



Urgency Committee

2 October 2020

Title	Lease Surrender
Report of	Deputy Chief Executive
Wards	Totteridge
Status	Public (with exempt report which is not for publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 as it contains information relating to the financial and business affairs of the landlord and the council)
Urgent	Yes – for the reasons set out in Sections 1 and 2
Key	Yes
Enclosures	None
Officer Contact Details	Cath Shaw, Deputy Chief Executive 020 8359 4716 – Cath.Shaw@barnet.gov.uk

Summary

This report seeks committee approval to end the Barnet House lease early, effective 31/03/2021, and to approve the associated financial settlement as detailed in the exempt report.

By paying a settlement figure plus re-location / fit-out costs for council services currently accommodated in Barnet House, LBB will extinguish a significant existing net present liability of between £16m and £17.5m.

Exiting the lease early is therefore estimated to be substantially cheaper than retaining the lease until the end of the term in 2032. The settlement and project costs will be paid from capital receipts so the net saving to Estates revenue budgets is c£1.2m per annum.

Officers' Recommendations

That the Committee approves:

- 1. The early surrender of the Barnet House lease, effective 31/03/2021.**
- 2. An associated repairs and maintenance liabilities settlement, detailed in the exempt report.**
- 3. That finalisation of the deal with the landlord be delegated to the Deputy Chief Executive, having taken appropriate legal advice.**

1. WHY THIS REPORT IS NEEDED

- 1.1 This paper sets out an option for the council to surrender the lease of Barnet House, effective 31/03/2021. An Urgency Committee decision is required as a favourable deal has been secured with the landlord, conditional on LBB making a quick decision. A delay in reaching a decision would prevent exit in the current financial year, leading to additional liability for rents, rates and utilities in 2021/22. The value of the decision requires a report to the Housing & Growth Committee which is next due to meet on 24 November 2020 which would be too late to close the deal on favourable terms, so an Urgency Committee has been convened instead.

2. REASONS FOR RECOMMENDATIONS

- 2.1 The council has a budget gap in the region of £60m over the Medium Term Financial Strategy period and efficient use of our estate is imperative in order to support closing this gap.
- 2.2 The council holds an underlease of Barnet House (1255 High Road Whetstone, N20 0EJ) which is set to expire in September 2032. Until Spring 2019 Barnet House was occupied by multiple council services and partners as part of the civic estate.
- 2.3 As part of The Way We Work (TW3) Programme, the council relocated most services to the new Colindale Office in 2019. Negotiations took place in the same year with the landlord, Barnet House Limited, to discuss an early surrender of the lease as there was a plan to fully vacate the building. At the time, no mutually agreeable deal could be reached and so the lease remained in place.
- 2.4 Recently, lease surrender negotiations have resumed, and a deal has now been reached with Barnet House Limited. The details of this, including a settlement payment in partial compensation of rent and repairs and maintenance liabilities, are outlined in the exempt report.
- 2.5 This deal presents a good opportunity for the council as the net cost of surrendering the lease and relocating the services currently occupying Barnet House is a significantly better financial option than remaining in the lease until 2032. There is also a further rent review before 2032, meaning the rent could increase. Exiting the lease will contribute net c.£1.2m towards the 2021/22 MTFS requirements onwards.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 **Do nothing:** The Urgency Committee could choose to continue with the lease until September 2032. However, this commits the council to the associated rent in addition to the repairs and maintenance liabilities costs. There is also a further rent review which could increase the financial liability.
- 3.2 **Retain the lease until 2032 and invest in refurbishment to generate commercial rent through subletting:** This option would enable the council to obtain commercial rent to contribute towards the cost of the rent. However, a significant financial investment is required to bring the building up to an improved standard for subletting and repairs and maintenance at the end of the lease term would also be payable. The future of office rentals is also unknown at the moment due to the ongoing COVID-19 situation.
- 3.3 **Surrender the lease effective 31/03/2022 with early settlement fee:** This would give an additional year to successfully relocate the services currently within Barnet House. However, this option is not as financially beneficial as surrendering the lease in 2022 due to the additional year of rent, rates and utilities.

4. POST DECISION IMPLEMENTATION

- 4.1 Should the Urgency Committee approve the early surrender of the Barnet House lease in 2021, officers will work with the support of Pinsent Masons LLP to finalise the deal with the landlord.
- 4.2 Engagement will take place with current sub-tenants to assist with identifying alternative sites for them to lease within the council's corporate assets or elsewhere.
- 4.3 The council's Estates team will work with council services and partners currently occupying Barnet House to identify alternative locations for these services and to plan relocations and any required fit out. Intentions are as follows:
- 4.3.1 The Barnet Group and CSG Revenues & Benefits staff to move to the Colindale office – including public Housing Options reception
- 4.3.2 Family Services public facing provision to move to an alternative location in the East of the borough, identified through the council's existing Voids and Vacants programme
- 4.3.3 Secure Collections to move to an alternative secure location within the council's corporate estate
- 4.3.4 Union offices to be re-located to suitable assets within the existing LBB asset stock, if at all possible
- 4.3.5 To negotiate the retention of the CCTV installation currently sited on the roof of the building.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

5.1.1 The Barnet 2024 Corporate Plan outlines the council's priorities and intended outcomes for residents. An efficient and effective council that provides value for money is crucial to achieving this. This deal will contribute towards the MTFS target.

