

## Corporate Non-Housing Property Portfolio Improvement Works: Year 1 Delivery Plan

23 April 2013

### Report of Head of Resources

PURPOSE OF REPORT			
Following Council approval of the Budget, which includes provisions to address the investment needs identified through the 5 year condition survey to the Council's corporate property portfolio, a draft year one delivery plan has now been formulated for Cabinet's approval. This prioritises those properties in need of urgent works or in poor condition, drawing on short or expected longer term operational needs and the corporate property review that is now underway.			
Key Decision	<input checked="" type="checkbox"/>	Non-Key Decision	Referral from Cabinet Member
Date Included in Forward Plan	22 March 2013.		
This report is public.			

#### OFFICER RECOMMENDATIONS:

- (1) That Cabinet approves the schedule of capital works set out in Table 1, for progression during this year on the basis as set out in the report.

#### 1 Introduction and Background

- 1.1 The need to improve the condition of the Council's non-housing property portfolio, whilst also rationalising such holdings, was reflected strongly in the Budget recently approved by Council and as proposed by Cabinet. In particular:

- £10.637M is now included in the 5-year capital programme, of which £2.402M is scheduled in 2013/14. Progression of schemes against this budget is subject to this Cabinet report.
- An estimated £340K is held in the Municipal Buildings Reserve, to provide financing for surveys and repair works to property, over and above annual maintenance budgets. In particular, this covers works identified through the condition surveys, but that cannot reasonably be capitalised and are not otherwise budgeted for. Use of this Reserve is delegated to the Head of Resources, subsequent to Cabinet's consideration of this report.

- 1.2 Accordingly, this report sets out a proposed schedule of capital schemes to be

undertaken in this year for approval, together with outline information on other works that are expected to be treated as revenue. Flexibility is required within the overall budget provisions available, however. This is because many of the costings are based on 'provisional sums' and given the nature of works involved, it is only when more detailed design, surveys and works get underway that the full extent of investment need may become apparent. This is inherent in managing a property portfolio such as the Council's.

- 1.3 Furthermore, as part of the collaborative working with Lancashire County Council, a joint property review is progressing, to examine the condition suitability and sufficiency of the joint portfolio. The proposed improvement works would be undertaken in parallel with this review, which aims to identify options to optimise the utilisation of existing buildings, rationalise the portfolio and reduce the current financial burden of property upon both authorities.
- 1.4 Accordingly, any works proposed to be undertaken as part of the 1<sup>st</sup> year delivery plan have been considered alongside the property review's objectives and information currently available. Clearly it is early days in terms of the review – it being really only at the information gathering stage. Nonetheless, the position will be continuously monitored as the review progresses, to avoid investment in property that may have a limited operational service life expectancy, and/or that may not represent value for money.
- 1.5 To this end a number of properties with Category D requirements ("Replacement Needed") have been excluded from the proposed 1<sup>st</sup> year delivery plan, pending the final recommendations of the property review and other operational considerations, or any changes in the properties' condition that warrants an alternative course of action being taken. These measures are outlined later in this report.

## **2 Proposed 1<sup>st</sup> Year Capital Programme**

- 2.1 The 2012 condition survey covered 138 properties and monuments with a gross internal floor area (GIA) of 66,514 square metres, concentrating on those building elements at greatest risk or most likely to fail. The objectives of the survey were to give an overview of building condition and to provide estimated costs of remedial work. The condition survey also indicated where further specialist surveys and design works may be needed, and these may reveal further cost implications in the future. Where possible, cost estimates were included within the survey results but where this was not possible, provisional sums were included.
- 2.2 In developing the proposed programme for this first year, the primary focus has been prioritisation of properties, to prevent serious building failure by targeting properties requiring urgent attention and/or in poor condition, whilst helping to ensure value for money. The proposed delivery plan would ensure those building elements at greatest risk or most likely to fail would be addressed.
- 2.3 The table overleaf summarises the property works that have been prioritised for completion in the 1<sup>st</sup> year (2013/14). This includes some lower priority C ("Poor Condition") related works that have been identified for inclusion in the first year programme because it makes financial sense to undertake them at the same time as the priority D works. For example, where both C and D works are required to a roof it is beneficial financially to undertake them at the same time to reduce the cost of scaffolding. Overall, however, the proposed schedule represents predominately category D works.

