

Lancaster City Council | Report Cover Sheet

Meeting	ICMD				
Title	Slate Purchase for 1 Lodge Street.				
Report of	Jason Syers – Director for Economic Growth & Regeneration				
Purpose of Report: To request that some of the capital budget be released to procure the slate required in advance of the full repair works starting at 1 Lodge Street, in order to reduce any potential delays, avoid price increases next year and support expenditure of grant in 2021/22.					
Key Decision (Y/N)	N	Date of Notice	N/A	Exempt(Y/N)	N

Report Summary

There are significant delays in the delivery of slate and prices are increasing on a regular basis. The purchasing of materials is normally part of the contractor role but as they have not yet been appointed, we are seeking to procure this ourselves. In doing so, we can potentially reduce delays and secure a price now, before they increase further next financial year.

Recommendations of Director for Economic Growth & Regeneration

To release £44,250 of the capital budget within the code P8126/EC603 to procure the slate that will enable the appointed contractor to start work without delay of waiting for materials.

Relationship to Policy Framework

An Inclusive and Prosperous Local Economy – using our land to benefit local communities and securing investment and regeneration

Local Plan – various policies relating to the re-use of existing buildings and conserving and enhancing our heritage, including Policy EN1 Mill Race Heritage Priority Area (Strategic Policies and Land Allocations DPD, July 2020)

Conclusion of Impact Assessment(s) where applicable	
Climate Proposal supports the re-use of existing buildings, utilising embodied energy. The material proposed is a native product.	Wellbeing & Social Value The sooner the building is repaired, the sooner it shall become available for beneficial occupation and contribute more positively to the Lancaster Conservation Area.
Digital	Health & Safety The building is currently in poor condition which prevents its use.
Equality	Community Safety
Details of Consultation	
Internally – Regeneration, Conservation, Legal, Finance and Planning Externally – RG Parkins and Rocket Architects, and Historic England	
Legal Implications	
The agreement for lease which sets out the requirement for the Council as Landlord to carry out works to 1 Lodge Street does not have a set timescale for completion of those works. There is a reasonable expectation, however, upon the Council to proceed with the works as soon as possible and any management of potential delays would be beneficial.	
Financial Implications	
<p>The full capital budget for works to 1 Lodge Street is currently £490k. Utilising £44,250 to procure the slate would leave £445,750 available to complete the full scheme. However, a further grant offer of £34k has been secured from Historic England via the Lancaster High Streets Heritage Action Zone (conditional on the full scheme subsequently proceeding) which provides an opportunity to increase the total amount of funding available to complete works to 1 Lodge Street. This will also help to preserve the amount of funding allocated to the Council by Historic England. There is also potential for further HSHAZ grant funding to be made available up to a maximum of £100k in total to support the full scheme and thus mitigate against the risk of the scheme being unable to proceed due to tenders coming in at a higher than anticipated levels.</p> <p>Set against this additional costs will be incurred in the secure storage of the slate should it arrive before the contract works commence and a level of risk remains that the actual tenders received exceed the remaining budget available for the scheme.</p>	
Other Resource or Risk Implications	
<p>Storage – the Council will need to securely store the slate on or around site if it arrives before the contractor starts and has set up secure compounds. This will involve additional costs.</p> <p>Full works not approved – the costs for the full repair works are not yet known (awaiting tender), so there is the risk that Cabinet do not approve the funding for the full works which leaves us with the slate to either utilise or sell on.</p>	
Section 151 Officer's Comments	
The s151 Officer has been consulted and has no further comments to add.	
Monitoring Officer's Comments	
The Monitoring Officer has been consulted and has no comments to add	

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Links to Background Papers	
Cabinet 15.09.20 Item 46 - https://committeeadmin.lancaster.gov.uk/ieListDocuments.aspx?CId=297&MId=7585&Ver=4	

1.0 Background

- 1.1 The Former Carriage Works and 1 Lodge Street (known as 1 Lodge Street) are an important part of the Lancaster Conservation Area offering good examples of the city's industrial heritage and 19th century worker terraced housing which is now mostly lost from this area.
- 1.2 1 Lodge Street is due to have some significant structural repairs carried out on it to make it safe to let. The need to address particularly the roof here is critical as the current condition is leading to water ingress which is causing building degradation and preventing beneficial use. There is also concern as to the party wall implications with the Grade II Listed Grand Theatre due to the condition of the valley gutter.
- 1.3 The building is subject to an agreement to lease with the Musician's Co-op who were required to vacate the building in 2021 due to safety concerns.
- 1.4 Due to delays in gaining vacant possession we have had to review the original schedule of work in order to take account of any further deterioration that has occurred. During this time, we have also linked up with the Lancaster High Streets Heritage Action Zone (HSHAZ) so that we can also make improvements to the site aesthetic through grant funding. This has involved a second planning application and amendments to the existing planning application. As the building is in our ownership any grant agreement through the HSHAZ requires referral to Historic England for approval.
- 1.5 Cabinet previously resolved that the decision of whether to use the assigned capital budget to undertake the necessary works to repair the building and bring it into lettable condition be delegated to the Leader and relevant Portfolio Holders (Cabinet 15.09.2020 Item 46).
- 1.6 Because of the above delays we are keen to prevent any further ones, hence the request set out in this report.

