessary to bring the WCC property stock up to a serviceable state of repair. The surveys have been continuously improved, managed and updated internally by the Property Support Group (formerly Property Services Department – Construction Services) since this date.

- 2.2 Condition data was downloaded to meet the DCSF requirements in 2002 and 2003 and rigorously audited/approved by them. More recently Condition data was again downloaded in 2005 and also approved by the DCSF. Further downloads are available to the DCSF upon request.

Note: Specialist surveys such as Asbestos and Water Risk Assessments are subject to bespoke reports based on alternative criteria and the remedial costs identified by these specialist surveys are not included in the Condition Surveys.

3. WCC Property Portfolio

- 3.1 The current managed property portfolio is made up of Schools, Non Schools and Smallholdings, as described in Table 1.

Table 1 WCC Property Portfolio with Condition Surveys

Group	No. of Properties	Total Floor Area m2
Schools	269	664,200
Non Schools	261	199,400
Smallholdings	69	95,650
Grand Total	599	959,250

- 3.2 For further detail regarding the make up of the above groups refer to **Appendix C.**

4. Results of 2008/09 Condition Surveys

- 4.1 The following tables provide a summary of the cost of the maintenance backlog.

Table 2: 2008/09 Nett Total (Capital and Revenue) Condition Survey Maintenance Backlog by Condition/Priority.

Table 3: Trend of Nett Total Condition Survey Maintenance Backlog Costs Split by Capital & Revenue.

4.2 Notes:

- The term Nett in this paper refers to base costs of work required without allowance for Preliminaries, Contingency Sums and Professional Fees, which would normally be associated with carrying out works.
- Tables 2 and 3 refer to the costs 'Including all Landlord and Tenant responsibility elements' - this ensures that the costs give a complete picture of the condition of the portfolio by including all costs associated with the condition of the building regardless of funding responsibility.
- Detailed copies of the condition survey reports are available on request. Examples of specific condition grading D priority 2 items are available in **Appendix B.**

Table 2

2008/09 Nett Total (Capital and Revenue) Condition Survey Maintenance Backlog by Condition/ Priority

Condition Survey Data as @ 1st April 2008

Condition D (Bad)								
Priority	Maintenance Cost £'000							
	Schools				Non Schools	Smallholdings	Vacant	Grand Total
	Community	Voluntary Aided	Foundation	Total				
1 – Urgent	0	0	0	0	0	0	0	0
2 - Essential	13,159	1,170	820	15,149	5,492	1,972	233	22,846
3 - Advisable	0	0	0	0	0	0	0	0
Totals	13,159	1,170	820	15,149	5,492	1,972	233	22,846

Condition C (Poor)								
Priority	Maintenance Cost £'000							
	Schools				Non Schools	Smallholdings	Vacant	Grand Total
	Community	Voluntary Aided	Foundation	Total				
1 – Urgent	0	0	0	0	0	0	0	0
2 - Essential	31,727	6,881	3,827	42,435	6,625	602	1,051	50,713
3 - Advisable	18,197	2,919	2,689	23,805	6,571	104	179	30,659
Totals	49,924	9,800	6,516	66,240	13,196	706	1,230	81,372

Condition B (Satisfactory)								
Priority	Maintenance Cost £'000							
	Schools				Non Schools	Smallholdings	Vacant	Grand Total
	Community	Voluntary Aided	Foundation	Total				
1 – Urgent	0	0	0	0	0	0	0	0
2 - Essential	7,674	1,666	659	9,999	904	820	294	12,017
3 - Advisable	13,172	2,137	1,911	17,220	3021	806	167	21,213
Totals	20,846	3,803	2,570	27,219	3,925	1,626	461	33,231
Grand Total	83,929	14,773	9,906	108,608	22,613	4,304	1,924	137,449

Note: The costs above include All Landlord & Tenant responsibility elements (refer to notes in item 4.2)

Table 3

Trend of Nett Total Condition Survey Maintenance Backlog Costs Split by Capital & Revenue

