

# LONDON BOROUGH OF CROYDON

<b>REPORT:</b>	<b>EXECUTIVE MAYOR DECISION</b>	
<b>DATE OF DECISION</b>	<i>15 March 2023</i>	
<b>REPORT TITLE:</b>	<b>Letting of Surplus Space in Bernard Weatherill House</b>	
<b>CORPORATE DIRECTOR</b>	<b>JANE WEST, CORPORATE DIRECTOR OF RESOURCES AND S151 OFFICER</b>	
<b>LEAD OFFICER:</b>	<b>STEVE WINGRAVE, ASSISTANT DIRECTOR PROPERTY SERVICES</b>	
<b>LEAD MEMBER:</b>	<b>CLLR CUMMINGS, CABINET MEMBER FOR FINANCE</b>	
<b>AUTHORITY TO TAKE DECISION:</b>		
<b>KEY DECISION?</b>	<b>Yes</b>	<b>REASON:</b>  Decision makes savings of more than £1,000,000  <b>Key Decision number: 0823EM</b>
<b>CONTAINS EXEMPT INFORMATION?</b>	<b>YES</b>	[ <b>Grounds for the exemption:</b> Exempt under paragraph 3 of Schedule 12A of the Local Government Act 1972 and the public interest in withholding disclosure outweighs the public interest in disclosure.
<b>WARDS AFFECTED:</b>	<i>Fairfield</i>	

## 1 SUMMARY OF REPORT

- 1.1** As part of the Council's Asset Management Plan and Disposal Strategy approved in November 2022 and to reflect the more flexible working styles within the Council, 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 4 floors (5<sup>th</sup>, 6<sup>th</sup> and 7<sup>th</sup> plus third floor annexe) within Bernard Weatherill House (BWH) could be released for letting to third party organisations in addition to areas on the 8-11<sup>th</sup> floors already released.
- 1.2** This report is seeking approval for the Council to enter into a new lease for space on the 5<sup>th</sup> floor of BWH.

## **2 RECOMMENDATIONS**

For the reasons set out in the report the Executive Mayor is recommended:

- 2.1** To agree the letting of the 5<sup>th</sup> floor Bernard Weatherill House (BWH) to the London Ambulance Service NHS Trust on terms detailed within the Part A and Part B report.
- 2.2** To delegate to the Corporate Director Resources and s151 Officer authority to finalise lease terms and other ancillary arrangements with the London Ambulance Service NHS Trust to facilitate the letting the letting detailed in this and the Part B report

## **3 REASONS FOR RECOMMENDATIONS**

- 3.1** The Asset Management Plan and Disposal Strategy Cabinet paper in November 2022 set out a rationale for dealing with the Council's assets to help reduce costs and improve income generation through sound management of their assets.
- 3.2** As part of this process opportunities to release space within BWH have been identified and the terms for letting parts of the surplus space have been agreed. This not only provides a rental income but also helps the council reduce its operational costs for the building through the recovery of service charges and recovery of rates payments. The Council has previously successfully let the upper floors of the building under short term agreements but with these tenants having vacated it is even more essential to secure new lettings. Given the very competitive market at present it is essential that the Council is able to approve any such lettings as soon as possible and therefore decision is being sought from the Executive Mayor on an urgent basis.

## **4 BACKGROUND AND DETAILS**

Advice has been obtained from both Savills and SHW regarding the current market rents for BWH and SHW are instructed on the letting of two floors. However, the proposed letting has been agreed by the Property team through their relationship with the Government Property Agency and fully reflect the level of rent and incentives that have been indicated by the agents. They are also reflective of recent market lettings.

A copy of the Letting Strategy and Occupational Market Report from Savills and the letting report from SHW are attached to the Part B report as these have been provided for the benefit of Croydon Council and not for general circulation

### **4.1 Letting of the 5<sup>th</sup> Floor Bernard Weatherill House**

Detailed Heads of Terms agreed for the London Ambulance Service NHS Trust are set out in the Part B report but in summary:

Lease Term 10 year lease subject to a mutual break at year 5

- Rent has been agreed in line with the current market rent for the building
- Rent free period has been agreed to be split across the term of the lease
- The premises to be used as a control centre for the London Ambulance Service NHS Trust and for the training of London Ambulance Service NHS Trust staff and its partners.
- The tenants are undertaking substantial amounts of work to the floor including the provision of an uninterrupted power supply and therefore this is being viewed as a long term proposition
- Service Charge to be recovered based on the occupied floor area
- The service will be run 24/7 365 days a year.
- To include 6 car spaces in BWH and 12 car spaces in Wandle car park
- The lease will be inside the protection of the Landlord and Tenant Act 1954 (this will allow automatic renewal at the end of the lease unless the landlord needs the space back for their own use or redevelopment)

4.2 The Tenant needs to complete the lease before the end of March in order to secure capital from NHS England and to commence fit out works with an aim to be fully operational by the end of the year.

