

Property Group Update

2014/15 Quarter 1:
April – June

Report from: Senior Property Officer

1.0 Introduction and Background

This Quarter 1 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 1st Year Delivery Programme

As explained in previous reports, projects within the 1st year delivery programme fell into three procurement groups i.e. Minor Works (MW), Intermediate Works (IW) and Projects (P). The actual capital outturn in 1st year (2013/14) was £818K plus £103K revenue spend on the minor works projects.

The 2nd year programme was approved by Cabinet at its last meeting on 29 July. Allowing for all carry forwards and slippage, the approved 2014/15 Capital Programme now stands at £3.929M.

During this transition period into 2nd year delivery, the focus is on planning and the presentation of progress reporting is being updated to allow for this.

For now though, the presentation follows that reported previously. Given slippage, it follows that many 1st year planned schemes will also feature in year 2.

Budget flexibility between individual projects continues to apply, 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 will increase or decrease as detailed specification work for the procurement process progresses. The possibility exists that unit costs will increase due to inflationary pressures and identified works increasing, if certain building components have deteriorated further.

The 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 1st year delivery programme's capital spend.

2.2 Intermediate Works (IW) Project Progress

Property/Project	Submit Design /tender	Approve Tender (AMP)	Original Indicative Works 1 st 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	12/05/14	£253K	£328K	7/7/14
Morecambe Intermediate General Projects; Morecambe Town Hall & Garages (60 Euston Road, Regent Road PC) Salt Ayre Sports Centre (11)	25/04/14	19/05/14	£100K	£112K	7/7/14
Lancaster Intermediate General Projects; Bridge End Depot, Ryelands Changing Rooms, Old Man's Rest, Cottage Museum, King George Playing Fields. (12)	29/08/14	TBA	£60K	TBA	TBA
Intermediate Demolition Projects (Ryelands Park Pavilion, Palatine Recreation Ground. (13)	29/08/14	TBA	£50K	TBA	TBA
Totals			£1.335M	£1.306M	

Notes:

- (1) The work is now 80% complete.
- (2) The work is now 100% complete and at Final Account Stage
- (3) Complete apart from entrance lamps programmed to be fitted 29.08.2014.
- (4) The work is now 100% complete.
- (5) Included within the Morecambe Intermediate Projects below
- (6) Project on hold as Dukes Theatre look to bid for development funding.
- (7) The work is now 100% complete, additional work to rebuild boundary walls.
- (8) The work is now 100% complete.
- (9) The work is now 90% complete, additional work to rebuild garden walls.
- (10) The work is now 40% complete, additional work to backup power generator.
- (11) The work is now 40% complete.
- (12) Projects merged to gain savings with AMP's to be submitted 29.9.2014
- (13) AMP's to be submitted 29.9.2014

2.3 Projects (P) Progress

Property/Project	Submit Design /Tender	Approve Tender (AMP)	Total Indicative Works 1 st 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
			£1.019M	£528K	

Notes:

- (1) Project delayed due to approval of specification for Lancaster stone paving. AMP to be submitted 29.9.2014.
- (2) The work is now 90% complete, additional works to install new fall and arrest system, maintenance of staircase to flat roof and fire compartmentalisation works to ground floor.
- (3) To complete category D (urgent/essential) works only AMP to be submitted 29.9.14.
- (4) Included within Morecambe Intermediate General Project.
- (5) The work is now 100% complete, additional work to lay new sub-base to ramp and car park.
- (6) AMP to be submitted 29.9.2014.

2.4 Other Comments

Once capital works have been completed on a particular building they will then be transferred to the growing planned maintenance programme. The plan for the next 4 years is to complete the required work on the property portfolio, facilitating the move from the current emphasis on an expensive reactive approach, to a more financially sustainable planned maintenance ethos.

3.0 Capital Receipts

There have been no further property related capital receipts received since the 2013/14 Quarter 4 update. Arrangements are in hand to report back on land off Bailrigg Lane (minute 108, Cabinet April 2014), land off Wyresdale Road (minute 12, Cabinet May 2014) and the former Shell/ICI site, once sufficient information is available.

4.0 Performance of Commercial Buildings

As can be seen from the table below there have been some significant changes in the commercial property portfolio since the 2013/14 Quarter 4 update.

	2013/14 Quarter 4	2014/15 Quarter 1
Number of Properties	61	60
Occupation by Floor Area		
• Total Let (m2)	18,053	17,043
• Total Vacant (m2)	3,658	1,639
• Total Area (m2)	21,711	18,682
Income/Outgoings		
• Rent (£)	-£931,750	-£886,950
• Service Charge (£)	-£302,750	-£302,750
• Total Income (£)	-£1,234,500	-£1,189,700
Running Costs (£)	£782,700	£634,800
Annual Balance (£)	-£451,800	-£554,900
Condition Survey (£)	£5,004,498	£2,774,349

The main reason for the changes is that St. Leonard's House has now been removed from the list of commercial property as it is being run down for closure later this year and is skewing the figures unnecessarily at this point. This accounts for the reduction in the number of properties from 61 to 60. The removal of St. Leonard's House along with some other minor gains in current occupation across the City Council's total commercial property portfolio has resulted in the percentage let figure increasing from the 83% reported in 2013/14 Quarter 4 to 91% in the current quarter. The remaining 9% of vacant space now amounts to the equivalent of 1639m², the majority of which is attributable to 2 buildings:

1. **The Storey:** The total commercial occupation within this building is currently running at 59% which is an improvement on the figure of 51.5% reported last quarter. The remaining 41% equates to a vacant floor area of 651m² and represents a reduction in vacant floors space of 47m² over last quarter.
2. **Citylab:** The vacancy rate here is currently running at 31% (or 397m²). This represents a slight fall over the 318m² of vacant accommodation reported in the 2013/14 Quarter 4 update due to the relocation of one of the tenants.

Despite some progress at the Storey and Citylab the 2 buildings above still account for 64% of the total vacant commercial portfolio. Property Group is currently working on plans to improve this and these plans will be reported at a later date. The remaining 36% is made up of four further 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 still outstripping demand in the commercial office rental market.

The total maintenance requirement has also reduced, a large proportion of which is due to the closure of St Leonard's House but further reductions have been made as a

direct result of the Property Works 1st Year Delivery Programme discussed earlier.