Condition Survey Data as @ 1st April 2008

		Maintenance Cost £'000														
Year Start	No. of Properties with surveys	Schools			Non Schools			Smallholdings			Vacant/Disposed			Grand Totals		
		Capital	Revenue	Total	Capital	Revenue	Total	Capital	Revenue	Total	Capital	Revenue	Total	Capital	Revenue	Total
2002/3	530	62,157	41,405	103,562	10,778	9,192	19,970	Not Surveyed	Not Surveyed	Not Surveyed	3,275	1,758	5,033	76,210	52,355	128,565
2003/4	529	65,499	43,966	109,465	11,403	9,706	21,109	Not Surveyed	Not Surveyed	Not Surveyed	3,451	1,869	5,320	80,353	55,541	135,894
2004/5	590	65,343	45,454	110,797	12,369	9,999	22,368	60% Surveyed	60% Surveyed	60% Surveyed	3,047	1,641	4,688	80,759	57,094	137,853
2005/6	602	64,889	43,160	108,049	12,945	10,849	23,794	1,993	1,215	3,208	3,626	1,701	5,327	83,453	56,925	140,378
2006/7	604	62,953	36,847	99,800	12,956	9,947	22,903	2,218	1,736	3,954	1,760	539	2,299	79,887	49,069	128,956
2007/8	597	66,281	36,657	102,938	12,960	9,659	22,619	2,490	1,777	4,267	1,584	462	2,046	83,315	48,555	131,870
2008/9	599	68,790	39,818	108,608	13,249	9,364	22,613	2,496	1,808	4,304	1,519	405	1,924	86,054	51,395	137,449

NOTES:

- The costs above include inflation increases applied annually derived from the Building Cost Information Service (BCIS)
- The costs above include All Landlord & Tenant responsibility elements (refer to notes in item 4.2)

5. Analysis of 2008/09 Condition Survey Data

- 5.1 In order to get the complete picture of the Condition Survey data for 2008/09 it is necessary to look at the costs for previous years.
- 5.2 As can be seen from Table 3, the cost of the total backlog of maintenance is £137.4m which is currently 7% higher than the total costs of 2002/03 (£128.6m).
- 5.3 The graph shown in **Appendix A**, illustrates the nett maintenance backlog **with** investment, against the nett maintenance backlog **without** investment.
- This graph illustrates that although a significant investment has been made without any apparent reduction in the backlog, to have made **no** investment at all would have resulted in the nett backlog at the end of 2007/08 being over £157m.
 - Over the past six years, inflation, calculated using the Building Cost Information Service (BCIS) indices has added £28.9 million pounds worth of cost to the original backlog valuation assessed in 2002/03 (£128.6m) – (Calculated cost of Nett Maintenance Backlog with NO Investment £157.5m)
 - With works carried out using investment made to the values shown in the table associated with the graph, and further deterioration to the property stock, the backlog valuation at the end of 2007/08 is £131.9 million (Refer to Table 3).
 - The combined effect of a deteriorating portfolio and annual inflationary pressures shows that the initial 2002/03 backlog valuation (£128.6m) has grown by £3.3 million (2007/08 backlog figure of £131.9m) even with an investment of £33.9 million over the past six years.
 - Based on the current level of maintenance investment and the trend of continuing deterioration, the levels of maintenance backlog will continue to increase.
- 5.4 A constraint on revenue funding hinders the reduction of the total maintenance backlog and in some cases accelerates the deterioration. The CIPFA Code of practice defines revenue and capital expenditure in detail. In summary revenue expenditure is defined as being used for the repair of an existing asset. Capital expenditure is defined as the replacement of the asset.
- 5.5 For example, external decoration work to a window is revenue work. A deterioration in decoration can lead to a future capital burden in having to carry out complete replacement of the window.
- 5.6 Referring to the trend outlined in Table 3, the revenue backlog over the past 7 years is on average £53 million. However the capital backlog has increased by £10 million. This trend reaffirms that by not addressing defects requiring a revenue funded repair, its increasing deterioration results in the defect

becoming capital expenditure, effectively becoming a replacement rather than a repair.

- 5.7 Over a period of time the deterioration in condition will mean that more properties will fall into the “bad” category.
- 5.8 The analysis of data includes the maintenance backlog for properties where there is potential for rationalisation incorporating disposal or re-builds. Dependant on the outcome of services embracing new ways of working, and projects in partnership with other public agencies, rationalisation can bring about a reduction in the maintenance backlog.
- 5.9 Therefore all properties with any rationalisation plans are reviewed prior to any planned maintenance expenditure. Furthermore the disposal strategy should take into account levels of backlog when reviewing the property portfolio.