5.1.2 The council's Strategic Asset Management Plan seeks to rationalise the corporate office accommodation wherever possible and beneficial.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

5.2.1 The council intends to make use of capital receipts to fund the early surrender settlement. Full Council will be asked to approve this funding mechanism in October 2020. If this is not approved, then the settlement will be funded from council reserves.

5.2.2 Surrendering this lease early will save the council net c.£1.2m per year in rent, rates and utilities, which will contribute towards the council's 2021/22 MTFS requirements, as well as £1m one-off car park repair and maintenance costs which would have otherwise been levied by the landlord.

5.2.3 One-off costs required to provide vacant possession by 31 March 2021 are estimated to be in the region of £1m. This includes the refurbishment of space within the Colindale office to accommodate the Housing Options reception; removal costs for all services; and expected fit out requirements for Secure Collections and Family Services. These costs are built into the options review undertaken by the council. This will be part funded from underspent TW3 and Localities capital budgets and a capital bid will be submitted for the remainder.

5.3 Legal and Constitutional References

5.3.1 Council Constitution, Article 7 (Terms of Reference of Committees) – details that the Housing & Growth Committee has responsibility for asset management.

5.3.2 Council Constitution, Article 10 (Decision-Making) – Table A details Land and Property Transactions Authorisation Delegated Powers and states that for disposals and settlements over £500K a report to the Housing & Growth Committee is required.

5.3.3 Article 10 – Decision Making of the Council's Constitution notes that if a decision is required as a matter of urgency, an Urgency Committee comprising of the Leader, the Deputy Leader and the Leader of the Opposition will be called. This decision is considered urgent as a quick decision is a condition of the agreement. The Chairman of the relevant Committee has been consulted, as required by Article 10. In Article 7, the terms of reference of the Urgency Committee include "To consider any item of business which needs a decision as a matter of urgency and where a meeting of the relevant Committee is not scheduled to take place within the time period within which the decision is required."

5.3.4 The Council is required to dispose of property for the best price reasonably obtainable under section 123 Local Government Act 1972. Officers have said that the proposed

deal complies with this requirement.

5.4 Risk Management

- 5.4.1 All risks and issues will be managed in accordance with the Council's Risk Management Framework and Project Management Methodology and Toolkits.
- 5.4.2 The council will engage with existing tenants and assist them to find suitable alternative accommodation to mitigate the risk of them being unable to move out of Barnet House. No tenants have tenancy rights past 31 March 2021.
- 5.4.3 The fit out of locations to house council services vacating Barnet House may extend past the handover date, especially in the context of local or national COVID-19 lockdowns. Temporary provision will be identified if required.

5.5 Equalities and Diversity

- 5.5.1 An assessment was carried out on the impact of the proposed Colindale Office relocation on both staff and service users within the Equality Impact Assessments contained within appendices to the original Full Business Case approved by Assets, Regeneration and Growth Committee in July 2016. These demonstrated that the proposals set out in the FBC were designed to ensure fair and equitable treatment of all Barnet's communities and its staff in relation to their access to The Civic Estate. The Employee Equality Impact Assessment as appended to the Full Business Case approved by Assets, Regeneration and Growth Committee in July 2016 was revised in 2018 to reflect updates to the programme as it has progressed.
- 5.5.2 Both EIAs will be revisited and updated to reflect new proposals and to confirm if any mitigating actions are required. Members of the public currently access Barnet House to meet with staff from Family Services and The Barnet Group. The equalities impact on residents will be considered as new locations for these services are considered.

5.6 Corporate Parenting

- 5.6.1 In line with the Children and Social Work Act 2017, the council has a duty to consider Corporate Parenting Principles in decision-making across the council. There are no implications for Corporate Parenting in relation to this report.

5.7 Consultation and Engagement

- 5.7.1 The council will engage with impacted staff in services to be relocated, to address any concerns and ensure the service's requirements are met in the new locations.
- 5.7.2 Engagement will take place with subtenants to assist with identifying alternative accommodation within the borough.
- 5.7.3 Consultation as to the proposed new locations with service users and residents impacted by service relocations will take place as required when potential locations are considered.
- 5.7.4 The Chairman of the Housing & Growth Committee and Leader (Chairman of the Urgency Committee) have been consulted and have agreed that it is appropriate for

this decision to be taken by the Urgency Committee.

6. BACKGROUND PAPERS

- 6.1 Colindale Office Move – Update submitted to FPC Committee 28 October 2019 - <https://barnet.moderngov.co.uk/documents/s55889/Colindale%20Update%20Report.pdf>
- 6.2 Colindale Office Move – Update submitted to FPC Committee 19 June 2019 – <http://barnet.moderngov.co.uk/documents/s53049/Colindale%20Update%20Report%20-%20Public.pdf> (and exempt attachment)
- 6.3 Accommodations Options Review Final Business Case (FBC) submitted to ARG Committee in July 2016 – <https://barnet.moderngov.co.uk/documents/s33264/ARG%20committee%20report%20-%20Colindale%20FBC%20v0.3.pdf>
- 6.4 Locality Strategy submitted to ARG Committee in July 2016 – <https://barnet.moderngov.co.uk/documents/s33204/ARG%20committee%20report%20-%20Locality%20Strategy.pdf>