

Property Group Update

2014/15 Quarter 2:
July – September

Report from: Senior Property Officer

1.0 Introduction and Background

This Quarter 2 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 Delivery Programme

As explained in previous reports, individual projects within the delivery programme fall into three procurement groups based on their value i.e. Minor Works (MW), Intermediate Works (IW) and Projects (P).

It has been reported 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 five-year budget were 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.

2.1 Year 1 Delivery Programme

Property Group was allocated a budget of £2.402M for financial year (2013/14) to fund the implementation of the 1st year delivery programme.

A summary of progress to date follows:

2.1.1 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

The Minor Works project has now been successfully completed and contained within the Agreed Maximum Price submitted. 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.

2.1.2 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	£98K	131k	TBA
Intermediate Demolition Projects (Ryelands Park Pavilion) (13)	24/11/14	TBA	£50K	TBA	TBA
Totals			£1.335M	£1.306M	

Notes:

- (1) The work is now 85% complete.
- (2) The work is now 100% complete and at Final Account Stage
- (3) The work is now 100% complete (outstanding retention & fees)
- (4) The work is now 100% complete (outstanding retention & fees)
- (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 (outstanding retention & fees)
- (8) The work is now 100% complete (outstanding retention & fees)

- (9) The work is now 95% complete, additional work to rebuild garden walls.
- (10) The work is now 50% complete, additional boiler omitted from original condition survey.
- (11) The work is now 50% complete (additional work identified MTH re-plaster walls main stairs, Euston Road new roof required, Stone Jetty external works.
- (12) Projects merged to gain savings with AMP's submitted 7.10.2014
- (13) AMP's to be submitted 24.11.2014

2.1.3 Projects (P)

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 24.11.2014.
- (2) The work is now 95% complete, additional works to install new fall and arrest system, maintenance staircase to flat roof and fire compartmentalisation works to ground floor.
- (3) To complete D repairs only AMP to be submitted 24.11.14.
- (4) Now 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 24.11.2014 following full survey (project was not identified in the original condition survey 2012).

2.2 Year Two (2014/15) Proposed Delivery Programme

A Cabinet report submitted on 29th July 2014 detailed the year two delivery plan approach (see table below). As explained in the Quarter 1 report, the focus will be on individual buildings rather than spreading our available resources too thinly over numerous sites. The Cabinet Report explained the rationale behind the development of the year two delivery programme which will be to select buildings with a secure future and completed category A – C works.

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.

Property/Project	Submit Design /Tender	Approve Tender (AMP)	Total Indicative Works 2 nd Year	Total Approved Tender (AMP)	Proposed Start Date
Maritime Museum & 26 St. Georges Quay (1)	27/10/14	19/12/14	£105K	£151k	22/09/14
The Storey - Building Works – Phase 2 (2) (*includes £11k externally funded)	24/11/14	19/12/14	£209K*	TBA	TBA
Lancaster Williamson Park - Phase 2 (3)	8/12/14	19/01/15	£250K	TBA	TBA
Ashton Memorial – Internal & External Works (4)	10/11/14	12/12/14	£324K	TBA	TBA
Ashton Memorial – Paving Restoration (5)	10/11/14	12/12/14	£260K	TBA	TBA
Ashton Memorial - Dome Ceiling Restoration (6)	26/01/15	20/02/15	£100K	TBA	TBA
Lancaster Town Hall – Replacement Lift (7)	29/09/14	15/10/14	£133K	£180K	02/02/15
Lancaster Town Hall – Electrical & Building Works (8)	11/11/14	11/12/14	£250K	TBA	TBA
Lancaster Town Hall – Banqueting Ceilings (9)	09/01/15	05/02/15	£100K	TBA	TBA
Intermediate Demolition Contract (Palatine Recreation Ground) (10)	-	-	£58K	TBA	TBA
Salt Ayre Sports Centre (11)	02/03/15	27/03/15	£391K	TBA	TBA
Totals			£2.180M	£180K	

Notes:

- (1) AMP Part submitted for boiler (extra work works missed on original Condition Survey).
- (2) AMP programme submission date 24/11/2014.
- (3) AMP programme submission date 8/12/2014
- (4) AMP programme submission date 10/11/2014.

