
Report to Cabinet

7 December 2004

Report of Director of City Development, Director of City Services, Director of Finance and ICT

Title - Commercial Property Repairs Programme 2004/05

1 Purpose of the Report

- 1.1 This report sets out proposals for major repairs and improvement works to your commercial property portfolio for the balance of 2004/05. Provisional projects for implementation in 2005/06 and 2006/07 are also identified subject to the level of resources available following the current PPR. The programme of repair works will fulfil the Council's legal obligations as a commercial landlord and maintain the portfolio's ability to generate approximately £15 million rent income per annum based on current values. Improvement projects will enhance opportunities for generating additional income, asset values or meeting the aspirations of local communities through approved environmental schemes.
- 1.2 The report also sets out the programme and project management arrangements based on the principles of the corporate Project Management Tool Kit. This will ensure that the projects are effectively delivered and the approved programme effectively monitored.

2 Recommendations

Cabinet is recommended to:

- 2.1 Approve the programme of repair and improvement projects to be undertaken at an estimated cost of £1,126 million as set out in the appendix to this report;
- 2.2 Note the indicative programme of projects identified for implementation in 2005/06 and 2006/07 as set out in the appendix to this report;
- 2.3 Approve the projected capital slippage of £274,000 of the 2004/05 approved capital allocation as shown in para. 5.3;
- 2.4 Delegate authority to the Head of Property and Projects Division, City Development in consultation with Cabinet Member (Urban Regeneration and Regional Planning) to authorise changes to the 2004/05 programme within the overall resource limits approved in recommendation 2.1 above.
- 2.5 Note that a further report will be submitted in Spring 2005 to seek approval to a refined programme of projects to be implemented in 2005/06.

3 Information/Background

- 3.1 Your commercial property portfolio includes the following broad categories of property:
 - City centre shops and offices;
 - Employment property (business parks, industrial estates and unit factories);

- Suburban shops; and
- Miscellaneous (farms, leisure, health, community etc.).

- 3.2 The Council has obligations as a landlord under the terms of leases it has granted to carry out repairs and maintenance. It also has statutory health and safety responsibilities and must respond to changes in legislation, for example the Disability Discrimination Act 1995 and Control of Asbestos at Work Regulations 2002. Where permitted under the terms of leases the cost of works can be recovered from tenants via service charges or the use of sinking funds (accumulated tenant contributions to pay for major items of repair or replacement but not improvement to enhance letting potential or rental value).
- 3.3 It is in the interests of the Council to invest in the repair and improvement of its commercial property to ensure that it continues to generate an appropriate financial return through rent income or increases in asset value. Investment also ensures that property continues to achieve other non-financial policy objectives, for example, support for the local economy and job creation through provision of quality unit factories, shops and offices.
- 3.4 The drive towards more effective Asset Management Planning requires systematic and regular inspection of the property stock to assess condition and predict future repair, maintenance and improvement and therefore the resources needed in future years. Your officers are arranging a comprehensive survey of the condition of the Council's non-operational property stock that will provide a base line assessment on which to build a longer-term programme of projects and resources needed.
- 3.5 This report proposes a programme of projects for the balance of 2004/05, a core programme for 2005/06 and an indicative programme for 2006/07. One or more of the following reasons justifies each project identified. The relevant code is noted in the 'Justification' column of the table included in the programme schedule attached to this report.

R&M	Essential repair and maintenance to maintain rental and asset value
IMP	Improvement to enhance market attractiveness/value
DDA	Works to meet landlord's responsibility for Disability Discrimination Act issues
H&S	Works to meet health and safety responsibilities
AR	Projects to meet the aspirations of communities in conjunction with Area Regeneration/Area Co-ordination
MP	Essential works to refurbish premises ready for re-marketing
HER	Works to listed buildings or structures
LR	Works to fulfil landlord's obligations to repair under leases
CDA	Projects to improve security of premises that will contribute to discharging the Council's responsibilities under Section 5 of the Crime and Disorder Act 1998 (also adding to market attractiveness and value).

4 Proposal and Other Option(s) to be Considered

- 4.1 The proposed programme of works is set out in the attached appendix. All projects either in progress or to be approved are cash flowed where necessary to predict expenditure in 2004/05 and subsequent years.
- 4.2 The projects identified for implementation in 2004/05 are firm proposals. However, it is possible that as schemes are developed and implemented, minor adjustment of the programme will be necessary. It is therefore recommended that authority is delegated to the Head of Property and Projects, City Development in consultation with Cabinet Member

(Urban Regeneration and Regional Planning) to amend the detail of the programme within the overall resource limits approved under this report.

