

# CABINET

## Corporate Non-Housing Property Portfolio Improvement Works: Year 2 Delivery Plan

29<sup>th</sup> July 2014

### Report of Chief Officer (Resources)

PURPOSE OF REPORT			
As the Council moves into the second year of the Corporate Non-Housing Property Portfolio Improvement Works, a draft year two delivery plan has now been formulated for Cabinet's approval in line with the basic programme originally supported by Cabinet (22 January 2013).			
Key Decision	X	Non-Key Decision	Referral from Cabinet Member
Forthcoming Key Decision Notice	24 <sup>th</sup> June 2014		
This report is public.			

#### RECOMMENDATIONS OF COUNCILLOR HAMILTON COX:

- (1) That Cabinet approves the schedule of capital works set out in Table 1, for progression during 2014/15 on the basis set out in the report.

#### 1 Introduction and Background

- 1.1 As a direct result of the comprehensive condition surveys undertaken by Property Group during 2012, the principles of the corporate property (non-housing) five year delivery programme were approved by Cabinet at its meeting back in January 2013.
- 1.2 The Year One Delivery Programme predominantly focussed upon the prioritisation of category D repairs or urgent works that could lead to serious building failure. Progress on this work undertaken during 2013/14 was reported on a quarterly basis by way of the Property Group Quarterly Update Reports.
- 1.3 This report sets out the proposed year two delivery programme and delivery arrangements for approval

#### 2 Year Two Delivery Programme

- 2.1 As the year one delivery programme focussed on the category D needs, the most urgent works are now dealt with or in hand, so the rationale behind development of the year two delivery programme has been to select buildings with a secure future and complete the category A – C works. The following table summarises the property works prioritised for delivery in year two (2014/15).

**Table One: Year Two (2014/15) Delivery Programme**

<b>Property</b>	<b>General Work Type</b>	<b>Indicative Costs</b>
Maritime Museum & 26 S Georges Quay	Structural & building works, (mechanical & electrical works, sanitary works).	£105K
The Storey Building Lancaster – Phase 2	Structural & building works, (floors, stairs, internal walls & doors, sanitary works).	£198K
Lancaster Williamson Park Phase 2	Structural & building works identified to external areas and buildings throughout the park, bridge over the lake, toilet blocks, shelters, dell and perimeter walls. Identified works include paving, rebuilding/re-pointing stone and brickwork, ironworks, gates fence replacement, roof works to shelters	£250K
Ashton Memorial – Internal & External Works	Structural & building works, (external doors & windows, other ceilings, electrical works).	£324K
Ashton Memorial – Paving Restoration	Structural & building works (external paving around memorial).	£260K
Ashton Memorial -Dome Ceiling Restoration(1)	Structural & building works (internal works: ceilings).	£100K
Lancaster Town Hall – Replacement Lift	Mechanical services (lift replacement & building).	£133K
Lancaster Town Hall – Electrical & Building Lancaster Town hall – Banqueting Ceilings (2)	Electrical & building works (first, ground & basement floor building works, ceiling restoration, insulation, & electrical works)	£250K £100K
Intermediate Demolition Contract	Structural demolition works to Ryelands Park Pavilion, Bubbles Toilet Block & Palatine Rec Buildings.	£58K
Salt Ayre Sports Centre	General building works to external walls and roofing, external tarmac areas to car parks, mechanical services include further investigations and design works to the heating system in conjunction	£391k

	with the recommendations and General Fund proposals of the renewable Energy Strategy submitted to Cabinet 24 <sup>th</sup> June 2014.	
<b>Year Two Proposed Works set out above: Total Indicative Costs</b>		<b>£2.169M</b>
<b>Revised budget from Year One 2013/14 carried forward to Year Two 2014/15 (The carried forward amount relates to Year One works that were identified at revised budget setting as not being achievable before 31/03/2014. The relevant budget was subsequently moved into 2014/15 and this adjustment was approved by Cabinet and Council in February 2014)</b>		<b>£1.360M</b>
<b>Add Slippage on Year One Schemes (following 2013/14 outturn) (Slippage of £400K has been requested following the 2013/14 outturn relating to Year One works which were anticipated to complete before 31/03/2014 when the revised budget was prepared but subsequently were not achieved. This report is included elsewhere on the agenda)</b>		<b>£400K</b>
<b>Total 2014/15 Approved Capital Programme</b>		<b>£3.929M</b>

#### Notes

(1) & (2) These projects were not included within the original condition surveys and therefore no financial provision was made for this work, but Officers are seeking to contain the cost within the overall delivery programme budget.