- (5) Reported above as part of 1st year Williamson Park Project (P) - AMP programme submission date 24/11/2014.
- (6) AMP programme submission date 26/01/2015
- (7) AMP approved above original estimate, lift ordered for a programmed start date 02/02/2015.
- (8) AMP programme submission date 11/11/14.
- (9) AMP programme submission date 09/01/2015.
- (10) 1st year project reported as part of Intermediate Works (IW) Project.
- (11) Only urgent works and Air conditioning units identified in year 2, building appraisal to be conducted by SASC management for future use.

2.3 Overall Position

The total indicative value of works for year two is £2.180M and when added to the Year 1 carry forward (1) of £1.360M and slippage (2) of £400K equals the approved 2014/15 Capital Programme of £3.940M.

A revised delivery programme has recently been arrived at forecasting the completion of the year one carry forward and slippage of £1.760M and a further £974K of year two totalling £2.734M, leaving a potential carry forward into Year 3 (2015/16) of £1.195M. This will be finalised, adjusted and reported during the budget process.

Finally, it is worthy of note that the 2014/15 year two costs have been taken from the 2012 non-invasive condition survey and as such the possibility exists that unit costs will increase due to inflationary pressures and identified works to certain components will deteriorate further.

Notes:

- (1) Carry Forward – relates to year one works that were identified at revised budget setting as not being achievable before 31/03/2014.
- (2) Slippage – relates to year one works which were anticipated for completion by 31/03/2014 but were subsequently not achieved.

3.0 Capital Receipts

There have been no further property related capital receipts to 30 September since the last quarterly update (progress is anticipated in Quarter 3).

4.0 Performance of Commercial Buildings (Occupancy)

As can be seen from the table below there have been some significant changes since the closing position of the commercial property portfolio in the 2014/15 Quarter 4 update.

	2013/14 Quarter 4	2014/15 Quarter 1	2014/15 Quarter 2
Number of Properties	61	60	60
Occupation by Floor Area			
• Total Let (m2)	18,053	17,043	17,161
• Total Vacant (m2)	3,658	1,639	1,521
• Total Area (m2)	21,711	18,682	18,682

St. Leonard's House has now been fully vacated by tenants and is now closed. The Stage 2 report currently being prepared by the Lancashire Regeneration Property Partnership (LRPP) is expected during November 2014. A cabinet report will follow to determine the way forward based on the development proposals included in the Stage 2 report.

The removal of St. Leonard's House from these statistics 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 92% in the current quarter. The remaining 8% of vacant space now amounts to the equivalent of 1521m2, the majority of which is attributable to the following 2 buildings:

1. **The Storey:** The total commercial occupation within this building is currently running at 71% which is an improvement on the figure of 59% reported last quarter. The remaining 29% equates to a vacant floor area of 467m2 and represents a reduction in vacant floor space of 184m2 over last quarter.

On the 6th October new staffing arrangements were introduced at the Storey to increase standard opening hours by improving both reception and facilities support officer cover within the building. This has been achieved at minimal cost largely through the reorganisation of existing resources to contribute to the continuing operational and occupancy improvements at this site.

2. **Citylab:** The total commercial occupation within this building is currently also running at 71% which is a modest improvement over the figure of 69% reported last quarter. The remaining 29% equates to a vacant floor area of 376m2 and represents a reduction in vacant floors space of 21m2 over last quarter.

Despite some good progress this quarter at both the Storey and Citylab the two buildings still account for 55% of the total vacant commercial portfolio. Other buildings currently contributing to the total vacant space include:

- Edward Street Dance Studio (159m2) – This building is vacant due to its

inclusion in the Canal Corridor Development Agreement.

- Old Man's Rest, Ryelands House (115m2) – A tenant has been secured but has not taken occupation of the building at the time of writing.
- 56-58 Euston Road – Marketing of this building continues.
- Stone Jetty Café - A tenant has been secured but has not taken occupation of the building at the time of writing.
- 8 Ridge Square – This is a Council Housing property that has been vacant for some time.

Property Group continues to work towards reducing the vacancy rates in the commercial property portfolio although considering that supply is currently outstripping demand in the commercial office rental market, an overall 8% vacancy rate across the whole portfolio represents a relatively healthy position.

There will undoubtedly be further updates during the remainder of the year; changes are expected to have bearing on both occupancy and rental income. The latter will be reflected in updating the budget.