**Table One: 1<sup>st</sup> Year (2013/14) Delivery Plan – Capital Schemes**

<b>Property</b>	<b>General Work Type</b>	<b>D &amp; C Capital Works – Indicative Year 1 Costs £'000</b>
Mitre House Car Park	Structural & building works	60
Assembly Rooms	Structural & building works	158
The Storey	Roof & building works	233
Ryelands Park – Buildings	Roof & building works	45
Lancaster Cemetery - East Chapel	Structural & roof works	90
Lancaster Town Hall – External Structures	Walls, gates & railings	80
Former Old Station Building - The Platform	Heating & air conditioning system	318
Morecambe Town Hall	Re-decoration & garage works	53
City Museum	Mechanical services & building	258
Maritime Museum	Roof & building works	253
White Lund Depot:	Electrical & building works	
Offices		49
Toilet Block		55
Various Stores and other Operational Bldgs		127
Williamson Park:	Structural & building works	
Ashton Memorial		240
Butterfly House		142
Café/Shop		31
Walls and Shelters and Toilet Block		60
The Dukes	Roof & building works	33
26 St Georges Quay	Roof & building works	38
Palatine Recreation Ground - Veterans Club	Structural & building works	26
Salt Ayre Sports Centre	Internal building works	21
<b>Proposed Capital Works: Indicative Total</b>		<b>2,370</b>
<b>Capital Programme Provision</b>		<b>2,402</b>
<b>Balance – Currently Unallocated</b>		<b>32</b>

- 2.4 The identified works to The Storey would be completed subject to Cabinet's future decisions regarding the business plan for the building. Given timescales, this would not result in any real delay. Similarly works to the City Museum would be undertaken in context of the final outcome of the Museums Partnership Review.
- 2.5 More generally, the exact nature of works undertaken and their timing would be informed as far as possible by service operations and planned changes, as well as professional judgement.
- 2.6 It can be seen from the table that in total, the indicative value of works identified is £2.37M, leaving only around £32K unallocated. In progressing the proposed programme, however, Officers would allocate up to the full £2.402M, should additional

costs and works be identified as the programme progresses. Officers would also seek to reallocate funding across the list of schemes shown, as circumstances warrant it. Any changes would be reported retrospectively, as part of monitoring.

- 2.7 This flexibility is needed because the costs shown are indicative: All of the identified works have been estimated based on unobtrusive condition surveys and the levels of work required at each property could increase or decrease as detailed specification work for the procurement process progresses.
- 2.8 If major additional cost pressures are identified, this could mean either that some building works must be delayed until next year, or additional financing is brought forward from 2014/15. Such scenarios would be identified in future reports to Cabinet however, and appropriate Member approval would be sought.

### 3 Revenue Works: Use of Reserves

- 3.1 In further analysing the remedial works identified through the conditions survey, it is clear that some would fall as revenue. Approximately £120K of such repairs have been identified, covering over 30 properties and summarised as follows. Generally they relate to roof repairs and other external building works.

<b>Table Two: Planned Maintenance Delivery Plan - Revenue Costs</b>	
<b>Property</b>	<b>Total Indicative Repairs £'000</b>
Commercial and other Tenanted Properties	44
Public Toilets	23
Cemetery Chapels	6
Festival Market	7
Depots and Municipal Offices	21
Other Operational Buildings (Clock Tower, Public Shelters, etc)	19
<b>Total Indicative Revenue Costs</b>	<b>120</b>

- 3.2 In consultation with relevant services, the repairs will be undertaken during the course of this year, with the Municipal Buildings Reserve being used to finance them.
- 3.3 As with the proposed capital works, the costs shown above are also indicative and they could change either way, as detailed specification work for the procurement process progresses. Again they will be covered in future monitoring reports.

#### 4 Property Portfolio Review: Deferred Works

- 4.1 Taking account of the joint property review mentioned earlier, a number of buildings have not been prioritised within the proposed 1<sup>st</sup> year delivery plan for 2013/14. For example, St Leonard's House is not included as the future use of this under-utilised building is considered to be unclear. There is, therefore, a very real risk that undertaking the £1.5M estimated value of works would result in very poor value for money for council tax payers as a whole. To manage this, the property review will explore alternative viable options and uses for the building, which make the most of this asset.
- 4.2 Similarly, other property works are not proposed to be taken forward as a priority at this time, for a number of reasons and these are summarised in Table 3 below. The total value of such works is £1.97m, the vast bulk of which relates to St. Leonard's House. Table three below gives a summary of such buildings and the reasons for their exclusion at this time.