6. Work Priority Programme

- 6.1 A methodology is applied to all condition defect records to enable the effective prioritisation and management of condition works. The system uses condition survey data and applies weightings to relevant key factors. The key factors include the original assessment of condition and priority, along with risk factors such as building integrity and legislative requirements. These are then sorted to give an overall order of priority of works for both the Capital and Revenue budgets. The result is a ‘fluid’ league table of priority works.
- 6.2 From the provisional budgets projected for future years, schools are able to determine where they feature in the Property Support Group planned overall maintenance programme. This transparent approach enables schools to pre-plan and commit to the funding of maintenance projects with their Devolved Formula Capital (DFC) funding. This approach increases the available funding within Property Support Group ensuring stakeholders with devolved funds commit to investing into their property condition where appropriate.

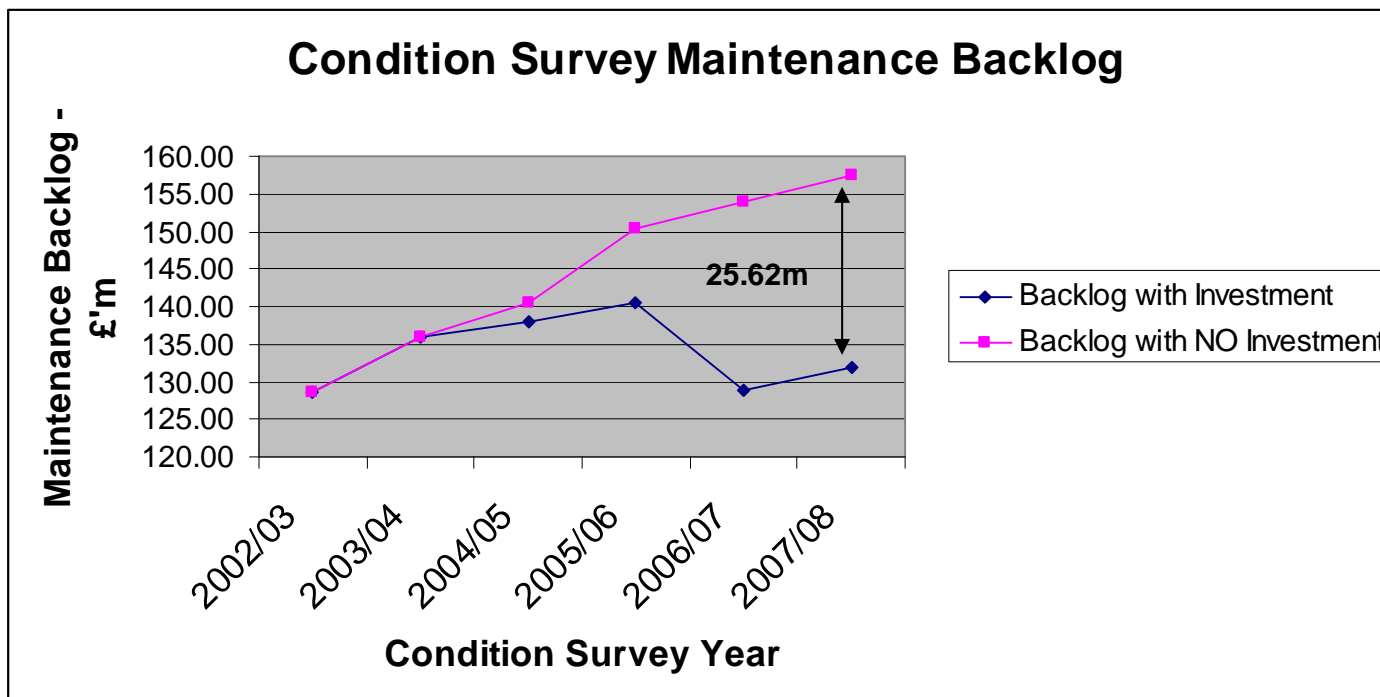
7. Conclusions

- 7.1 Investment for repair and maintenance over the last 6 years has been very significant. Just under £54 million has had the effect of stabilising the overall level of backlog maintenance over the period. However because of the scale of the problem it has not reduced the level of backlog maintenance.
- 7.2 The current levels of investment are unable to deal with all the issues of the worst (bad) condition, and there is a growing quantum of deteriorating poor condition that cannot be addressed with the current levels of investment. In other words, the risk of building failure is increasing.
- 7.3 Opportunities for rationalisation of the property stock need to be taken in order to reduce the worst condition properties and therefore partly mitigate the risk of building failure. This will also relieve some pressure on the available maintenance funding.

