

# Property Group Update

2015/16 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 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 2012 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 Delivery Programme

The delivery programme is now in the first quarter of year 3 and the following tables provide a summary of progress to date for information purposes:

#### 2.1.1 Year 1 Delivery Programme

Property	Estimate / Agreed Maximum Price	Proposed / Actual Start Date	Percentage Complete	Notes
<b>Minor Projects</b>				
Projects within 14 Buildings	£103K	Various	100%	Contained within the R&M revenue budget and not capital spend.
<b>Intermediate Projects</b>				
White Lund Depot	£113K	27/01/14	100%	
Lancaster Cemetery Chapels	£175K	27/01/14	100%	
Lancaster Town Hall Railings	£47K	02/10/13	100%	
Lancaster Town Hall Paving	£28K	07/10/13	100%	
Morecambe Town Hall	-	-	-	Included in Morecambe General (below)
The Dukes Playhouse	-	-	-	On hold pending Dukes development funding bid.
Williamson Park Phase 1	£122K	02/12/13	100%	

<b>Property</b>	<b>Estimate / Agreed Maximum Price</b>	<b>Proposed / Actual Start Date</b>	<b>Percentage Complete</b>	<b>Notes</b>
Assembly Rooms Phase 1	£100K	09/12/13	100%	
Storey Phase 1	£323K	03/02/14	100%	
Maritime Museum Phase 1	£390K	27/03/14	100%	Additional replacement boiler
Morecambe Intermediate General Projects; Morecambe Town Hall & Garages (60 Euston Road, Regent Road PC) Salt Ayre Sports Centre	£100K	Various	100%	Additional works identified including re-plastering MTH stairwell, Euston Road reroofing and Stone Jetty external works.
Lancaster Intermediate General Projects; Bridge End Depot, Ryelands Changing Rooms, Old Man's Rest, Cottage Museum, King George Playing Fields	£98K	Various	100%	
<b>Major Projects</b>				
Williamson Park	TBA		0%	Stone paving specification delays. Included within Phase 2
The Platform Phase 1	£413K	03/03/14	99%	Additional works identified including new roof edge protection, maintenance staircase to flat roof and fire compartmentalisation works.
Salt Ayre Sports Centre	-	-	-	Included in Morecambe General projects
Mitre House Car Park	£115K	30/09/13	100%	Replacement sub-base required.

### 2.1.2 Year 2 Delivery Programme

<b>Property</b>	<b>Estimate / Agreed Maximum Price</b>	<b>Proposed / Actual Start Date</b>	<b>Percentage Complete</b>	<b>Notes</b>
Ashton Memorial – Internal & External Works	£585K	16/02/15	85%	
Lancaster Town Hall – Replacement Lift	£180K	02/02/15	95%	
Salt Ayre Sports Centre – urgent works	£36K	27/01/15	0%	£30K accounts for just urgent works pending results of energy investment survey and service lead review of the facility.
Scotforth Cemetery	£33K	27/01/15	90%	
City Lab	£48K	06/01/15	70%	
White Lund Depot greenhouse electrical works	£26K	03/02/15	80%	

### 2.1.3 Year 3 Delivery Programme

<b>Property</b>	<b>Estimate / Agreed Maximum Price</b>	<b>Proposed / Actual Start Date</b>	<b>Percentage Complete</b>	<b>Notes</b>
Maritime Museum & 26 St. Georges Quay Phase 2	£151K	28/09/15	0%	Agreed Maximum Price part submitted
The Storey - Phase 2	£126K	29/06/15	20%	
The Storey - Phase 3 (gallery roof)	£55K	18/09/15	0%	Additional works identified AMP currently being quantified
Lancaster Williamson Park - Phase 2	£134K	27/04/15	85%	
Ashton Memorial - Dome Ceiling Restoration	£100K	TBA	0%	Awaiting specialist conservation reports. To be programmed 2016/17
Lancaster Town	£408K	01/06/15	15%	

Hall – Electrical & Building Works				
Lancaster Town Hall – Banqueting Ceilings	£270K	28/09/15	0%	Extra Works -not included in original condition survey. AMP received currently being processed.
Williamson Park Butterfly House Phase 1 Essential Works	£134K	21/08/15	0%	AMP received currently being processed.
King Street Covered Yard	£65K	06/07/15	10	Brought forward for H&S Reasons – extra works identified.
Old Fire Station Boiler	£100K	02/10/15	0%	Brought forward Replacement boiler at end of serviceable life
Ryelands House Boiler	£150K	20/11/15	0%	Replacement boiler at end of serviceable life, not included in original budget.
Assembly Rooms Phase 2	£135K	12/03/16	0%	
The Platform Phase 2	£100K	20/11/15	0%	
Intermediate Demolition Projects (Ryelands Park Pavilion)	£48K	14/09/15	0%	AMP received and planning approval being sought.
City Museum – Essential Works	£140K	14/09/15	0%	Total budget being considered as match funding for potential HLF bid – £140K covers essential repairs only.

## 2.2 Methodology

The focus of year 1 was to deal with category D urgent works across the property portfolio. The works undertaken in year 1 & 2 have now allowed the focus to shift towards working on individual buildings rather than spreading our available resources too thinly over numerous sites. The rationale behind the development of the year two and three delivery programmes was to select buildings with a secure future and complete all category A – C (less urgent but still essential) works.

Once capital works have been completed on a particular building that building will then be allocated a planned maintenance schedule and added to the growing planned maintenance programme. The goal for the remainder of this delivery programme is to complete the required work across the property portfolio, facilitating the move from the current emphasis on an expensive reactive approach, to a more financially sustainable planned maintenance ethos.

Finally, it should be understood that the estimated budget 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 further deterioration of components within identified works.

### 3.0 Capital Receipts

No capital receipts were received in Quarter 1.

### 4.0 Performance of Commercial Buildings (Occupancy)

As can be seen from the table below there have been some changes since the closing position of the commercial property portfolio over the last 12 months.

	2015/16 Quarter 1	2014/15 Quarter 2	2014/15 Quarter 3	2014/15 Quarter 4
<b>Number of Properties</b>	60	60	60	60
<b>Occupation by Floor Area</b>				
• Total Let (m2)	17,265	17,161	17,287	17,287
• Total Vacant (m2)	1,267	1,521	1,395	1,395
• Total Area (m2)	18,532	18,682	18,682	18,682

Whilst there have been slight changes in current occupation across the City Council's total commercial property portfolio the percentage let figure remains at 93%. The remaining 7% of vacant space now amounts to the equivalent of 1267m2, 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 91%. The remaining 9% equates to a vacant floor area of 145m2.
2. **Citylab:** The total commercial occupation within this building is currently also running at 80%. The remaining 20% equates to a vacant floor area of 235m2.

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.
- 56-58 Euston Road – Marketing of this building continues and some positive interest in the unit has been expressed.
- 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 7% 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 future rental income. The latter will be reflected in updating the budget.