



Belfast City Council

Report to:	Strategic Policy and Resources Committee
Subject:	Proposed amendments to the Gasworks Service Charge
Date:	22 May 2009
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Relevant Background Information

At its meeting on 6th February 2009 the Strategic & Policy Resources Committee adopted the report and template of action proposed by BCC in response to the economic downturn prepared by the Development Department.

It was undertaken to bring back to Members proposals on how Council will manage the difficulties faced by tenants of the industrial estates with one possible option to review service charges.

Council directly undertake work and procure additional services aimed at maintaining the physical state and environmental quality of the Gasworks Estate. Excluding Amenity Areas the cost of providing these services is recouped from the various developers who are direct tenants of the Council.

For a variety of reasons the annual service charge cost in the Gasworks Estate has increased quite significantly over the past few years. Whilst paid directly by developers these service charges are in turn passed onto the tenants/business who occupy the commercial premises in the Estate.

Having reviewed the Economic Downturn Action Plan Update the Estates Management Unit has identified a number of specific proposals in relation to the Gasworks Estate service charge aimed at reducing the level of financial burden.

Specific proposals and projected financial impact on the level of the service charge are set out in detail in Appendix 1 and include review of services provided, incidence of allocation of service charge, restructuring payments to a monthly regime.

Key Issues

Council are legally obliged through their Leases with individual developers in the Gasworks Estate to provide services aimed at maintaining the quality environment created within the Estate. Council recover costs from individual developers through the annual service charge on a “not for profit not for loss” basis.

Despite in many instances recharging the Estate service charge onto their occupational tenants approaches from various developers have recently been made to Council with a view to reducing the cost of services provided through Council (for example Ormeau Business Park and Cusp Ltd)

Majority of Gasworks Estate occupiers pay a building service charge (payable to their developer/landlord) in addition to the Estate service charge payable to Council. Developers/landlords are constantly seeking to retain a level of competitiveness with other similar commercial city centre developments where, without any “estate” charges, total occupational costs can be less.

Letter of explanation detailing reasons for service charge increases is issued with annual statement of accounts which details specific reasons that have given rise to any significant increases.

Water infrastructure within the Estate is not adopted by NI Water. Charges for water and sewerage, whilst metered at the entrance to the Estate, fall to be apportioned through the annual service charge. In this instance Council are merely recollecting fees on behalf of NI Water. The cost of water consumption accounts for one-third of this coming year’s annual service charge and represents the biggest increase in any single item of relevant expenditure.

The annual service charge, payable in advance, is calculated on costs incurred in each previous year ending 31st March. Therefore relevant expenditure in respect of 2009/10 service charge has already been incurred prior to this review. However, interim measures can be implemented immediately that would have an impact on service charge invoicing for this coming year. These proposed interim measures include reducing Council’s management fee to zero, removal of NI Water charges to be charged separately and inclusion of the Gasworks visitor’s car park that would revise incidence of cost liability apportionment.

Council’s Security Unit has undertaken a risk assessment of existing measures in place at the Gasworks and likely impact on security if the current level is reduced (Appendix 1, Item 1)

The potential financial impact of these reviews on the 2009/10 service charge (if they had been fully implemented) is set out in Appendix 2.

The existing service charge is apportioned using the area of each developer’s site and does not currently include the Council’s visitor’s car park. A comparison of the incidence of cost on the 2009/10 service charge, if the visitor’s car park was included, is set out in Appendix 3.

Any measures implemented must be underpinned with the principle of good estate management and fulfil current obligations in the development Leases. Council’s position as landlord in the Gasworks should not overtly subsidise occupation in a Council owned estate so as to disadvantage other commercial developments within the city.

Resource Implications

Financial

- Loss of income from forgoing the 5% management fee charged for managing the Gasworks Estate, although it would be proposed to review this decision on an annual basis.
- Direct financial contribution by Council with inclusion of the Gasworks visitor's car park in apportionment of the annual service charge (Appendix 3)
- Budgets previously prepared for the year 2009/10 may require revision to reflect any changes to the provision of services in the Gasworks Estate.

Human Resources

No impact over the existing Council resources already involved in managing the Gasworks Estate.

Asset and Other Implications

- Reduction in service provision should not impair the quality environment created in the Gasworks Estate.
- Reduction in security cover has a small impact on the risk profile of the Estate (Appendix 1, Item 1)
- Implications arising from scaling back services in the Estate will be checked Legal Services with regard to existing Lease obligations.

Recommendations

Members are asked to note the scope of this review of the current Gasworks Estate service charge and approve the various measures proposed in line with Councils Economic Downturn Action Plan, also to permit the Estates Management Unit to keep any measures adopted under review.

Decision Tracking

Subject to Members endorsement Estates Surveyor to ensure proposed measures for Gasworks Estate service charge are implemented and kept under review.

