10. CAPITAL EXPENDITURE ON CORPORATE ASSETS (ES)

1. Purpose of the report

Approval is sought for required capital expenditure on a number of the Authority's property assets in 2022/23.

Timing of this decision is important because the allocation of capital expenditure will dictate the core of the work schedule for the Corporate Property Team in the financial year 2022/23 and planning will need to commence imminently in order to complete a challenging workload.

The identified works are considered to be a priority for one or more of the following reasons:
- Fulfilment of the Authority's responsibilities as a landlord;
- compliance with regulatory changes;
- replacement of assets that have reached the end of their life.

Resources are requested from the Authority's Capital Fund in accordance with Working Assumption 2 of the Capital Strategy 2015-2019,

"That the capital fund be used for investments which are strategically important but do not have the prospect of an economic return, or where the return is not sufficient to cover the cost of borrowing, subject to consideration of the extent to which external funding or donations can reduce the net investment cost."

Delegation of authority to approve the proposed capital expenditure to Corporate Property Team officers, in consultation with the Head of Finance and Head of Asset Management, is also requested.

Key Issues

- Capital expenditure in excess of £150,000 requires authority of the relevant committee (S.O. Part C,C3,(c)). The proposed expenditure on the above categories totals £807,620, based on budget estimates and including a reasonable contingency allowance

- The proposed capital works are considered to be urgent and therefore require action in advance of the renewal of the Authority's Capital Strategy and Programme.

2. Recommendations(s)

1. **Members allocate £807,620 from the Authority's capital fund to meet the needs of its asset portfolio, as set out in Appendix 1 of this report**

2. **Members delegate authority to award contracts associated with the proposed capital expenditure to the Corporate Property Team Manager, in consultation with the Head of Finance and Head of Asset Management**

How does this contribute to our policies and legal obligations?

3. A sub-outcome of the Corporate Strategy 2019-2024 is "Our well-maintained assets support the delivery of our landscape, audience and community outcomes" with KPI23 requiring the Authority to have (and therefore implement) a corporate Asset Management Plan.

4. The Corporate Property Asset Management Plan 2020-2024 (Section 6) established the required standard for the Authority's assets as being "satisfactory", according to the findings of individual condition surveys, and identified a requirement for capital expenditure of £1.3m between 2020 and 2024. Following investment in the highest priority sites to bring them up to the required satisfactory standard, the capital expenditure outlined above is now required to address the remaining items at all other sites. It is recognised that due to the time that has elapsed since the original condition surveys and further deterioration/increases in costs over this timescale, the original costings are now likely to be inaccurate and therefore a sum of £600,000 is requested to address the highest priority capital works.

5. The Authority as landlord of residential properties is required to achieve a minimum energy efficiency standard (MEES Regulations). Capital expenditure is required to achieve this standard and is identified in the proposal. See Appendix 2 for more detail.

6. The Authority is required to comply with water regulations in relation to its own septic systems. The proposal includes the updating of several inadequate septic systems.

Background Information

7. Building condition surveys assess the general condition of a building and specifically 'defects' associated with the building fabric or systems. Recommendations are then made as to the most appropriate way to address the defect so as to prevent further deterioration of the building fabric and a budget cost allocated. Each defect has been ranked according to its severity and priority (i.e. the timescales within which it should be addressed). This has allowed a list of defects to be drawn up which need to be addressed in order to achieve an overall satisfactory condition. A summary of expenditure by property is included as Appendix 1

Proposals

8. It is proposed that the required sum is allocated from the Authority's capital fund.

9. Proposed expenditure falls into the following categories:

- Expenditure on residential properties to meet the minimum requirements of the Domestic Minimum Energy Efficiency Standard (MEES) Regulations (see Appendix 2) or achieve significant reductions in carbon emissions
- Further work identified in 2017 condition survey of all properties to achieve "satisfactory" condition, as established in the Corporate Property Asset Management Plan 2020
- Replacement of outdated heating systems at Castleton and Bakewell Visitor Centres (end of life replacements
- Replacement to 2no septic systems on Warslow Moors Estate to comply with current regulations
- Replacement of sewage system serving Tissington/High Peak Trails at Parsley Hay where the existing system is inadequate for demand
- Rock scaling work to cuttings in order to reduce public safety risk.

