

AGENDA ITEM: 4

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Meeting	Special Cabinet Resources Committee
Date	28 July 2005
Subject	Accommodation Strategy and Modernising Access to Services
Report of	Leader Cabinet Member for Policy and Performance
Summary	This report is a step in the implementation of the Council's Accommodation Strategy. It proposes the further consolidation of accommodation at NLBP and Barnet House with consequent disposal of Stag House and the surrender of leases at Hyde House and Sovereign House. The proposals will deliver revenue and capital benefit to the authority.

Officer Contributors	Shari Simon, Property Support Officer
Status (public or exempt)	Public – with a separate exempt report
Wards affected	N/A
Enclosures	Appendices A, B and C
For decision by	The Committee
Function of	Executive
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

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1. RECOMMENDATIONS

- 1.1 That the Council takes a new lease of parts of the ground floor and the whole of the first and second floors of Building 4 at North London Business Park for a term of 15 years from 17 October 2007 upon the principal terms set out in the report.**
- 1.2 That the Council takes lease of an additional part of the ground floor of Building 4 at North London Business Park for a term up to 16 October 2007 and upon the principal terms set out in the report.**
- 1.3 That the appropriate Chief Officers arrange to have the proposed works to the additional ground floor accommodation referred to in 1.2 above and detailed in the report carried out within the budgeted sums.**
- 1.4 That subject to 1.2 and 1.3 above and to the prior consultation with the Unions, the appropriate Chief Officers undertake the necessary moves of staff to meet the objectives of the report.**
- 1.5 That, subject to 1.4 above the Council's tenancies of Hyde House and Sovereign House be terminated.**
- 1.6 That subject to 1.4 above the appropriate Chief Officers to report to a future meeting of the Committee upon the options for Stag House.**
- 1.7.1 That the additional revenue and capital costs for HRA and GF are included as bids in the council's budget and forward planning processes for revenue and capital for the appropriate year.**

All of the above being subject to the costs remaining within the guidelines as set out in the exempt report.

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Cabinet 22 April 2002 – Agreed to the taking of a five year lease of office accommodation in Building 4 at North London Business Park.
- 2.2 Cabinet 14 April 2003 – Agreed to take a lease of Building 5 at North London Business Park co-terminus with the lease of Building 4.
- 2.3 Cabinet 21 February 2005 – Agreed the appointment of consultants to review the land and buildings in and around The Town Hall to provide options for the future use of Council owned buildings around The Burroughs.
- 2.4 Cabinet 4 July 2005 – Approved the Accommodation Strategy.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The corporate plan commits the council to improved asset and contract management. In line with this the proposals in this report seek to continue the programme of modernising the authority's office accommodation. The proposals are also in line with the Accommodation Strategy approved by Cabinet on 4 July 2005.
- 3.2 The proposals in this report progress this objective by identifying office accommodation changes which fit with the accommodation strategy vision of "a smaller, more centralised provision of office accommodation for service support staff enabling improvement in

frontline service provision, improving access to service users across a range of innovative accommodation solutions”. In addition, also in line with the objectives of the strategy, these moves could act to consolidate office space beyond NLBP in advance of any possible re-development of the lands within the vicinity of the Town Hall.

3.3 The draft Capital Strategy is intended to:

- ensure that spending decisions are matched to corporate priorities
- ensure that both revenue and capital implications of decisions are fully considered
- along with the Asset Management Plan and Accommodation Strategy, promote corporate ownership of property issues

The proposals in this report accord with these objectives.

3.4 Furthermore, the Planning Service is a priority area within Barnet Council, central to delivering the ‘three strand approach’ to regeneration in the borough going forward.

4. RISK MANAGEMENT ISSUES

4.1 The Council has no security of tenure at Hyde House nor at Sovereign House. Whilst the landlords have not taken action to secure possession against the Council to date this situation may not continue. The problem is particularly acute in the case of Sovereign House where the Council’s landlord is only a head lessee and that head-lease is due to expire shortly. Thus, it is essential that the Council makes an early decision about whether it intends to negotiate new leases at these locations or vacate. This report seeks to address these risks and issues.

4.2 Vacating Hyde House and Sovereign House will generate dilapidations claims from the landlords of each building. These will be the subject of negotiation and any settlement reported to a future meeting of the committee. It should be noted however that such claims will be encountered whenever the Council vacates these buildings.

