

# Property Group Update

Quarter 4: January –  
March 2014

**Report from: Senior Property Officer**

## Appendix B

### 1.0 Introduction and Background

This Quarter 4 report is intended to provide an update on previously reported projects and initiatives and to highlight any significant emerging property related issues. This report is not intended to provide in depth updates on all ongoing individual property cases.

### 2.0 Corporate Non-Housing Property Portfolio 1<sup>st</sup> Year Delivery Programme

As explained in previous reports, projects within the 1<sup>st</sup> year delivery programme fall into three procurement groups i.e. Minor Works (MW), Intermediate Works (IW) and Projects (P). Property Group was allocated a budget of £2.402M for financial year (2013/14) to fund the implementation of the 1<sup>st</sup> year delivery programme.

It has been reported on a number of occasions and is worthy of note again here that budget flexibility between individual projects has been essential because the costs taken from the condition survey data to build up the £10.637M budget are purely indicative having been estimated based upon non-invasive surveys. As such, the levels of work required at each property have increased or decreased as detailed specification work for the procurement process has progressed.

A summary of progress to date follows:

#### 2.1 Minor Works (MW) Project Progress

Property/Project	Total Indicative Works for Year 1	Indicative Works Brought Forward from Year 2	Total Approved Tender (AMP)
14 Buildings	£49k	£49k	£103k

Notes:

- (1) The Minor Works project has now been successfully completed and contained within the Agreed Maximum Price submitted.
- (2) This work was contained within the repair and maintenance revenue budget and therefore does not count towards the £2.402M 1<sup>st</sup> year delivery programme's capital spend.

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### 2.2 Intermediate Works (IW) Project Progress

Property/Project	Submit Design /tender	Approve Tender (AMP)	Original Indicative Works 1 <sup>st</sup> Year	Total Approved AMP & Fees	Proposed /Actual Start Date
White Lund Depot (1)	12/11/13	28/11/13	£231k	£113k	27/1/14
Lancaster Cemetery Chapels (2)	12/11/13	24/12/13	£80k	£175k	27/1/14
Lancaster Town Hall Railings (3)	23/09/13	30/09/13	£50k	£47k	02/10/13
Lancaster Town Hall Paving (4)	23/09/13	30/09/13	£30k	£28k	07/10/13
Morecambe Town Hall (5)	-	-	-	-	-
The Dukes Playhouse (6)	-	-	-	-	-
Williamson Park (Intermediate) (7)	12/11/13	27/11/13	£90k	£80k	02/12/13
Assembly Rooms (8)	14/11/13	28/11/13	£158k	£100k	9/12/13
Storey Building (9)	26/11/13	24/12/13	£233k	£323k	3/2/14
Maritime Museum (10)	25/04/14	TBA	£253k	TBA	TBA
Morecambe Intermediate General Projects; Morecambe Town Hall & Garages (60 Euston Road, Regent Road PC) Salt Ayre Sports Centre (11)	25/04/14	TBA	£100K	TBA	TBA
Lancaster Intermediate General Projects; Bridge End Depot, Ryelands Changing Rooms, Old mans Rest, Cottage Museum, King George Playing Fields. (12)	25/04/14	TBA	£60K	TBA	TBA
Intermediate Demolition Projects (Ryelands Park Pavilion, Palatine Recreation Ground. (13)	25/04/14	TBA	£50K	TBA	TBA
<b>Totals</b>			<b>£1.335M</b>	<b>£866K</b>	

#### Notes:

- (1) The work is now 50% complete.
- (2) The work is now 60% complete
- (3) Complete apart from entrance lamps programmed to be fitted 25.04.2014.
- (4) The work is now 100% complete.
- (5) AMP to be included within the Morecambe Intermediate Projects below
- (6) Project on hold as Dukes Theatre bidding for development funding.
- (7) The work is now 95% complete, additional rebuild walls works.
- (8) The work is now 100% complete Final Account stage.
- (9) Works progressing on site 30% complete.
- (10) Project has been held up due to installation of new lift.
- (11) Projects merged to gain savings AMP's to be submitted 25.4.2014
- (12) Projects merged to gain savings AMP's to be submitted 25.4.2014
- (13) AMP's to be submitted 25.4.2014

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Property/Project	Submit Design /Tender	Approve Tender (AMP)	Total Indicative Works 1 <sup>st</sup> Year	Total Approved Tender (AMP)	Proposed Start Date
Williamson Park (1)	25/04/14	TBA	£383k	TBA	TBA
The Platform (2)	06/12/13	24/12/13	£318k	£413K	03/03/14
City Museum (3)	25/04/14	TBA	£258k	TBA	TBA
Salt Ayre Sports Centre (4)	-	-	-	-	-
Mitre House Car Park (5)	05/06/13	08/08/13	£60k	£115k	30/09/13
Banqueting Suite Ceilings (6)	25/04/14	TBA	TBA	TBA	TBA
			<b>£1.019M</b>	<b>£528K</b>	

Notes:

- (1) Project delayed approval of specification Lancaster Stone paving.
- (2) The work is now 20% complete.
- (3) Project quantified now on hold due to lottery bid to improve museum facilities.
- (4) Included within Morecambe Intermediate Generals Project
- (5) The work is now 100% complete – Final Account Stage
- (6) AMP currently being finalised.