10. Delegation of authority to approve the proposed capital expenditure to Corporate Property Team officers, in consultation with the Head of Finance and Head of Asset Management, is also requested in order to complete the identified work in the most efficient manner.

Are there any corporate implications members should be concerned about?

Financial:

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11. The Authority currently has unallocated capital reserves of £963,000 and allocated capital reserves of £655,000.

12. The Corporate Property Asset Management Plan Action Plan identifies a number of properties that are under consideration for disposal. None of the capital expenditure identified above will be apportioned to those properties, unless required by regulation or as part of the Authority's obligations as landlord/lessee

13. A number of potential projects and items of revenue expenditure have been identified in relation to the Authority's asset portfolio. This report is concerned with expenditure required from the capital fund only and not the revenue budgets or capital borrowing aspirations of individual services

Risk Management:

14. The following risks have been identified, should this proposal be rejected:

- Increased future capital costs to achieve satisfactory condition as assets deteriorate further. It is difficult to attribute an accurate figure to the potential increase in costs.
- Reputational damage as heritage assets are allowed to deteriorate under the stewardship of the PDNPA. Financial value difficult to define but likely to have an impact on ability to access funding from heritage charities/grant programmes.
- Reputational damage as a landlord providing accommodation and visitor facilities that do not achieve a satisfactory standard. Financial value cannot be quantified but there is potential for financial remediation and loss of commercial income.
- Reputational damage with partners due to failure to comply with lease terms regarding maintenance. Potential loss of income from utility company partners.
- Penalties for non-compliance with MEES Regulations (up to a maximum of £150,000)
- Penalties for non-compliance with water regulations in relation to septic systems

15. The key risks of this proposal are as follows:

- That costs are significantly different to the budget costs recognised within the surveys. It should be recognised that the costs against which this proposal is based are budget costs and that significantly more work is required before they can be verified. In addition, there have been significant price fluctuations within the construction sector over the last two years and since the condition survey costing were produced. Due to the nature of the works, it is not viable at this stage to develop any more robust costings. This has been mitigated in part by adding a 15% contingency to each item and any greater deviation will be reported to the Head of Asset Management and Head of Finance before a way forward is agreed

- That works prove to be significantly greater than anticipated. If any significant further works are required the programme my need to be adjusted in other areas to remain within budget.

- That insufficient capacity will exist within the Corporate Property Team to implement the remedial works. Progress of the works will be monitored and managed within the Team. A work programme will be agreed and any deviation reported via line management.

Sustainability:

16. Wherever possible, environmentally sustainable solutions will be incorporated into the proposed works

17. The proposal recognises that renewable energy solutions are not always the most cost-effective option and therefore identifies the requirement for capital funding to achieve reductions in carbon emissions.

18. Much of the proposed expenditure is required to address a backlog of work. By addressing the identified defects the property portfolio will be placed on a more financially-sustainable footing for the future.

Equality:

19. There are no HR implications associated with this proposal.

20. There are no identifiable negative implications for the 9 protected characteristics identified by the Equality Act 2010. There may be some positive impact for the Authority's tenants and visitors but it is not possible to quantify this.

21. Climate Change

1. How does this decision contribute to the Authority's role in climate change set out in the UK Government Vision and Circular for National Parks?

   a. Educators in climate change

   b. Exemplars of sustainability

   c. Protecting the National Park

   d. Leading the way in sustainable land management

   e. Exemplars in renewable energy
   Renewable technology will be incorporated wherever possible in the proposed works.

   f. Working with communities

2. How does this decision contribute to the Authority meeting its carbon net zero target?

   Carbon reductions will be achieved but have not yet been calculated as the proposals are at an early stage of development and the final building works schedules would be required to calculate this accurately.

3. How does this decision contribute to the National Park meeting carbon net zero by 2050?

   As in point 2 above, the reduction cannot be calculated accurately at this stage.

4. Are there any other Climate Change related issues that are relevant to this decision that should be brought to the attention of Members? None identified.

22. Background papers (not previously published)

None

23. Appendices

Appendix 1 - Breakdown of costs by asset group

Appendix 2 - Summary of Minimum Energy Efficiency Standard Regulations

Report Author, Job Title and Publication Date

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