

LETTING OF SURPLUS OFFICE SPACE; CIVIC OFFICES, MERRIAL STREET, NEWCASTLE-UNDER-LYME

Submitted by: Executive Director – Regeneration and Development

Portfolio: Regeneration and Planning and; Customer Services and Transformation

Ward(s) affected: Town

Purpose of the Report

To update Members on the letting of surplus Civic office space to third party partner organisations.

Recommendations

(a) That Cabinet authorises officers to take the necessary actions to complete new leases with the Staffordshire County Council and Staffordshire Police Authority in respect of the Civic Offices premises.

(b) That Cabinet notes the actions taken by officers in consultation with the Portfolio Holder for Regeneration and Planning in respect of the letting of office accommodation at the Civic Offices to Public Health partners.

Reasons

Following an accommodation audit and implementation of a rationalisation programme of floor space used by the by the Borough Council within the Civic Offices negotiations have taken place and lease terms agreed with third party partners for their use of the surplus accommodation arising. This approach is consistent with the Council's objectives about making the best use of resources and achieving efficiencies in operational activities without detriment to front-line services.

1. Background

1.1 Members will be aware that accommodation rationalisation is an important element of the Council's Transformation Programme (as part of a sub-programme called "The Way We Work"), with the original Transformation Programme key aims being to:-

- Deliver efficiency savings.
- Develop new ways of working.
- Improve performance.
- Improve customer service.

1.2 The results of an accommodation audit reported that by rationalising and making best use of existing floor space it would be feasible for the Council to reduce its overall space requirements. At the time of the report (finalised, September 2010) Borough Council usage of the Civic Offices accounted for 4,757 sq m out of a total of 5,288 sq m (or 90%) The balance of floor space, 531 sq m, was being occupied by Staffordshire County Council, Children's Services, on a nine year lease which commenced in June 2003.

NB. (All floor areas quoted are approximate and measured on a net internal area basis)

1.3 Over the past twelve months your officers have worked to identify where and how floor space usage could be rationalised, seeking to balance the objective of minimising detriment

to service delivery with optimising the space that might be attractive to a third party tenant(s). Officers have subsequently organised and implemented appropriate staff moves throughout the building creating approximately 1,318 sq m of surplus floor space. The relocation of Borough Council staff within the building will be completed by the end of March 2012.

1.4 In parallel with this rationalisation programme your officers have negotiated and reached 'heads of terms' agreement for new leases, at current market rents, with the following prospective tenants;

(i) Staffordshire County Council, Adult Services
Demise: 752 sq ms (on the first & second floors)
Term: 5 years, to commence 1 July 2012
Rent plus service charge.

(ii) Staffordshire Police Authority
Demise: 467 sq ms (on the lower ground floor)
Term: 15 years, to commence 1 April 2012
Rent plus service charge

(iii) Public Health
Demise: 99 sq ms (on the first floor)
Term: commencing 24 November 2011 and ending 31 March 2013 (the term commenced by way of a 'tenancy at will' with the formal lease still to be completed)
Rent plus service charge

1.5 All of the above transactions have been reported to and approved by the Portfolio Holder for Regeneration & Planning. Furthermore Legal Services have been instructed and draft leases have been prepared.

1.6 In the case of the existing lease (referred to at 1.2 above) with Staffordshire County Council, Children's Services, 'heads of terms' for its renewal are currently being negotiated.

2. **Issues**

2.1 In each of the above leases there will be a Council 'option to break' operable if the property is required for the proposed comprehensive retail-led Ryecroft redevelopment.

2.2 Your officers are working towards finalising these lease agreements, currently focusing on the Police as they require works to be undertaken to their proposed demise prior to taking occupation (target date of 1 April). Members should note that the County Council occupation is anticipated by the end of June 2012.

3. **Outcomes Linked to Sustainable Community Strategy and Corporate Priorities**

3.1 The disposal (by way of lease) of surplus Civic floor space will enable the Council to realise a revenue income stream that can be used to support service delivery. It will also reduce its share of running costs for the building (achieving a significant financial efficiency) and in consequence its own carbon footprint (consistent with the Council's Carbon management Plan objectives).

3.2 It is anticipated that the occupation by Staffordshire Police will contribute to the Council's priority relating to Safer and Stronger Communities by improving joined-up service delivery and similar service delivery outcomes are expected to emerge from the co-location of the County Council and health partners.

3.3 The letting of Civic accommodation will assist partner organisations in the delivery of their services/achievement of their strategic objectives.

4. **Legal and Statutory Implications**

4.1 All of these lettings will be subject to formal business leases.

5. **Equality Impact Assessment**

There are no direct implications arising from this report.

6. **Financial and Resource Implications**

6.1 Upon completion of the leases the Council will obtain a new rental income stream totalling £128,300 pa and a reduction in running cost expenditure, estimated to be £137,000; thereby equating to a total annual efficiency saving to the Council of about £265,000 p.a. (in a full year).

7. **Major Risks**

7.1 Until formal leases are completed there is a possibility that the prospective tenants may not take occupancy of the building. Thus the anticipated income streams would be deferred until such time as alternative/replacement occupiers can be found.

11. **Key Decision Information**

None

12. **Earlier Cabinet/Committee Resolutions**

12.1 Insert key Cabinet reports re the Transformation Programme which referred to the accommodation rationalization project.

13. **Background Papers**

Shearwater Rock Space Utilisation report
Asset Management Strategy
MTFS and capital and revenue budgets