Key to Abbreviations

None

Documents Attached

Appendix 1 – review of services currently provided in the Gasworks Estate
Appendix 2 – financial impact on 2009/10 service charge if review were implemented
Appendix 3 – cost apportionment of service charge with inclusion of visitor's car park

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Review of services currently provided at Gasworks Estate

Service Heading	Current Service Provided	Proposal
1. Security	Seasonal mobile patrols, whilst they monitor the entire Estate, were initially engaged to manage the volume of incidents associated with the Water Feature and are provided over and above the static G4S security at the entrance to the Estate.	Remove the G4S cover between 7.00am and 7.00pm during the 6 month period that Eventsec patrols are in the Estate.
2. Grounds Maintenance	Road Sweeping services provided under SLA with Parks & Cemeteries Services, currently twice per week.	Reduce to once per week.
3. Clamping Services	Release fees (£35) are deducted from the annual fixed contract price.	Increase the release fee from current £35 to £50 that is also charged by Cusp Ltd in management of their Plot 4 parking with the same contractor as Council.
4. Mains Services	In addition to charging for water consumption NI Water have introduced charging for sewerage, based on volume of water consumed, at 50% of true cost rising to 100% next year. Consumption for water/sewerage relates to individual development plots but is apportioned through the service charge.	Remove the NI Water charge from the service charge and recharge as separate invoices that are readily identifiable as a cost arising from NI Water and not Council provided service. Incidence of cost apportionment to be based on building area as opposed to plot areas that should more accurately reflect actual usage.
5. Hire Charges (Winter Gritting)	Roads and footpaths not surfaced with anti-slip surface are gritted Sept – March.	Already implemented that gritting only occurs when Met Office give RED warning only.
6. Hire Charges (Painting Railings & Gates)	Incurred £23,347.97 in 2009/10 service charge.	Not an annual service charge cost and should not be required for a further 8 – 10 years.
7. Shuttle Bus Service	Shuttle bus is provided under a contract procured with Translink for an agreed level of service. Tenants/developers advised of cost liabilities in the service charge at the time. Service continues to be well utilised.	Make no change to current agreement as scaling back service may render an ineffective service. EMU have sought no price increase in Translink's contract price from last year.
8. Estate Management Fee	Currently Council charge 5% fee based on total cost of services provided to manage the Estate.	Reduce to 0% and review reinstatement annually. This would in effect be a Council subsidy.

Appendix 2

Financial impact on 2009/10 service charge if review were implemented

Service Heading	Actual 2008	Actual 2009	Revised 2009	Savings (Actual/Revised 2009)	% Variance (Actual 2008/Revised 2009)
Security	£114,446.80	£113,652.47	£95,628.83	£18,023.64	-16.44%
Grounds Maintenance	£12,049.39	£12,800.00	£9,300.00	£3,500.00	-22.82%
Clamping Services	£12,710.00	£11,240.00	£10,040.00	£1,200.00	-21.01%
Mains Services	£69,118.97	£111,754.14	-£1,306.76	£113,060.90	-101.89%
Hire Charges	£12,163.77	£31,758.84	£8,410.87	£23,347.97	-30.85%
Shuttle Bus Service	£29,241.65	£43,939.50	£43,939.50	£0.00	+50.26%
Management Fee	£12,486.53	£16,257.25	£0.00	£16,257.25	-100.00%
Totals	£262,217.10	£341,402.19	£166,012.45	£175,389.74	-36.69%

Notes

1. As actual costs incurred it is not possible to implement the review in total
2. Increase in Actual 2009 Mains Services is due to introduction by NI Water of sewerage charge (phased in at 50% in initial year)
It is proposed to re-invoice this charge to developers as a separate item and apportioned on building area to more accurately reflect usage
3. Painting of Estate railings/gates and additional winter gritting account for increase in Actual 2009 Hire Charges
4. Shuttle Bus Service for Actual 2009 has increased with withdrawal of Council subsidy – agreed with tenants/developers
5. Increase in 2009 Management Fee reflects 5% of total increased costs

Appendix 3

Service Charge cost apportionment with inclusion of visitor's car park

Developer	Site Area	Actual 2009	Revised 2009	% Variance (Actual 2009/Revised 2009)
CUSP Ltd	0.301	£6,125.05	£3,601.16	41.21%
Turkington	0.38	£7,732.62	£4,546.32	41.21%
CUSP Ltd	1.142	£23,238.55	£13,662.89	41.21%
CUSP (car park)	0.833	£16,950.71	£9,966.01	41.21%
Halifax	2.12	£43,139.86	£25,363.68	41.21%
Inislyn	2.18	£44,360.80	£26,081.52	41.21%
Klondyke	0.942	£19,168.75	£11,270.09	41.21%
Ormeau Enter	1.53	£31,133.96	£18,304.92	41.21%
OMG	0.184	£3,744.21	£2,201.38	41.21%
OMG	0.24	£4,883.76	£2,871.36	41.21%
OMG	0.784	£15,953.61	£9,379.78	41.21%
OMG	0.377	£7,671.57	£4,510.43	41.21%
OMG	0.113	£2,299.44	£1,351.93	41.21%
OMG	0.563	£11,456.48	£6,735.73	41.21%
JHT (Cromac Wood)	1.197	£24,357.74	£14,320.91	41.21%
Visitor's Car Park (Council)	0.99	£0.00	£11,844.36	100.00%
Total	13.876	£262,217.10	£166,012.45	36.69%

Notes

The above table illustrates the combined effect of reviewed service charge provisions with inclusion of the visitor's car park in apportionment which indicates a total reduction in incidence of cost per plot of 41.21%

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