2.2 The table above shows that the indicative value of works to commence for year two is £2.169M excluding year one carry forward budget and slippage. For information, the City Museum and Williamson Park Butterfly House are currently on hold pending Heritage Lottery Fund enquiries; priority D works only were included in Year One and in part they account for the additional slippage being reported as part of the 2013/14 outturn, which is included elsewhere on the agenda.

2.3 It has been reported previously on a number of occasions and is worthy of note again here that budget flexibility between individual projects is essential. This is because the costs taken from the condition survey data to build up the original £10.637M budget (now reduced to £8.614 following the removal of St Leonards House) were purely indicative, having been estimated based upon non-invasive surveys. As such, the levels of work required for each project will increase or decrease as detailed specification work progresses. Accordingly, projects may be brought forward from year three or slipped back into year three, depending upon how the detailed specification work progresses.

### **3 Revenue Works: Use of Reserves**

3.1 This delivery programme assumes that all works can be capitalised but certain elements of large scale projects such as these may not be eligible for capitalisation. Therefore, a provision has been made to cover such revenue costs through the Municipal Buildings Reserve. If this should prove to be the case following full quantification of the works identified for year two then all such cases will be highlighted

in future quarterly update reports.

#### 4 **Property Review**

4.1 As work progresses it is necessary to monitor developments in both the ongoing joint property review of Lancaster and Lancashire property portfolios, as well as the ongoing service reviews resulting from the current austerity drive by Government and associated budget cuts. In so far as is possible any works planned for buildings that have doubts over their future use for service delivery will be placed on hold, with the exception of any high priority repairs.

4.2 There are risks inherent in this approach as the likelihood of building failure increases as the condition of a building worsens, to the extent that it could threaten structural integrity or pose health and safety risks. In such cases urgent action and decisions may need to be taken. While this point should be recognised, as mitigation it should be noted that the condition of any such buildings would continue to be monitored with appropriate action being taken as required.

#### 5 **Delivery Arrangements**

5.2 In the Property Group's Quarter 4 Update report it was raised that the County Council's new framework arrangements will become available to the City Council 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 new arrangement will also provide an opportunity for review and to look at alternative procurement routes for the Year 2 delivery programme.

#### 6 **Details of Consultation**

6.1 No consultation required.

#### 7 **Options and Options Analysis (including risk assessment)**

	<b>Option 1:</b> To approve the year two delivery programme as set out in table one	<b>Option 2:</b> Produce an alternative year two plan
Advantages	This option would halt deterioration for those buildings identified within the year two delivery plan and help prevent associated unplanned operational difficulties.  Puts in place the foundations for establishing a planned maintenance approach to provide improved financial certainty moving forward.	No advantages identified; depends on rationale behind any alternatives put forward.
Disadvantages	The 5 year planned refurbishment/maintenance programme is a long term initiative and it will be a few years before the real financial benefits became	The time taken to develop an alternative programme would delay overall progress.

	<p>apparent.</p> <p>Inevitably there will be some disruption to services affected although this will be planned rather than reactive.</p>	
Risks	<p>Not all high priority 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, 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 and various service reviews there is some residual risk that works will be carried out at 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>May create delays in progressing the delivery programme and associated risks attached - could leave the Council open to greater criticism or action should there be failure of any of the items where works have been identified. In addition could increase costs / inefficiencies over time.</p> <p>Ultimately any risk will depend on the nature of any alternatives proposed.</p>

## 8 Officer Preferred Option (and comments)

- 8.1 The preferred option is option 1. In line with the previous Cabinet reports, this option would help ensure that the Council fulfils 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.

### **RELATIONSHIP TO POLICY FRAMEWORK**

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.

### **CONCLUSION OF IMPACT ASSESSMENT**

**(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)**

Proposed building works would address any related statutory responsibilities.

### **LEGAL IMPLICATIONS**

There are no legal implications directly arising from this report.

**FINANCIAL IMPLICATIONS**

The purpose of this report is to agree the year 2 programme using the original condition survey as a cost basis. With this in mind the implication of prioritising buildings means that budgets may be reduced in relation to those scheduled for 2015/16 onwards if buildings continue to deteriorate since the date of the survey and the cost of labour and materials inflate over time.

The proposed year 2 programme total cost matches the revised 14/15 capital budget reported in February 2014 so this decision has no impact on capital budgets or cash flow.

**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 this report, which is in her name (as Chief Officer (Resources)).

**MONITORING OFFICER'S COMMENTS**

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

**BACKGROUND PAPERS**

None.

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