

CABINET

19 April 2016

Title: Rationalisation of Corporate Office Portfolio – Update	
Report of the Cabinet Members for Finance and Regeneration	
Open Report	For Decision
Wards Affected: Abbey and Heath	Key Decision: Yes
Report Author: Andy Bere, Asset Strategy Manager	Contact Details: Email: andy.bere@lbbd.gov.uk Tel: 020 8227 3047
Accountable Director: Jonathan Bunt, Strategic Director, Finance and Investment	
Summary <p>By Minute 78 (16 December 2014), the Cabinet received a report on the 'Rationalisation of the Corporate Office Portfolio' which set out a range of options to reduce and reconfigure the number of corporate offices and, in doing so, to achieve significant savings. The Cabinet agreed to pursue option 4c within that report, the main aspects of which were to retain and open plan the Town Hall, retain Pondfield House, convert the Civic Centre to secondary school use, dispose of Roycraft House to Agilisys with the potential leaseback of two floors for Council office use.</p> <p>This report provides an update on that decision with particular reference to the Civic Centre and Roycraft House projects.</p> <p>At the time of the December 2014 report, Members stressed the importance of achieving a legacy for the Civic Centre and a preference for it to be developed for an education purpose with the recommended option noted as conversion for secondary school use. It is now proposed to widen this to include higher education uses in order to expand the scope for opportunities and increase the access to wider education and contribute to the objective of raising educational attainment in the community.</p> <p>A significant educational use for the Civic Centre would create a positive legacy for the building and maintain its community focus at the heart of Dagenham. It is still the intention to have access to the building for community and Member meetings which would be negotiated with any future user of the building.</p> <p>The report also sets out details of a revised approach regarding the ownership and leasing arrangements with Agilisys for Roycraft House.</p>	
Recommendation(s) <p>The Cabinet is recommended to:</p> <ul style="list-style-type: none">(i) Agree to extend the potential future use of the Civic Centre from secondary school use to a wider educational use and seek to retain some use of the building for civic purposes;	

- (ii) Agree that the Council retains ownership of Roycraft House and leases the whole building to Agilisys at market rent, co-terminus with the Elevate contract due to expire in 2020, and the leasing back by the Council of two of the floors for office accommodation;
- (iii) Delegate authority to the Strategic Director of Finance and Investment, in consultation with the Director of Law and Governance and the Cabinet Members for Finance and Regeneration, to negotiate final terms and agree the contract documents to fully implement the arrangements in respect of Roycraft House and the Civic Centre at a market rent; and
- (iv) Authorise the Director of Law and Governance, or an authorised delegate on their behalf, to execute all of the legal agreements, contracts and other documents on behalf of the Council.

Reason(s)

To assist the Council in achieving its corporate priorities of:

- Encouraging Civic Pride: the proposals will provide an accessible and cost effective municipal centre and deliver community benefits
- Enabling Social Responsibility: the continued implementation of flexible working will take service delivery closer to communities and enable citizens to be actively engaged in requesting services
- Growing the Borough: the proposals will support economic development through the provision of construction related opportunities in Barking and Dagenham and by the long-term support of local retailers.
- Enhance the Borough's image to attract investment and business growth, develop a local, skilled workforce and improve employment opportunities: proposals to expand the Civic Centre educational proposals would offer greater access to further and higher education for local residents and would support wider economic programmes.

1. Background

- 1.1. As part of the budget planning exercise, Cabinet received a report on 16 December 2014 outlining the options available for reducing the corporate office portfolio and the anticipated financial savings associated with each option in order to reduce the estimated £119.5m of spend over 30 years associated with retaining the office portfolio outlined in the report.
- 1.2. Members agreed to proceed with implementing the option described as 4c which was to 'retain and open plan the Town Hall, retain Pondfield House, convert the Civic Centre to secondary school use, dispose of Roycraft House to Agilisys with the potential leaseback of two floors for Council office use'.
- 1.3 The anticipated timeframe for delivering the programme was estimated to be 2-3 years (2015 to 2018) and Cabinet agreed to the £11.2m of funding associated with delivering the project, much of which would be offset by the anticipated savings and values associated with the buildings earmarked for disposal and required

estimated capital borrowing of £4.31m.

