

## LONDON BOROUGH OF CROYDON

To: Croydon Council website  
Access Croydon & Town Hall Reception

### **STATEMENT OF EXECUTIVE DECISIONS MADE BY THE CABINET MEMBER FOR FINANCE AND TREASURY ON 26 FEBRUARY**

This statement is produced in accordance with Regulation 13 of the Local Authorities (Executive Arrangements) Meetings and Access to Information) (England) Regulations 2012.

The following apply to the decisions listed below:

**Reasons for these decisions:** are contained in the **attached** Part A report

**Other options considered and rejected:** are contained in the **attached** Part A report

**Details of conflicts of Interest declared by the Cabinet Member:** none

**Note of dispensation granted by the head of paid service in relation to a declared conflict of interest by that Member:** none

The Leader of the Council has delegated to the Cabinet Member the power to make the executive decisions set out below:

#### **CABINET MEMBER'S DECISION REFERENCE NO. 06/16/FT**

**Decision title: Letting of the 11th and 12th floors at Bernard Weatherill House**

Having carefully read and considered the Part A report and the requirements of the Council's public sector equality duty in relation to the issues detailed in the body of the reports, the Cabinet Member for Finance and Treasury in consultation with the Leader of the Council

#### **RESOLVED**

- 1.1 Agree that the Council enter into a 10 year lease for the letting of the 11<sup>th</sup> and 12<sup>th</sup> floors of Bernard Weatherill House (BWH) to the parties and on the terms detailed in the associated Part B report.
- 1.2 Recommend to the Leader that he agree that the Assistant Chief Executive (Corporate Resources) and s151 Officer be given delegated authority in consultation with the Cabinet Member for Finance and Treasury to approve entering into a lease of the 10<sup>th</sup> floor of BWH subject to the terms set out in paragraph 3.2 (6) in the associated Part B report.

- 1.3 Agree that, for the reasons detailed in paragraph 3.7 of the report, the Assistant Chief Executive (Corporate Resources) and s151 Officer be given delegated authority, in consultation with the Cabinet Member for Finance and Treasury to make any amendments to the terms of the grant of the 10 year lease for the 11<sup>th</sup> and 12<sup>th</sup> floors of BWH considered necessary after the decision has been made and in line with the reasons detailed in paragraph 3.6 of the report.
- 1.4 Note that where any amendments are made under this delegation, the amended terms for the 10 year lease for the 11<sup>th</sup> and 12<sup>th</sup> floors of BWH will be published on the Council's website within 1 month of completion of the lease.
- 1.5 Agree that the Council enter into a 10 year lease for the letting of the 11th and 12th floors of Bernard Weatherill House (BWH) on the terms detailed in the Part B report.
- 1.6 Recommend to the Leader that he agree that the Assistant Chief Executive (Corporate Resources) and s151 Officer be given delegated authority in consultation with the Cabinet Member for Finance and Treasury to approve entering into a lease of the 10th floor of BWH subject to the terms set out in paragraph 3.2(6) of the Part B report.
- 1.7 Agree that, for the reasons detailed in paragraph 3.7 of the Part A report, the Assistant Chief Executive (Corporate Resources) and s151 Officer be given delegated authority, in consultation with the Cabinet Member for Finance and Treasury to make any amendments to the terms of the acquisition of the 10 year lease for the 11th and 12th floors of BWH considered necessary after the decision has been made

Date: 9 March 2016

**Part A For General Release**

<b>DELEGATED DECISION REPORT TO::</b>	<b>Cllr Simon Hall Cabinet member for Finance and Treasury</b>
<b>AGENDA ITEM:</b>	<b>Background paper to item 10.1 – Cabinet 22 February 2016</b>
<b>SUBJECT:</b>	<b>Letting of the 11<sup>th</sup> and 12<sup>th</sup> floors at Bernard Weatherill House</b>
<b>LEAD OFFICER:</b>	<b>Richard Simpson Assistant Chief Executive (Corporate Resources) and s151 Officer</b>
<b>CABINET MEMBER:</b>	<b>Cllr Simon Hall Cabinet member for Finance and Treasury</b>
<b>WARDS:</b>	<b>Fairfield</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b>	

<b>FINANCIAL IMPACT</b> <b>The letting will secure a significant revenue receipt through the rent and the rate and service charge contributions</b>
<b>FORWARD PLAN KEY DECISION REFERENCE NO.: 06/06/FT</b>

This is a Key Decision as defined in the Council's Constitution. The decision may be implemented from 1300 hours on the expiry of 5 working days after it is made, unless the decision is referred to the Scrutiny & Strategic Overview Committee by the requisite number of Councillors.'