### 2.4 Overall Position

Currently, indicative programmes and spend profiles suggest expected capital spend in the 2013/14 financial year will be circa £700K plus £103K revenue spend on the minor works projects equating to £803K. Therefore, at this stage potential slippage of capital spend into year 2 against the approved £2.402M is estimated to be in the region of £1.702M.

This is obviously some way from where we had hoped to be at this stage but as mentioned above this is largely attributable to our decision to tackle all of the essential and urgent repairs in the first year. The first year of any new working relationship will inevitably throw up unforeseen issues and challenges. Furthermore, the need to deal with numerous projects across numerous sites and buildings has required a great deal of planning and preparatory work prior to the commencement of any physical work on site.

This has been a challenging first year but real progress has been made and all the outstanding urgent works will be rectified over the coming months. Having completed the urgent repairs we can then plan for year 2 by focussing on individual buildings rather than spreading our available resources too thinly over numerous sites.

Once Capital works have been completed on a particular building it will then be transferred to the growing planned maintenance programme. The plan for the next 4 years is to complete the required work on all council buildings, facilitating the move

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from the current emphasis on an expensive reactive approach, to a more financially sustainable planned maintenance ethos.

Finally, it should be noted that the County Council's current framework arrangement with Keepmoat comes to an end later this calendar year. The current arrangement is flexible enough to allow Keepmoat to complete the works agreed for the Year 1 delivery programme but the end of this agreement will also provide an opportunity for review and to look at how best to procure the Year 2 delivery programme. Options open to us include:

1. Continuing on the same basis with Keepmoat.
2. Entering into a new partnering arrangement with the County Council's next successful partnering contractor; or
3. Depending on what form the Year 2 delivery programme takes, a traditional tendering approach on a building by building basis may also become a viable option.

### 3.0 Capital Receipts

There have been no further property related capital receipts since quarter 3.

### 4.0 Performance of Commercial Buildings

As can be seen from the table below there have only been minor changes to the occupation of the commercial property portfolio since the Quarter 2 update.

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Number of Properties	62	61	61	61
Occupation by Floor Area				
• Total Let (m2)	18,022	17,749	17,917	18,053
• Total Vacant (m2)	3,961	3,962	3,794	3,658
• Total Area (m2)	21,983	21,711	21,711	21,711
Income				
• Rent (£)	-955,350	-931,750	-931,750	-931,750
• Service Charge (£)	-302,750	-302,750	-302,750	-302,750
• Total Income (£)	-1,258,100	-1,234,500	-1,234,500	-1,234,500
Running Costs (£)	793,500	782,700	782,700	782,700
Annual Balance (£)	-464,600	-451,800	-451,800	-451,800
Condition Survey (£)	5,004,498	5,004,498	5,004,498	5,004,498

The current occupation across the City Council's total commercial property portfolio has benefitted from a slight improvement during the last quarter although the percentage let figure of 83% reported in Quarter 3 remains the same. The remaining 17% of vacant space now amounts to the equivalent of 3658m2, the majority of which is attributable to:

- The Storey, which returned to City Council control in October 2012, currently has 51.5% of its commercial office space occupied and is therefore 48.5% vacant which equates to a vacant floor area of 698m2. However, this does represent an improvement of 10m2 over quarter 3.
- St. Leonard's House currently has 1862m2 of vacant space which is expected

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to start rising following cabinet approval to vacate the building. Officers have now served notice on the existing tenants with the intent of clearing the building to allow progress on our plans to develop the building as student and young worker accommodation with our strategic partners. As vacant possession is gained, vacant space will clearly increase, but in due course the building will cease to be classified as a commercial property.

- The vacancy rate at Citylab is currently running at 24% (or 318m<sup>2</sup>). This represents a slight improvement over the 326m<sup>2</sup> of vacant accommodation reported in the Quarter 3 update.

Despite some progress at the Storey and Citylab the 3 buildings above still account for 79% of the total vacant commercial portfolio. As mentioned above, the recent developments at St. Leonard's House mean that the vacancy rates for this building will continue to increase although it is envisaged that the building will be completely vacated during the next 6 months or so and it can then be removed from these statistics (as it will no longer be a commercial building), which will make a dramatic improvement to the figures. The remaining 22% is made up of a small number of buildings that are currently between lets or to be sold. In general terms, while Property Group will continue in its efforts to minimise vacancy rates, it should be remembered that supply is currently outstripping demand in the commercial office rental market.