2.0 Advanced procurement of slate

- 2.1 The specification and volume of roofing material required has been informed by the council's professional advisers. It is assumed that no slate to the Former Carriage Works can be re-used due to previous over-felting. 50% of the slates to the cottage building has been specified for re-use.
- 2.2 As part of our due diligence work within the project we made enquiries to slate providers to get a cost indication of Burlington slate (a requirement from conservation to match other similar work in the area, and Historic England to meet grant funding requirements). Only one provider was able to quote and this came back at £39,950 plus £280 haulage in September 2021, with a delivery time of 24 weeks.
- 2.3 The current schedule is not set but is estimated to be:
 - Planning issues resolved and schedule of work to have final update with tender pack ready by end January.
 - Tender out Monday 7th February; six week period to allow for good return rate.
 - Tenders back by 18th March.
 - Evaluate, ensure budget is in place, and appoint contractor in April / May 2022.

- 2.4 If the contractor is appointed and the instruction issued in April / May 2022, the contractor will order the slate at this point. It will be a new financial year which is a point at which prices often increase. If the lead in times remain the same (around 6 months), the contractor could be waiting until October / November 2022 for the slate to be delivered.
- 2.5 If we order the slate in late Jan / early Feb with a lead in time of 6 months, we can expect delivery in June / July 2022 which is only 2 months after the contractor is due to be appointed and receive their instruction.

3.0 Costs

- 3.1 Price of slate is likely to go up (in line with all construction costs at the moment) albeit the advice from the supplier in early December was that they remained at September prices at that point in time. Purchasing in advance of the main contract being approved means that we can secure the price at the current rate.
- 3.2 There is a risk that the full project is not approved by Cabinet and that by purchasing the slate we are pre-empting any future decision. However, if the full works are not approved and the price of slate does go up as predicted, we can sell the slate and may not lose any money, with the potential to gain some.
- 3.4 The request for the budget of £44,250 allows for the quoted cost of the slate and delivery plus a 10% contingency. This is in case prices have risen since the quote was received but to also allow some budget for the storage of the slate should the contractor not already be on site when it is delivered. Any monies not used would remain in the capital budget and be put towards the full project. Due to the supply of slate being per tonnage, the volume acquired should provide for almost 100% replacement of the cottage roof, if required, with any leftover put towards future repair projects.
- 3.5 The use of Burlington slate is a condition of planning approval and also a requirement for the HSHAZ funding. The full cost would need to come out of capital but a grant offer of 75%, with a condition that the funds would become repayable if the full scheme did not proceed for any reason has been approved by Historic England. This contribution is in expectation of further grant support towards the rest of the building works with a likely maximum cap of £100,000 grant to be agreed with Historic England once tender information is available.

4.0 Options and Options Analysis (including risk assessment)

<p>Option 1: Release the required capital budget and purchase the slate in advance of any contract for the repair works to 1 Lodge St.</p>

<p>Advantages:</p>

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| <ul style="list-style-type: none"> - Delays in the completion of the full works are kept to a minimum. - We are able to make use of some of the HSHAZ grant funding and with the deposit required for the slate, this can assist with spend to help meet budget provision for 2021/22. Any unspent HE monies by the end of the financial year will be lost. - Costs are kept to a minimum, assuming cost of slate will rise as predicted. |
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<p>Disadvantages:</p> <ul style="list-style-type: none"> - The procurement and responsibility of materials lies with the Council rather than the contractor.
<p>Risks:</p> <ul style="list-style-type: none"> - We are assuming the full works to 1 Lodge St will be approved, or at least the roofing works; however, contingencies for the slate are in place. - The specification is wrong. This is being mitigated by close working between officers, the design team and the suppliers. - The slate arrives before the contractor starts on site and the Council needs to securely store the slate until it's ready for use.
<p>Option 2: Wait for the full cost of repairs to be known and Cabinet paper prepared accordingly to request the budget for the entire project.</p>
<p>Advantages:</p> <ul style="list-style-type: none"> - We eliminate the risks from option 1. - The responsibility for procurement and storage lies solely with the contractor.
<p>Disadvantages:</p> <ul style="list-style-type: none"> - None of the advantages of Option 1 will be realised: Costs are likely to have risen by the time the contractor procures the slate, adding to the overall cost of the project. - It will delay the completion of the project by approximately 4 months during which time the building could further deteriorate. - Does not assist HSHAZ spend by end March 2022 so relevant HE monies will likely be lost.
<p>Risks:</p> <ul style="list-style-type: none"> - Delays in the completion of the works could cause tension for the Musicians Co-Op if a lease is agreed and they wish to take occupation. - There are potential party wall implications for the adjacent Grade II listed Grand Theatre if rainwater from 1 Lodge St is not addressed.

4. Officer Preferred Option (and comments)

- 4.1 The officer preferred option is Option 1. Although there are risks associated with this, we believe there are mitigations that take account of them. We also feel that the risks and disadvantages within option 2 are more significant and can be avoided through option 1.