

## **Report to Portfolio Holder for Resources and Reputation**

**Subject:** Letting of part Civic Centre to Gedling Homes

**Date:** 4 March 2019

**Author:** Service Manager - Property

**Wards Affected:** Ernehale

### **Purpose**

To seek approval to enter into a lease with Gedling Homes Limited for part of the Civic Centre (shown edged red on the plan at Appendix 1) for a term commencing on 1<sup>st</sup> June 2019 until 1<sup>st</sup> May 2026 .

### **Key Decision**

This is not a key decision

### **Recommendation(s)**

**THAT the Portfolio Holder for Resources and Reputation:**

- 1) Approves the granting of a lease of part of the Civic Centre as shown edged red on the Plan at Appendix 1 to Gedling Homes. Such lease to commence on 1st June 2019 and shall expire on 1st May 2026;**
- 2) Approves the Heads of Terms at Appendix 2**
- 3) Delegates authority to the Service Manager - Property, in consultation with the Deputy Chief Executive and Director of Finance, to negotiate and approve the form of the lease and agreement for lease;**
- 4) Delegates authority to the Service Manager - Property, in consultation with the Deputy Chief Executive and Director of**

**Finance, to approve the grant of a licence for alterations subject to the Council contributing a maximum of £20,000 towards the works.**

## **1 Background**

1.1 Gedling Homes Limited (GH) is reducing its local office based staff and has taken the decision to relocate from its offices in Gedling. It has approached Gedling Borough Council (GBC) with a view to sharing occupation of office premises at Civic Centre, Arnot Hill Park, Arnold. The area at Civic Centre which is proposed to be occupied by GH (GH Office Area) is shown edged red in the plan at Appendix 1

1.2 Operationally, GBC will share office accommodation with partners with which it has synergies. GH is one such partner as it is a registered provider of social housing which frequently provides GBC customers and residents with accommodation in the properties that it owns and manages throughout the borough. Consequently, GBC's Housing Needs team regularly liaise with GH. Collocating into the same building as GH could therefore be beneficial to this team. In addition, colocation is also likely to be beneficial to GBC's customers and residents who access services at Civic Centre and also need to engage, face to face, with GH.

1.3 GBC has conducted a review of its operational office accommodation and has found that by adopting new ways of working it can move certain teams into alternative, smaller spaces within the Civic Centre without affecting long term productivity. One such move would allow for GH to relocate into the GH Office Area.

1.4 Heads of terms, attached at Appendix 2 have been negotiated with GH. These terms provide for a lease of the GH Office Area commencing on 1st June 2019 expiring on 1st May 2026. This will generate an annual rental income for GBC of £40,000 which will increase annually in line with the Retail Price Index. The Council's registered valuer has confirmed that the rental amount agreed is the highest that can be achieved from prospective partners in the current market.

1.5 GH wishes to carry out reconfiguration works to the GH Office Area which is likely to make the space easier to relet should GH vacate. In addition, GH intends to upgrade the shared toilets in the wing where they are to be situated and to install shower rooms that will be available to GH, all GBC staff and all other GBC partner tenants who cycle to work. GBC had previously considered carrying out works to the toilets and installation of shower rooms as part of its long term maintenance and management programme for Civic Centre and has therefore agreed to contribute up to half of these costs, limited to £20,000. GH have not yet finalised the specification for the works and will be providing these to GBC shortly for approval.

1.6 The letting will bring about a reduced liability in terms of budget for GBC as

GH will pay a rent and there will no longer be a business rates liability in respect of the GH Office Area.

## **2 Proposal**

2.1 It is proposed that GBC lets the GH Office Area to GH in accordance with the heads of terms shown in Appendix 2 and a licence for alterations is granted for the improvement works once an approved specification has been provided.

## **3 Alternative Options**

3.1 An alternative option would be to not let the space to GH. However, GBC have identified that such space can be made available for use by partners without impacting on the long term productivity of the GBC teams that will move to smaller spaces. In addition, not letting out this space would mean that GBC would not benefit from being able to reduce the amount that it pays in respect of the overall running costs of the Civic Centre and would not benefit from the colocation synergies identified with GH.

3.2 Another alternative would be to lease the GH Office Area to another partner. However, GBC has not identified any alternative partners, seeking accommodation of this size, with which colocation would be likely to be beneficial for its customers or services.

## **4 Financial Implications**

4.1 GH will pay an annual rent to GBC of £40,000 per annum, which will rise annually in line with the Retail Price Index. This rent will be inclusive of the running and maintenance costs of the GH Office Area and any surplus will be used to support GBC services.

4.2 The business rates liability for the GH Office Area will no longer be payable by GBC. This is estimated to save GBC £4,000 pa.

4.3 As part of its Well at Work programme GBC has had a long term aspiration to create shower rooms at its Civic Centre for the use of staff and partners who cycle to work. When carrying out the refurbishment works to the GH Office Area, GH are to create these shower rooms. In addition GBC had identified that the toilets in the wing where GH are to be located were beyond their useful economic

life. GH will also refurbish these toilets. GBC will contribute 50% of the costs associated with creating the shower rooms and refurbishing the toilets up to a maximum of £20,000. This contribution will be made from the Asset Management Fund.

4.4 Each party will bear its own legal costs.

## **5 Appendices**

5.1 Appendix 1 – Plan showing the GH Office Area is shown edged red.

5.2 Appendix 2 – Heads of Terms agreed with GH for the letting of the GH Office Area.

## **6 Background Papers**

6.1 None

## **7 Reasons for Recommendations**

7.1 To create further synergies with a partner.

7.2 To reduce GBC liability for running costs at Civic Centre, to make a surplus which will be used to support GBC services and to reduce GBC's liability in respect of Business Rates.

7.3 To improve the ease of accessing face to face services for residents of the borough.