

Decision maker:	Chief finance officer
Decision date:	Thursday, 2 August 2018
Title of report:	Replacement of roofs over Units 1-6 Tarsmill Court, Rotherwas, Hereford
Report by:	Estates management officer commercial

Classification

Open

Decision type

Non-key

Wards affected

Dinedor Hill;

Purpose and summary

To seek approval to release capital funds set aside in the approved budget for the financial year 2018/19 and undertake replacement of defective roofs over units 1 – 6 Tarsmill Court, Rotherwas via an appropriate contractor procured and appointed through the council's competitive tendering process.

Recommendation(s)

That:

- (a) replacement of defective roof over units 1 – 6 Tarsmill Court, Rotherwas be undertaken within a budget of £400k; and**
- (b) the works are procured from an appropriate contractor via open tender to ensure that best value is obtained.**

Alternative options

1. Do nothing. The existing roofs leak extensively and are causing significant disruption and damage to the two business tenants of the units. Both have threatened to leave and to sue the council for financial loss caused by water penetration damaging machinery and goods and loss of business. If the tenants leave, current rental income of £61k will be lost, the units will be difficult to re-let in their current condition and the value of the council's investment property portfolio will be reduced.
2. Dispose of the freehold interest in the units, selling as seen in their current condition. This would shift responsibility for improving the units to the new owner but the capital value achievable would be depressed due to the condition of the roof. It would also lead to the loss of the regular rental income stream which the council invests in delivery of local services.
3. Use existing contractor to carry out work. The cost estimate is higher than the threshold for both the existing Integral maintenance contract or the new BBLP contract so open tender is the most appropriate method of procurement and will be managed by the design and maintenance team

Key considerations

4. Units 1 – 6 Tarsmill Court are a block of early 1970's industrial units forming part of the council's investment portfolio which is held to produce a regular rental income stream to support the council's corporate plan and medium term financial strategy, one of the key priorities of which is to support the local economy.
5. The units provide 1,858m² (20,000ft²) of industrial space currently let to two long established and respected local businesses who occupy under a mix of leases and tenancies at will producing rental income of £61.5k p.a. which would be lost if the tenants decide to leave. The two businesses currently employ 25 staff and if they were to relocate or close down and vacate these jobs would be lost to the local economy.
6. The roof is pitched and clad with profiled asbestos cement sheets which have been coated with a liquid membrane. The roof covering has effectively reached the end of its economic life and serious water ingress in heavy rain has been a problem for many years. This has caused significant damage, disruption and inconvenience to the two businesses and both have made regular complaints and threats to leave the units and either close or move elsewhere. The problem is considered to be at least partly due to an inherent defect outside the liability of the tenants and partly due to past attempts to patch it up which have actually caused more damage by cracking roof sheets.
7. The only way a permanent repair can be affected is to re-roof the whole block to modern standards. The project will incorporate works to remove asbestos in the units and ensure that they meet the current statutory minimum energy efficiency standards thus ensuring that both the rental value of the units and the contribution of the units to reducing the council's carbon footprint is maintained and enhanced for the future.
8. The current rental income from these units is £61.5k per annum. It is estimated that this could rise to £75k to £80k per annum on lease renewals/conversion of tenancies at will to formal leases following renewal of the defective roof. Neither the increased rent or the securing of lease renewals will be achieved without the proposed investment

Community impact

9. The potential vacation of these units by the occupying businesses could lead to the loss of 25 jobs to the local economy. This would be contrary to the council's corporate objectives and may cause reputational damage.
10. The Tenanted Non Residential Property Policy which forms part of the Corporate Property Strategy 2016-2018 recognises that these properties are held to produce increasing levels of rental income to support the council's corporate priorities. This investment in improving these units will contribute to that aim.
11. The council is committed to providing a healthy and safe environment for all individuals impacted by the Council's funded activities. The council therefore endeavours to ensure that the work they and their partners and contractors undertake does not adversely affect the health, safety or welfare of members of the public including our tenants. Thus council contractors/partners are expected to work to the same health and safety standards and codes of practice as the council as far as reasonably practicable. This requirement will be included in the final contract terms

Equality duty

12. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to -
 - (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
13. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a decision on back office functions, namely the management of an investment property to maintain and enhance an existing rental income stream we do not believe that it will have an impact on our equality duty.

Resource implications

14. A sum of £400k based on an estimate provided by the design and maintenance team has been calculated to cover the costs of this project. The project has an approved capital programme budget of £400k in 2018/19 and can be identified as Tarsmill Court Rotherwas in the programme.
15. Expenditure on the project will enhance the council's ability to maintain and increase the rental income stream from the units which will protect the value of the council's

investment portfolio for the future and hence its ability to borrow and meet the requirements of the medium term financial strategy.

Legal implications

16. No obvious legal implications arising from the recommendations provided that the council's contract procurement policies are followed.

Risk management

17. The table below outlines the potential risks arising from the recommendations made:

Risk / opportunity	Mitigation
Tender prices exceed the estimate of £400k provided by the design and maintenance team	Further governance seeking approval to the additional expenditure will be sought
Disruption to the occupying businesses during the proposed works	Robust contract provisions will be incorporated into the tender documents and close liaison with the tenants will be undertaken before and during the works.
New leases at higher rents are not secured with the existing tenants	The value of the council's asset is still increased and the prospect of re-letting at enhanced rents is improved
Not proceeding with the investment	Disruption and damage to the existing businesses continues and the capital and rental value of the units deteriorates further

Consultees

18. The local ward member, Councillor Summers, has been consulted and has confirmed that he understands the need for a new roof. He has asked whether it is intended to sell the property and has been informed that there are no existing plans to sell this block of units. He also enquired as to whether a structural survey has been carried out, queried the value of the property as a redevelopment site compared to its value following re-roofing and expressed concerns about the cost of asbestos removal and the need to avoid any overspend. He has been advised that over a long period of time numerous attempts to inspect and patch the defects have been made but each time a builder goes on the roof further damage to the fragile asbestos cement sheets is caused leading to the conclusion that the roof has reached the end of its economic life on otherwise satisfactory buildings, that the value following the work will be enhanced and higher than its value as a redevelopment site, that the work will incorporate asbestos removal and that if tenders for the work are higher than the £400k approved in this year's capital programme then the matter will be referred back prior to commencement of the work for further consideration at an appropriate level.

Appendices

None.

Background papers

None identified.