<b>Table Three – Buildings not covered by Proposed 1<sup>st</sup> Year Delivery Plan (Property Review)</b>	
<b>Commercial and other Tenanted / Vacant Properties: Reasons for Removal</b>	<b>Indicative Category D Works £'000</b>
Council to be no longer responsible for repairs	212
Alternative viable options and uses to be explored for the buildings	1,502
Future disposal planned.	108
Further investigations required before any inclusion in improvement programme.	31
<b>Operational Buildings</b>	
Works to be met by other budgets.	29
Further investigations required before any inclusion in improvement programme (Cemetery chapels and public toilets).	85
<b>Total</b>	<b>1,967</b>

- 4.3 There are still risks in this approach, in that if the likelihood of building failure increases, and the condition of a building becomes one that could threaten its structural integrity or pose a health and safety risk, then urgent action and decisions would be need to be taken. This must still be recognised, although in reality it is a situation that has existed for some time now – it is not a new position to be in. The condition of relevant buildings will continue to be monitored, with action being taken and reports to Members

being produced as appropriate.

## 5 Summary of Planned Investment

5.1 For completeness, the summary of the approved capital programme provisions is shown below, analysed over the nature of works required. This will continue to be updated as the delivery plan progresses.

**Table Four: 5 year Capital Requirement by Element**

<b>Building Elements</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>Grand Total</b>
	£000's	£000's	£000's	£000's	£000's	£000's
<b>External Walls, Doors &amp; Windows</b>	716	563	563	506	1	<b>2,349</b>
<b>Mechanical Services</b>	211	424	424	181	-	<b>1,240</b>
<b>Internal Walls &amp; Doors</b>	199	229	229	492	7	<b>1,156</b>
<b>External Areas</b>	475	196	196	289	0.5	<b>1,156</b>
<b>Roof</b>	331	260	260	303	1	<b>1,155</b>
<b>Floors &amp; Stairs</b>	139	264	264	435	9	<b>1,111</b>
<b>Electrical Services</b>	70	344	344	80	0.5	<b>838</b>
<b>Ceilings</b>	68	180	180	264	4	<b>695</b>
<b>Redecorations</b>	163	192	192	104	5	<b>655</b>
<b>Sanitary Services</b>	18	23	23	171	7	<b>242</b>
<b>Fixed Furniture &amp; Fittings</b>	11	7	7	15	-	<b>41</b>
<b>Grand Total</b>	<b>2,402</b>	<b>2,681</b>	<b>2,681</b>	<b>2,839</b>	<b>34</b>	<b>10,637</b>

## 6 Delivery and Monitoring Arrangements

6.1 To help ensure sound project management, the specific works to each building are currently being quantified and set out in more detail, through the collaboration between Lancaster City Council and Lancashire County Council. From this Lancashire County Council will produce a working procurement/delivery programme, to establish firmer project costs and to identify when each building will be worked on throughout this year.

6.2 To this end Officers will meet on a monthly basis to examine and monitor each project and its progress. Drawing on the collaboration, Lancashire County Council Officers will act as Project Designers, Engineers, Quantity Surveyors, Building Surveyors, Health & Safety Co-ordinators with City Council Officers acting as "client" and Project Manager.

6.3 Regular liaison will continue with affected City Council services and tenants. For the larger, more disruptive projects, such liaison has been underway for some time now. This helps to avoid any operational "surprises", but ultimately the occurrence of these will be dependent on any unforeseeable/unavoidable changes needed in the scheduling of works.

6.4 Picking up on some specific aspects of the resolutions arising from January's Cabinet meeting, Property Officers are in liaison with other services, and in particular

Regeneration and Planning, regarding any external funding opportunities for corporate property / listed buildings improvement. Similarly, in terms of heritage / tourism signage, this will be taken forward with Environmental Services, and if need be it will be covered in the future planned report regarding use of the Renewals Reserve.

