

Part A For General Release

DELEGATED DECISION REPORT TO:	Councillor Tony Newman, Leader of the Council
SUBJECT:	Renewal of the lease for the 9th and 10th floors at Bernard Weatherill House
LEAD OFFICER:	Jacqueline Harris Baker Executive Director Resources
CABINET MEMBER:	Cllr Simon Hall Cabinet Member for Finance and Resources
WARDS:	Fairfield
CORPORATE PRIORITY/POLICY CONTEXT: The lease renewal will help retain an existing business within Croydon and the income will support the delivery of other key corporate priority areas.	

FINANCIAL IMPACT

The letting will secure a significant revenue receipt through the rent and the rate and service charge contributions

FORWARD PLAN KEY DECISION REFERENCE NO.: n/a

The Leader is asked to approve the following recommendations:

1. RECOMMENDATIONS

- 1.1 That the Leader agree that the Council renew the lease for a further 19 months for the letting of the 9th and 10th floors of Bernard Weatherill House (BWH) to the Secretary of State for Communities and Local Government and on the terms detailed in the associated Part B report.
- 1.2 Agree that, for the reasons detailed in paragraph 3.5 of the report, the Executive Director Resources be given delegated authority, in consultation with the Cabinet Member for Finance and Resources to make any minor amendments to the terms of the lease for the 9th and 10th floors of BWH considered necessary after the decision has been made.
- 1.3 Note that where any amendments are made under this delegation, the amended terms for the 19 month lease for the 9th and 10th floors of BWH will be published on the Council's website within 1 month of completion of the lease.

2. EXECUTIVE SUMMARY

- 2.1 As part of the Council's Asset Strategy a review of the occupational office portfolio has been undertaken to maximise its use and revenue generating potential. Through this work the top 4 floors as well as parts of the ground, first and second floors of Bernard Weatherill House have been let out to third parties.
- 2.2 This report is seeking approval for the Council to renew the lease of the 9th and 10th floors of BWH (the accommodation) to the Secretary of State for Communities and Local Government with the Home Office as the occupier (the Tenant) for a further term of up to 19 months.
- 2.3 The lease will produce a significant income to the Council through the rent and in addition significant revenue saving through the recovery of rates and service charge payments.

3. DETAIL

- 3.1 With the current financial pressures on the Council it is even more important that the use of the property assets are optimised and used to generate income or a reduction in running costs wherever possible. As part of the Council's Asset Strategy, the Council's occupational portfolio has been reviewed to identify opportunities to release space.
- 3.2 Through adopting a more flexible approach to working and adopting an average 10:6 desk ratio it has been identified that between 50-60,000 sq ft of space could be released within BWH. The initial letting of the 9th and 10th floors was part of this process and terms have now been agreed to renew the lease for a further 19 months.
- 3.3 The lease to the Tenant is for 17,900 sq ft located on the 9th and 10th floors.
- 3.4 The new lease will run from the expiry of the existing term on 23 August 2019. The terms of the letting are detailed in the Part B report as they are commercially sensitive.
- 3.5 Although the terms have been agreed in principle it may be necessary to make minor amendments during the drafting of the lease. A delegated authority has therefore been requested as part of the approval so that these can be dealt with swiftly. Any such amendments will not have a material impact on the overall financial benefits or contractual obligations to the Council
- 3.6 The lettable space within BWH has been marketed and tested through negotiating with external agents. The terms for the letting have therefore been market tested. The market evidence for lettings of other modern office space within Croydon has been fully analysed and the terms agreed for the proposed letting are considered to fairly represent the current market terms.

4. CONSULTATION

- 4.1 No consultation outside of the Council has taken place but consultation has been undertaken with the Workers Disability Group in connection with the proposed access control changes.

5 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

5.1 Risks

Once the letting has been completed the Council will not be able to take the space back for a period of up to 19 months as the lease does not contain a landlord's break option. At the end of the lease the Council would, however, be able to terminate the lease if they required it for their own occupation or some form of redevelopment.

5.2 Options

This proposal is being put forward as an opportunity to contribute towards the budget savings targets. The only other options would be to look towards other tenants as the need to let space has been identified.

The covenant strength of the proposed tenant is very good and the terms agreed are a fair reflection of the market terms for offices in Croydon. The letting will also help retain jobs to Croydon.

The space could be retained by the Council and not let but this would not meet the requirements to make best use of the Council's assets and it has been demonstrated through the staff engagement that the current numbers and work styles of staff allow the release of some space within the building.

5.3 Future savings/efficiencies

Although this is only a short term letting, this will make a significant contribution towards the budget income targets and will continue to generate an annual income stream to the Council in the short term as there is no rent free period.

Approved by: Lisa Taylor, Director, Finance, Investment and interim s151 Officer

6. LEGAL CONSIDERATIONS

- 6.1 Under section 123 of the Local Government Act 1972, a local authority has the power to dispose of land. The main caveat to this power is that the Council must not do so for "*a consideration less than the best that can be reasonably obtained*". This is interpreted as being the best price achievable in the open market, and in agreeing the basis of the disposal, the Council must be satisfied that it is receiving the best price for the lease.

Approved by Gillian Jeffery, Solicitor, on behalf of Sean Murphy, Director of Law and Governance and Deputy Monitoring Officer

7. HUMAN RESOURCES IMPACT

- 7.1 The opportunity to release space within BWH has been possible as a result of the review of staff work styles that has been undertaken and the Council's requirement to move towards a more flexible working environment which allows 3:2 desk ratios to be adopted. The letting of this space as outlined will compliment these changes.

8. EQUALITIES IMPACT

- 8.1 An equality impact assessment for the move into BWH was updated as part of the overall Enabling our Workforce project. This fully considered the impact both as a result of the changes to work styles and occupational space within the Council's corporate office accommodation.

Consultation has taken place with the Workers Disability Group to ensure that the proposed changes, including the installation of access control arrangements for each floor will take into account the needs of all employees and will not impede access to any areas.

The proposal to release the accommodation through entering into a lease was considered as part of this work but due to the mitigation works it was not considered to have any additional impact.

9. ENVIRONMENTAL IMPACT

- 9.1 The increase in the number of people within the building is in compliance with all statutory requirements. The continued use of this space is not likely to have any environmental impacts and is more sustainable than providing new building to create the necessary space for the tenant to occupy

10. CRIME AND DISORDER REDUCTION IMPACT

- 10.1 There will be no impact on crime and disorder as a result of the letting.

11. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

- 11.1 The renewal of the lease for the accommodation will generate a significant financial contribution for the Council and help reduce its revenue costs for the building.

12. ALTERNATIVE OPTIONS CONSIDERED

- 12.1 The only alternative option would be to reject the agreed terms on the grounds that they did not represent value for money, the tenant was unsuitable or the Council require the space for their own purposes. The detail provided in the body of the report demonstrates this is not the case,

CONTACT OFFICER: Steve Wingrave Head of Asset Management and Estates ext 61512

BACKGROUND PAPERS: none