4.3 The cost estimates in this report are at this stage best assessed estimates and are based on the significant experience of the authority of moving staff into NLBP and dealing with similar issues elsewhere. However, it is proposed that if the recommendations in this report are approved, further work on the cost estimates will be undertaken to identify actual sums and with the expenditure be closely monitored to contain costs within the estimates set out in the exempt report.

4.4 There are risks associated with the estimated receipt for Stag House, the value being dependant upon the nature and timing of the disposal and the building’s future use.

4.5 The proposed new 15 year lease with an 8th year break clause of the Building 4 accommodation gives the Council either a 10 year or a 17 year window within which to fully implement its accommodation strategy. Depending upon the implementation timing of the projects within the strategy, a situation may arise where the Council is still leasing space which is surplus to its requirements. However, it is considered that this can be mitigated by proper project planning and the risks are outweighed by the current benefits of taking the longer lease.

4.6 It is always possible that within 10 years, with changes in work practices and possible reductions in the need for office space that surplus accommodation could occur in any of the principal office locations. After the closure of Hyde, Sovereign and Stag Houses the Council will still have other satellite buildings and the use of these can be reviewed if

space becomes available in the principal buildings. There is also a risk that Barnet Homes may change their accommodation requirements at Barnet House before 2015, leaving the council with surplus leased accommodation.

5. FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS

- 5.1 Appendix A to this report provides an outline of the current expenditure and Appendix B shows the proposed revenue expenditure arising from these proposals. The costs are split between HRA and GF. There will be an estimated net saving to the HRA of £227,186, but an estimated additional cost of £196,850 to the GF. These amounts are not currently built into the council's budgets and will need to be included as part of the council's budget and forward planning process. The capital costs set out in Appendix C are not part of the current approved capital programme and will be an additional cost for both GF and HRA, unless met by slippage or deletion of existing schemes. The expected £1m capital receipt for Stag House will only benefit the council in total if it is a GF asset. If it is an HRA asset then it may be subject to pooling.
- 5.2 New IT and telephony will be required for approximately 100 staff moving from Barnet House to NLBP. The costs are as set out in Appendix C. The reference to IT/Telephony refers to hardware (PC's, printers and phones) and the reference to increased infrastructure costs refers to the purchase of new servers and the cabling required for the new level of use on the site. In Appendix B there is a reference to extra SCC costs. This is an estimate of the charges that SCC will make for the management and trouble shooting of an extra 100 staff at NLBP, per annum.
- 5.3 It is recommended that, to ensure the moves are operated in an efficient manner, a temporary Moves Manager should be appointed. The cost for this is as set out in Appendix B. This would be a one-off expenditure. There is no provision for this within the current budgets and it would need to be a bid for resources within the budget and forward planning process.
- 5.4 There will need to be consultation with the Unions about the proposed relocation of staff to different offices.
- 5.5 These moves will facilitate the termination of leases at Hyde House and Sovereign House. A report upon the future of Stag House will be presented to an early future meeting of this Committee.
- 5.6 There will also be an impact on the redevelopment of Barnet House reception, allowing for a more appropriate solution to be put in place for those services consolidated there within.

6. LEGAL ISSUES

- 6.1 As referred to in the body of the report.

7. CONSTITUTIONAL POWERS

- 7.1 Constitution – Council Procedure Rules – Financial Standing Orders & Rules for Disposal of Land and Real Property.
- 7.2 Constitution – Part 3 Responsibility for Functions – Section 3.6 Functions delegated to the Cabinet Resources committee – All matters relating to land and buildings owned,

rented or proposed to be acquired or disposed of by the Council.

8. BACKGROUND INFORMATION

Background

8.1 Hyde House

The Council are the current leaseholders of the 11th floor of Hyde House at The Hyde, NW9. This area has been used by the Housing department (now Barnet Homes) and Community Care since 2001. The lease expired in September 2003 and the Council have been holding over since then on similar terms. The remaining staff in this location are Barnet Homes staff. They number approximately 80 in total. Effectively there is no agreement to remain in this property and some certainty about the future of this accommodation must be found for the staff who occupy the space. The use of this site as an office location is no longer an essential requirement for service delivery. There will be some dilapidations costs involved in the surrendering of the space and potential figures are referred to in the exempt report.

8.2 Sovereign House

The Council are the current tenants of Sovereign House, High Road, N3. The sub-lease for this building expired in August 2003 and the Council are currently holding over under similar terms. However, the head lease is expiring in December 2005 and therefore there is no other option but to move from this property. The 37 staff at this location are all Barnet Homes staff. These staff must vacate by December 2005 at the latest.