The Leader of the Council has delegated to the Cabinet Member for Finance & Treasury the power to make the decisions set out in the recommendations below

## **1. RECOMMENDATIONS**

The Cabinet Member for Finance and Treasury is recommended to:

- 1.1 Agree that the Council enter into a 10 year lease for the letting of the 11<sup>th</sup> and 12<sup>th</sup> floors of Bernard Weatherill House (BWH) to the parties and on the terms detailed in the associated Part B report.
- 1.2 Recommend to the Leader that he agree that the Assistant Chief Executive (Corporate Resources) and s151 Officer be given delegated authority in consultation with the Cabinet Member for Finance and Treasury to approve entering into a lease of the 10<sup>th</sup> floor of BWH subject to the terms set out in paragraph 3.2 (6) in the associated Part B report.
- 1.3 Agree that, for the reasons detailed in paragraph 3.7 of the report, the Assistant Chief Executive (Corporate Resources) and s151 Officer be given delegated authority, in consultation with the Cabinet Member for Finance and Treasury to make any amendments to the terms of the grant of the 10 year lease for the 11<sup>th</sup> and 12<sup>th</sup> floors of BWH considered necessary after the decision has been made and in line with the reasons detailed in paragraph 3.6 of this report.
- 1.4 Note that where any amendments are made under this delegation, the amended terms for the 10 year lease for the 11<sup>th</sup> and 12<sup>th</sup> 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 Councils Asset Strategy a review of the occupational office portfolio has been undertaken to maximise its use and revenue generating potential. Through this work it has been identified that up to 4 floors within BWH could be let to third party organisations.
- 2.2 This report is seeking approval for the Council to enter into a new 10 year lease of the 11<sup>th</sup> and 12<sup>th</sup> floors of BWH (the accommodation) to a multi national company. .
- 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.
- 2.4 The proposed letting has been secured after a long period of marketing and discussions with a number of prospective tenants. The terms agreed have therefore been market tested and are considered to represent best value.

### **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 new 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 a 3:2 desk ratio it has been identified that between 50-60,000sq ft of space could be released within BWH. Work has started to undertake the necessary re-organisation of the location of existing teams to allow space to be released and this will take place on a phased basis to minimise disruption and multiple moves for the teams involved. The first phase will allow the release of the 11<sup>th</sup> and 12<sup>th</sup> floors of BWH to allow the proposed letting to take place.
- 3.3 The lease to a professional consultancy company (the Tenant) will be for around 18,000sq ft located on the 11<sup>th</sup> and 12<sup>th</sup> floors plus two dedicated meeting rooms on the first floor. The tenants will also be permitted to use the café on the 8<sup>th</sup> floor and have access to book other meeting rooms on the first floor on an occasional basis for an agreed hire charge.
- 3.4 As part of the works to accommodate this letting, access control will be activated to all floors and two of the lifts will be reprogrammed to allow faster access to floors 7 upwards. Minor modifications to the existing mechanical and electrical services will be undertaken to accommodate the increased numbers within the building. The original design of the building permits, under the fire and evacuation strategy, a higher density of use than is existing and the proposed letting will not therefore impact on fire and evacuation safety.
- 3.5 The proposed letting is due to be completed by early April 2016. The detailed terms of the letting are detailed in the Part B report as they are commercially sensitive.
- 3.6 Within the terms agreed there is an option for the tenants to take a lease for the 10<sup>th</sup> floor and they have a right of first refusal which will be in place until December 2016. The letting would be on the same terms as the leases for the 11<sup>th</sup> and 12<sup>th</sup> floors and be co-terminus.
- 3.7 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.
- 3.8 The lettable space within BWH has been marketed over the last 12 months and discussions with a number of potential tenants (both private companies and Government departments) have taken place. 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**

### **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 10 years 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.

An additional risk is the termination of the lease by the tenant after 5 years thereby removing the revenue stream. This is felt to be unlikely and a financial incentive to help encourage the tenant to remain has been included within the lease terms. The tenant is also required to give at least 6 months' notice if they wish to terminate the agreement and therefore this would allow some time for re-marketing.

The lease terms allow for a rent review after 5 years to secure any rental increases and the service charge provisions are linked to CPI. This ties in with the proposed contract terms within the Facilities Management contracts.

### **2 Options**

This proposal is being put forward as an opportunity to contribute towards the Croydon Challenge 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 tenant is also keen to be in occupation by April and therefore the revenue benefits can be secured quickly.

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.

### **3 Future savings/efficiencies**

The letting will make a significant contribution towards the Croydon Challenge targets and will generate a significant annual income/saving to the Council after the initial rent free period.

(Approved by: Richard Simpson, Assistant Chief Executive (Resources) and S151 Officer)

## **6. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER**

- 6.1 The Council Solicitor comments that in agreeing the basis of the disposal, the Council must be satisfied that it is receiving a fair market value for the lease. The best consideration test and requirements are set out in section 123 of the Local Government Act

(Approved by: Gabriel MacGregor, Head of Corporate Law on behalf of the Council Solicitor & Director of Democratic & Legal Services)

## **7. HUMAN RESOURCES IMPACT**

- 7.1 The opportunity to release space within BWH has been possible as a result of the review of staff workstyles that has been undertaken and the Councils 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

Approved by - Michael Pichamuthu on behalf of the Director of Human Resources

## **8. EQUALITIES IMPACT**

- 8.1 The original equality impact assessment for the move into BWH is being updated as part of the overall Enabling our Workforce project. This will 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 10 year lease will be considered as part of this work but due to the mitigation works it is not anticipated that it will have any additional impact.

## **9. ENVIRONMENTAL IMPACT**

- 9.1 The increase in the number of people within the building will be in compliance with all statutory requirements. The increased 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**

A new ten year lease for the accommodation will generate a significant financial contribution for the Council and help reduce its revenue costs for the building.

The presence of a major multinational company within the building strengthens the company's commitment to Croydon and will help generate additional employment opportunities.

## **12. ALTERNATIVE OPTIONS CONSIDERED**

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,

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**BACKGROUND PAPERS: none**