- 4.3 Feasibility studies will be commissioned where appropriate for major projects identified for 2005/06 and beyond to help develop project briefs and ensure effective preparation for implementation in accordance with the approved programme. A further report will be submitted in Spring 2005 in order to confirm the detailed projects to be included in 2005/06 and subsequent years. It is also likely that the detail of projects will change as ongoing inspection of the portfolio, changes in legislation or unforeseen circumstances influence priorities for action.
- 4.5 Cabinet is asked to note that the following anticipated issues will need to be taken into account in future refinements of the programme:
- Works arising from security reviews of industrial estates. This may have an impact on the market attractiveness of unit factories, their rental values and continued ability to support sustainable job creation.
 - Asbestos surveys of commercial property where the Council is the 'Dutyholder' for managing the presence of asbestos under the Control of Asbestos at Work Regulations 2002.
 - Further works to fully comply with the Disability Discrimination Act 1995 following specialist surveys of relevant properties.
 - Works to gas, electricity and water services in commercial properties to meet a landlord's health and safety obligations where previous tenants cannot be pursued for dilapidations under the terms of leases. This can occur, for example, in cases of abandonment, tenant liquidation or bankruptcy.
- 4.6 In accordance with the corporate Project Management Tool Kit it is proposed that identification of necessary projects will be the responsibility of property managers in Property and Projects Division, City Development Directorate. They will produce a project brief for each scheme and be responsible for obtaining approval for the resources required. Management of the approved programme and each project within it will be the responsibility of officers in City Services. They will have responsibility for implementing the projects in accordance with the approved programme on time and within budget. They will also be required to report on progress on a monthly basis to enable accurate financial monitoring as part of the corporate budgetary control process.

5 Other specific implications

5.1

	Implications (See below)	No Implications
Area Co-ordination	✓	
Best Value		✓
Children and Young People		✓
Comparable Benchmark Data		✓
Corporate Parenting		✓
Coventry Community Plan		✓
Crime and Disorder	✓	
Equal Opportunities		✓

	Implications (See below)	No Implications
Finance	✓	
Health and Safety	✓	
Human Resources		✓
Human Rights Act		✓
Impact on Partner Organisations		✓
Information and Communications Technology		✓
Legal Implications	✓	
Property Implications	✓	
Race Equality Scheme		✓
Risk Management	✓	
Sustainable Development		✓
Trade Union Consultation		✓
Voluntary Sector – The Coventry Compact		✓

5.1 Area Co-ordination

A number of schemes (identified in the schedule of projects attached to this report with the 'AR' code) meet the aspirations of local communities for environmental improvements within their area.

5.2 Crime and Disorder

A number of schemes (identified in the schedule of projects attached to this report with the 'CDA' code) tackle premises security issues. These reduce the risk of crime and improve the attractiveness of property to tenants and potential tenants resulting in enhanced letting prospects and rental and asset values. Paragraph 4.4 of this report notes that security reviews of the Council's industrial estates have been commissioned and that it is likely that future security related schemes will be identified for inclusion in the refined programmes for 2005/06 onwards.

5.3 Finance

The programme of 2004/05 projects will cost an estimated £1.126 million of which £747,000 is capital and £379,000 revenue.

The programme is cash flowed as follows:

	Capital	Revenue	Total
	£000	£000	£000
2004/05	473	327	
2005/06	274	52	
Total	747	379	1,126

Funded by:

Approved Corporate Allocation	747	0	
Repairs Reserve	0	344	
Recoverable Service Charges	0	35	
Total	747	379	1,126

In addition to the above programme further spend of £314,000 has already been programmed to be funded from the revenue repairs reserve. This comprises of the following:

- car park repairs and maintenance of £200,000 per annum
- work to be completed on 3 capital projects totalling £43,000
- £71,000 reserved to complete the 2003/04 suburban shop programme.

Cabinet should note that the repairs reserve was depleted in 2003/04 by £2 million to supplement corporate resources. With the estimated rate of spend in 2004/05 and 2005/06 there will be less than a £1 million in the repairs reserve which will only be enough to cover repairs and improvement costs at the current level for another few years.

5.4 Health and Safety

A number of schemes (identified in the schedule of projects attached to this report with the 'H&S' code) tackle the Council's health and safety responsibilities as a commercial landlord.

5.5 Legal Implications

A number of schemes (identified in the schedule of projects attached to this report with the 'LR' code) will discharge the Council's contractual obligations as a commercial landlord under the terms of existing leases.

5.6 Property Implications

This report sets out the need to invest in maintenance and repair of the non-operational property stock in order to discharge the Council's legal obligations as a commercial property landlord and to maintain and enhance the potential for rental income growth and increased asset value.

5.7 Risk Management

Undertaking the projects proposed in the programme that discharge legal obligations, including health and safety responsibilities, would reduce the risk of legal action against the Council by tenants or members of the public.

6 Monitoring

6.1 Implementation of the programme and individual projects within it will be undertaken in accordance with the principles of the corporate Project Management Toolkit as proposed in paragraph 4.6 above.

7 Timescale and expected outcomes

7.1 Approved projects are expected to be delivered within the timescales identified in this report. The proposed projects and the financial year in which they are proposed to be implemented are set out in the attached appendix to this report.

List of background papers

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Papers open to Public Inspection

Description of paper

Location

None