Officers have been in negotiation with the landlords in respect of potential dilapidation, and a possible cost is set out in the exempt report.

8.3 Stag House

The Council is the freehold owner of Stag House. The property contains ground floor offices (currently used by approximately 15 Barnet Homes staff) and four residential flats above. The office space is under utilised and does not contribute to the Council's accommodation strategy. The Council have been approached by developers who wish to purchase the property and this has prompted the investigation into its future use. A review of Stag House and its future should be investigated once staff have vacated. There is an estimated figure for a capital receipt in the exempt report.

8.4 Hendon Town Hall

A review of the Hendon Town Hall Complex and environs is currently in progress by the Council's consultants, Donaldsons. Their final report is due in October 2005 and should give the Council various options with regards to future accommodation strategy around The Burroughs. If an option is selected then there would be a length of time required for consultation, scoping, planning and eventually development of some kind. This period is estimated to be somewhere between 5 and 7 years and therefore any development of this site would not be ready for occupation until somewhere between 2010-2012.

8.5 Building 4 North London Business Park

The Council have been approached by the Landlord's of NLBP offering up to an extra 27,000 sq. ft of office accommodation on the ground floor of building 4. This is now becoming available as Nortel make their last moves from the site. The accommodation

consists of open plan offices, approximately 9 small cellular offices and a large internal enclosed area. The whole area has a separate entrance to it situated at the west side of the building with approximately 20 car parking spaces alongside the entrance. In this report references to the space on the ground floor refer only to approximately 17,700 sq. ft rather than the whole of the space available.

Future

- 8.6 As the Council have been holding over on the leases at Hyde and Sovereign House there is a need to secure some longer term settlement of the accommodation needs of the staff currently based in these locations. There is also a need for better integration of services – both those provided by the Council and by Barnet Homes. This is not possible with services being delivered from a number of locations. The financial implications and dilapidations costs of remaining in the existing accommodation or taking the alternative option are set out in the exempt report but clearly there is no efficiency in staying on at either Hyde House nor Sovereign House given the Council's plan to modernise access to services.
- 8.7 Barnet Homes main site at present is Barnet House and efficiencies can be found in the movement of staff from Hyde, Sovereign and Stag House to this location. It would form a better integrated service and would reduce travelling expenses as well as increase efficiencies in property utilisation, utility expenditure and IT/telephony infrastructure. There is a need to move non-Barnet Homes staff out of Barnet House in order to allow the movement of staff from Hyde, Sovereign and Stag. A review of staff in the building has shown that the movement of Planning, Asset Management, Building Regulations and the Land Charges team (approximately 130 staff) to NLBP would be most efficient and help to better integrate services at NLBP.
- 8.8 The opportunity of extra space at NLBP presents advantages for service integration which were impossible previously due to limited space availability. There are some cost implications in terms of building works and IT infrastructure which are laid out in the exempt report. However, the movement of Planning et al to NLBP will free up space for the movement of Barnet Homes staff and Community Care staff to Barnet House which will facilitate a much more efficient service integration and delivery of service at both NLBP and Barnet House. The extra space at NLBP has proven and will still prove to be value for money based on comparable office accommodation market rents.
- 8.9 The ground floor space on offer has a separate entrance and separate parking which with some minor alteration can easily be operated as a small public car park and public entrance for the Planning department. The current office space utilised in building 4 would not be affected by this move as the public entrance would be separate to the existing entrances used by staff and therefore causes no security issues.
- 8.10 The possible future development of the Town Hall leaves the Council with some staffing implications over the next 5 to 7 years. The Council needs some security of tenure to ensure that adequate office accommodation is provided whilst any development takes place. There is an opportunity to extend the lease on floors 1 & 2 in Building 4 at NLBP which would allow a cushion in terms of office accommodation and the review of an accommodation strategy. The Council's current lease of the first and second floors of Building 4 is for a term of five years from 17 October 2002 (thus expiring on 16 October 2007). The provisions of Sections 24 to 28 of the Landlord and Tenant Act 1954 have been excluded and therefore the Council currently has no right to a renewal of the lease. Following discussions with officers the landlord has agreed to grant the Council a new lease upon the expiry of the present term. This would be for 15 years with a right for the Council to break the lease in the 8th year. This would secure tenure for the Council of a

significant part of its office accommodation until 2015 at the earliest, allowing some leeway should there be a delay in any of the alternatives currently under consideration for the Council's longer term office accommodation strategy. This new lease will be within the provisions of the Landlord and Tenant Act 1954 and will thus afford the Council greater security of tenure.