2. Proposals for the Civic Centre

- 2.1 In agreeing Option 4c, Members stressed the importance of achieving a legacy for the Civic Centre given its historic, local and architectural significance and a desire that the building should fulfil an educational purpose. Accordingly, the December 2014 report set out proposals to utilise the building for secondary school educational purposes.
- 2.2 Subsequent discussions identified its suitability as a possible sixth form for a number of secondary schools within the vicinity but discussions with the local consortium could not reach agreement to take this forward and work continued to finding a suitable and long lasting option for the building.
- 2.3 In order to increase the wider opportunities for securing a lasting legacy for the Civic Centre that builds upon the educational theme and delivers a use that maintains the Civic Centre as a community facility in the heart of Dagenham, it is proposed to widen the use of the building to include all educational use. This would widen the market of potential occupiers of the building and enhance the educational attainment of a wider group of the Borough's residents, including school leavers and adult learners. There would also be additional economic benefits to the surrounding area from a higher education use than are likely from a secondary school.
- 2.4 Widening this use would still maintain the need to retain access to space within the building, to be agreed with any new provider, in order to seek to retain a wider civic purpose.

3. Proposals for Roycraft House

- 3.1 Option 4c included proposals for the disposal of Roycraft House to Agilisys with the potential leaseback of two floors to accommodate Council staff, with Elevate staff being consolidated within the building.
- 3.2 Stemming from the ongoing negotiations with Agilisys, the preferred option has materialised which would involve the Council retaining ownership of Roycraft House, leasing the whole building to Agilisys and the leasing back of two of the floors. The head lease arrangement with Agilisys would be at market rent and would be co-terminus with the Elevate contract, to ensure flexibility for when the contract expires in 2020. The alternative option of a freehold disposal to Agilisys was considered but each party has expressed a preference for the flexibility offered by a leasing arrangement.
- 3.3 The building would continue to be managed by the Council under a management agreement and the Council would receive an annual revenue stream, which is considered to be more advantageous at the current time as the income will contribute to the ongoing savings requirement rather than a one off capital receipt from the freehold disposal. As the building would continue to be owned within the corporate office portfolio the Council would be in a position towards the end of the head lease agreement to reassess its options in the light of the potential of future regeneration opportunities linked to the Town Centre. Those options would, of course, include the potential sale of the building at that time.

4. Financial Implications

Implications completed by: Kathy Freeman, Divisional Director - Finance

- 4.1 The December 2014 report highlighted savings of £1.9m from the corporate office accommodation strategy and the proposals in this update support the delivery of those savings.
- 4.2 The rental income generated by the lease of Roycraft House to Agilisys at a market rent will provide an annual revenue income, which is financially more advantageous than a one-off capital receipt.

5. Legal Implications

Implications completed by: Erol Islek, Property Solicitor

- 5.1 The Council has powers under the 1972 Act to dispose of land in any manner it wishes, including sale of its freehold interest, granting a lease or assigning any unexpired term on a lease, and the granting of easements. The only constraint is that a disposal must be for the best consideration reasonably obtainable unless the Secretary of State consents to the disposal.
- 5.2 The Council must therefore obtain an independent valuation from a qualified professional to ascertain the annual market rent of the properties it plans to lease.
- 5.3 The terms of the General Disposal Consent (England) 2003 mean that specific consent is not required for the disposal of any interest in land which the authority considers will help it to secure the promotion or improvement of the economic, social or environmental well-being of its area.
- 5.4 Where applicable, the Council should also have regard to its community strategy. If the Council intends to grant a lease at a lower rent, in all cases, disposal at less than best consideration is subject to the condition that the undervalue does not exceed £2,000,000 (two million pounds) over the 15 year term created by the Lease.
- 5.5 In addition, Section 1 of the Localism Act 2011 provides local authorities with a general power of competence and states that a local authority has power to do anything that individuals may do. Therefore the local authority has general power to enter into such lease arrangement with its future tenants.

6. Other Implications

- 6.1 **Risk Management** - Many of the risks identified within the December 2014 Report have been addressed with long term plans developing for the buildings identified within the option agreed by Cabinet.
- 6.2 **Contractual Issues** - The proposals contained in this report support the contractual issues identified within the December 2014 report.
- 6.3 **Health Issues** - The proposals in this report continue to support the issues outlined within the December 2014 report in that they enable staff to adopt a healthier work

life balance due to the greater use of flexible working and lead to reduced levels of sickness.

- 6.4 **Property / Asset Issues** - The property asset implications are outlined throughout the report. Market valuations will be used to negotiate the rental figure and lease for Roycraft House and widening the scope on the use for the Civic Centre.
- 6.5 **Staff Issues** - The staffing assumptions regarding the preferred option were set out in the December 2014 Cabinet Report and these continue to be reviewed. The number of staff to be accommodated within the retained corporate office estate will fluctuate based on the future organisational structure of the Council. The Smarter Working approach to how the office space will be utilised will ensure that sufficient space of a flexible and sustainable nature will be provided in the most cost effective way.

Public Background Papers Used in the Preparation of the Report: None

List of appendices: None