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27 October 2008



Note: This chart plots the difference investment has made to date (Backlog with Investment) against not having invested £33.91m in Planned Maintenance Backlog reduction (Backlog with NO Investment)

Year	Investment £'m			Calculated cost of Nett Maintenance Backlog with NO Investment £'m	Backlog with Investment
	Planned Preventative Maintenance	Reactive Maintenance - Day to Day Including Service Contracts	Total		
2002/03	5.58	2.80	8.38	128.57	128.57
2003/04	8.05	3.28	11.33	135.90	135.89
2004/05	3.27	3.40	6.67	140.38	137.85
2005/06	4.02	3.24	7.26	150.49	140.38
2006/07	5.3	3.20	8.5	153.80	128.96
2007/08	7.69	3.85	11.54	157.49	131.87
Totals	33.91	19.77	53.68		

NOTE: 2008/09 figures have not been included as the Planned Work Programme has not been completed to date

DCSF Guidelines (Source: Section 3 Condition Assessment document)

Condition grading

Grade A – Good, performing as intended and operating efficiently

Grade B – Satisfactory, performing as intended but exhibiting minor deterioration

Grade C – Poor, exhibiting major defects and/or not operating as intended

Grade D – Bad, life expired and/or serious risk of imminent failure

Priority grading

Priority 1 – Urgent work that will prevent the immediate closure of premises and/or address an immediate high risk to the health and safety of occupants and/or remedy a serious breach of legislation

Priority 2 – Essential work required within two years that will prevent serious deterioration of the fabric or services and/or address a medium risk to the health and safety of the occupants and/or remedy a less serious breach of legislation

Priority 3 – Advisable / Desirable work required within three to five years that will prevent deterioration of the fabric or services and/or address a low risk to the health and safety of the occupants and/or remedy a minor breach of legislation

Priority 4 – Long term work required outside the five year planning period that will prevent deterioration of the fabric or services

WCC Examples of Specific Condition D, Priority 2 Items

(Quoted direct from condition survey reports.)

Example 1 – Original flat felt roof to single storey section, bad condition

3090 Bilton School, A Maths & Computing College

Block 1

Renew including insulation to rooms 390 - 1100

Example 2 – Heating boilers, past extent of working life

5079 Champion School & Community College

Block 1

Tasso boilers to room 210, past extent of working life, replace

Example 3 – Electrical Wiring, aged

4173 Southam College

Block 4

Control, power and lighting – fittings & wiring aged, replace

WCC Property Portfolio with Condition Surveys*

Group	Property Type	No. of Properties	Total Floor Area m2
Schools	Community Schools	199	490,300
	Voluntary Aided Schools	51	101,300
	Foundation Schools	15	62,800
	Vacant Schools	4	9,800
	Total Schools	269	664,200
Non Schools	Business Units	10	14,400
	Centres – Community, Education, Social	35	22,400
	Country Parks	6	1,600
	Fire Stations	23	13,950
	Travellers Caravan Site	1	12,400
	Homes for Elderly People	10	14,500
	Highways Depots	8	8,800
	Houses – Fireman, Caretaker, Group Homes	35	5,300
	Libraries	28	17,850
	Museums	2	2,200
	Swimming Pools	1	500
	Vacant Property	3	900
	Waste Facilities	6	1,600
	WCC Offices	68	73,000
	Youth Centres/Offices	25	10,000
	Total Non Schools	261	199,400
	Smallholdings	Farms/Cottages	69
Total Farms/Cottages		69	95,650
	Grand Totals	599	959,250

* The above list confirms the numbers of properties in the WCC portfolio for which a condition survey has currently been carried out.