- 8.11 The period of the lease for the extra space on the ground floor of Building 4 can run concurrently with the current lease of the 1st and 2nd floors. The term granted will thus be from a date to be agreed (expected to be within the next three months) until 16 October 2007. Thereafter the whole of the accommodation occupied by the Council within Building 4 will fall within the new 15 year lease. Further details on the rent payable and service charges are as set out in the exempt report.

WHY IS THIS THE BEST OPTION?

- 8.12 The following issues have been taken into account in arriving at the recommended actions:
- i. The Accommodation Strategy has identified that the Council's future accommodation requirements are likely to be based upon two or three principal locations around the Borough instead of having a large number of satellite locations.
 - ii. Although not quantified, it is known that there will be cost saving from no longer having to provide full operational and infrastructure service supplies to the satellite offices (reduction in costs of courier services, custodians, postal systems, office cleaning, materials and equipment supplies and storage, up-grading technology links etc).
 - iii. The Council's lease of Building 5 at NLBP is only until 2007. Whilst the landlord has said that the Council may remain in occupation longer, if the landlord achieves planning permission to redevelop parts of the NLBP site then he may require possession of Building 5 by 2007. Thus, even with changes in work practices it is necessary to identify now alternative space to replace Building 5 accommodation and the additional space within Building 4 will assist with this.
 - iv. As identified within the Accommodation Strategy, the provision of new office space for the Council will take some time. Additionally, until the capacity of the possible locations is known and the full costs are identified, it cannot be clear as to the amount of floorspace that is required or can be provided. In the meantime it would be difficult to identify a building elsewhere in the Borough which would meet the Council's needs in the same manner as NLBP and at such a competitive cost.
 - v. The Council has already invested heavily in the information and communications equipment and infrastructure within NLBP and its links to other buildings around the Borough. To move from NLBP in 2007 would incur significant costs associated with the information systems infrastructure.

9. LIST OF BACKGROUND PAPERS

- 9.1 None.

MO: JEL
BT: PK

Appendix A

Current Annual Rental and Other Revenue

Address	HRA Expenditure	GF Expenditure
Hyde House actual	£138,138	
Sovereign House actual	£138,500	
Stag House asset rent	£ 75,548	
Barnet House actual	£200,000	£450,000
TOTAL	£552,186	£450,000

NOTE – The figures given for Hyde and Sovereign House refer to rent, rates and services charges. The figure for Stag House just refers to asset rent and rates. The Barnet House figure refers to rent only. The sums do not include maintenance or running costs (heating, lighting etc) since these should not vary greatly between buildings.

Appendix B

Proposed Annual Rental and other revenue outgoings if Hyde, Sovereign and Stag are vacated

Address	HRA Expenditure	GF Expenditure
Hyde House	Nil	Nil
Sovereign House	Nil	Nil
Stag House ³	Nil	Nil
Barnet House actual ¹	£325,000	£325,000
NLBP actual ²		£321,850
TOTAL	£325,000	£646,850
Net difference from Appendix A	£227,186 saving	£196,850 additional

A one off fee of £20,000 for a moves manager and an annual fee of £52,000 for extra SCC costs should also be considered.

1 – This figure changes as Barnet Homes take more space in Barnet House. If they use half the space they will pay the rent. Total rent currently amounts to £650,000 per annum. The assumption has been made that Barnet Homes will occupy half of Barnet House.

2 – This figure refers to rent, rates and service charges for the extra space taken on the ground floor of building 4.

3 – Stag House comprises offices on the ground floor with four flats over (sold on long lease). Whilst the offices have been used as Housing offices for many years it is clearly a corporate office.

Appendix C

Proposed Capital Expenditure arising from the vacation of Hyde, Sovereign and Stag and the taking of additional space at NLBP

	GF Expenditure	HRA Expenditure	Receipt
Moves ¹	£32,500	£33,000	
Reception ²	£100,000		
IT and telephony costs	£130,000		
Infrastructure and cabling costs	£280,000		
Sovereign House dilapidations		£45,000	
Hyde House dilapidations		£60,000	
Stag House disposal ³			£1,000,000
TOTALS	£542,500	£138,000	£1,000,000

1 – Moves refers to the physical packing and unpacking of items from Hyde, Sovereign and Stag House to Barnet House and also of the items from the Planning and Asset Management departments from Barnet House to NLBP.

2 – Reception refers to works to be carried out in order to facilitate a Planning reception area next to the west entrance on the ground floor of building 4.

3 – Stag House is a corporate office.