- 6.5 In terms of formal reporting, quarterly progress updates will be included within the corporate monitoring reports, and these will identify any use of the Municipals Reserve, any required changes to the proposals set out in Table 1, and any other exceptions or issues that have arisen during the period. These quarterly updates will also include an overview of progress on the property portfolio review.
- 6.6 A more comprehensive mid-year report is scheduled for reporting to Cabinet in November, to allow specific consideration of progress, as well as to inform the 2014/15 budget process. Should any urgent or exceptional matters arise that require decision, then these would be dealt with through the usual channels.

## 7 Details of Consultation

- 7.1 As mentioned in section 6 above.

## 8 Options and Options Analysis (including risk assessment)

	<b>Option 1:</b> To approve the capital programme as set out in table one, on the basis as outlined in the report (including monitoring and reporting arrangements).	<b>Option 2:</b> Consider taking forward an alternative 1 <sup>st</sup> Year plan and/or supporting arrangements.
Advantages	This option would halt deterioration for those buildings identified within the 1 <sup>st</sup> year delivery plan, and help prevent associated unplanned operational difficulties. Puts in place the foundations for establishing a much better planned maintenance approach and providing improved financial certainty moving forward.	No advantages identified; depends on rationale behind any alternatives put forward.
Disadvantages	The 5 year planned maintenance plan is a long term initiative and it may be a few years before the real financial benefits become apparent. Inevitably there will be some disruption to services affected, although this will be planned, rather than reactive.	Depends on any alternatives considered.
Risks	Not all category D works can be taken forward at the same time and failures could always occur in the interim, with associated risks attached. This risk exists at present, however, and by approving the plan,	May create further delays in progressing delivery plan, and associated risks attached - could leave the Council open to greater criticism or action should there be failure of any of the items where

	<p>the Council can be seen to be taking action and managing the position.</p> <p>As works would be carried out alongside the joint property review with Lancashire County Council, there will still be residual risk that works are undertaken to a building subsequently identified for closure /sale, despite the monitoring and review arrangements in place. That said, improvement works could improve sale prospects / likely capital receipts.</p>	<p>works have been identified. In addition could increase costs / inefficiencies over time.</p> <p>Ultimately, however, risks depend on the nature of any alternatives proposed.</p>
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**9 Officer Preferred Option (and comments)**

9.1 The preferred option is option 1. In line with the previous Cabinet report submitted in January 2013, this option would help ensure that the Council fulfils all its obligations in respect of maintenance and other works to buildings so that they meet the relevant health and safety standards and that the items falling into the greatest state of disrepair can be addressed.

<p><b>RELATIONSHIP TO POLICY FRAMEWORK</b></p> <p>This report seeks to ensure that the Council's property portfolio is fit for purpose in terms of supporting the Council's corporate plan and policy framework generally, recognising the financial pressures.</p>
<p><b>CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)</b></p> <p>Proposed building works would address any related statutory responsibilities.</p>
<p><b>LEGAL IMPLICATIONS</b></p> <p>There are no legal implications directly arising from this report.</p>
<p><b>FINANCIAL IMPLICATIONS</b></p> <p>As referred to in the report; the proposals are in line with the approved budget and Medium Term Financial Strategy.</p> <p>Option 1 The first year schedule focuses on urgent works however an exercise has been performed to group works (that may be a lower priority but still required) on a site by site basis. This will alleviate budgetary pressures as site preparation costs (e.g. scaffolding) would only be incurred once.</p> <p>Option 2 Revising the schedule of works is likely to delay the project, slipping works into subsequent</p>



years and increasing the likelihood of further works in addition to those highlighted in the condition survey. Delays to this project would also be expected to cause additional strain on revenue budgets associated with Repair and Maintenance.

Expenditure against the £2.4M budget will form part of a quarterly corporate monitoring report. There will also be a mid year report to cabinet members which details the progress of the schemes detailed in section 2 and the performance in relation to the budget.

**OTHER RESOURCE IMPLICATIONS**

**Human Resources:**

**There are no direct HR issues relating to this report**

**Information Services / Open Spaces: N/A**

**Property:**

As set out in the report.

**SECTION 151 OFFICER'S COMMENTS**

The s151 Officer has contributed to the production of this report, which is in her name.

**MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments to add.

**BACKGROUND PAPERS**

none

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