4.3 We are also in discussion with the tenant to rent out basement car spaces from 6.00pm to 7.00am to cover night workers for an additional annual rent.

4.4 The existing furniture will also be sold to the tenants at a figure to be agreed

## **5 ALTERNATIVE OPTIONS CONSIDERED**

5.1 A decision has been taken to release space within BWH to secure additional income and to help offset rates, liabilities and overall running costs. The property has been marketed through agents and also Government agencies which has resulted in the proposed tenant being secured.

5.2 No alternative options have therefore been considered

## **6 CONSULTATION**

6.1 No consultation has been carried out with regard to this letting

## **7. CONTRIBUTION TO COUNCIL PRIORITIES**

7.1 The above letting helps to secure additional revenue for the Council in line with the requirements of the Improvement and Assurance panel and to help meet the financial requirements of the MTFS

## **8. IMPLICATIONS**

### **8.1 FINANCIAL IMPLICATIONS**

Delivering additional income from the Council's assets that need to be retained, forms part of financial strategy to put the Council onto a sustainable financial footing. This additional rental income and service charges and rates recovered will positively contribute to improving the Council's financial position.

**Approved: Alan Layton, Interim Head of Service, Finance on behalf of the Corporate Director of Resources and S151 Officer**

### **8.2 LEGAL IMPLICATIONS**

8.3.1 The Head of Commercial Property and Law comments on behalf of the Director of Legal Services & Monitoring Officer that:

8.3.2 There are various powers the Council may rely upon to dispose of its assets and the Council must comply with legal framework, including established public law principles, in relation to disposal of land and property. Under Section 123 of the Local Government Act 1972, it has a statutory duty to sell land at the best price reasonably obtainable ("best consideration"), unless it has the consent of the Secretary of State.

8.3.3 This report details the best consideration assessment for the proposed disposal.

8.3.4 The Executive Mayor has the power to exercise executive functions pursuant to s9E of the Local Government Act 2000.

Approved by Kiri Bailey, Head of Commercial & Property and Law on behalf of the Director of Legal Services & Monitoring Officer

### **8.3 EQUALITIES IMPLICATIONS**

**8.3.1** Under the Public Sector Equality Duty of Equality Act 2010, decision makers must evidence consideration of any potential impacts of proposals on groups who share protected characteristics, before decisions are taken. This includes any decisions relating to how authorities act as employers; how they develop, evaluate and review policies; how they design, deliver and evaluate services, and also how they commission and procure services from others.

**8.3.2** Section 149 of the Act requires public bodies to have due regard to the need to: • eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act; • advance equality of opportunity between people who share

a protected characteristic and people who do not share it; and • foster good relations between people who share a protected characteristic and people who do not share it.

**8.3.3** The council considered the impact of the reduction in office space at BWH last year and produced a subsequent EQIA. The impact on staff was largely positive with a benefit to some disabled staff. Where necessary managers could provide support to staff by using reasonable adjustments. The current EQIA has no negative equality implications to staff. Again the principal of hybrid working may bring positive benefits to some disabled staff.

**8.3.4** Denise McCausland Equalities Programme Manager 15/03/2023

## **OTHER IMPLICATIONS**

### **PROPERTY AND ASSET MANAGEMENT IMPLICATIONS**

**8.4** If the letting does not proceed the Council will lose the opportunity to secure the additional annual revenue and also the contribution towards the running costs. With the vacation of two floors by the Home office with effect from 31 March 2023 it is even more imperative to secure the lettings to good long term tenants that offer secure income streams. This 10 year lease helps to secure the future income

## **9. APPENDICES**

**9.1** none

## **10. BACKGROUND DOCUMENTS**

**10.1** Asset Management Plan and Disposal Strategy – November 2022

## **11. URGENCY**

**11.1** The London Ambulance Service need to secure capital funding from NHS England this financial year. On this basis the lease needs to be completed by the 24<sup>th</sup> March 2023 at the latest and therefore this decision needs to be made under Urgency Provisions

