

Item No. 19.	Classification: Open	Date: 17 July 2012	Meeting Name: Cabinet
Report title:		Approval to take a lease on the Ground Floor Offices, 1 Lugard Road, and of the Principle Heads of Terms	
Ward(s) or groups affected:		All wards	
Cabinet Member:		Councillor Richard Livingstone, Finance, Resources and Community Safety	

FOREWORD – COUNCILLOR RICHARD LIVINGSTONE, CABINET MEMBER FOR FINANCE, RESOURCES AND COMMUNITY SAFETY

This report recommends that the council take out a lease on office accommodation at 1 Lugard Road, SE15. This address is part of the same development as the council's new offices at two other blocks on Queen's Road, enabling the council to deliver greater efficiencies through having fewer, more concentrated centres for its office accommodation.

The lease on this building will enable the council to further modernise its office estate and will allow us to bring forward the sale of outdated accommodation already earmarked for disposal. The space being leased would work well for the Customer Service Centre service being brought back in-house next year, enabling the council to make a saving on the costly Cotton Centre accommodation currently used under contract.

RECOMMENDATIONS

That cabinet:

1. Agrees to take a lease of block C 1 Lugard Road, SE15 2HG (identified on the attached plan), subject to acceptable terms being agreed with the landlord.
2. Delegates authority to the Chief Executive to agree detailed lease terms, as recommended by the Head of Property, and to complete a lease of the premises on the terms (or better) set out in the closed version of this report.
3. Notes that the capital requirements for the acquisition of the lease and fit out costs, as detailed in the closed version of this report, will be incorporated into the capital outturn report that is being presented to cabinet in July 2012.

BACKGROUND INFORMATION

4. Cabinet approved the Revised Office Accommodation Strategy at its meeting on 23 November 2010.
5. The Revised Office Accommodation Strategy committed the council to maximise the use of 160 Tooley Street. Overall 350 additional staff have been moved in to Tooley Street, including for example the new housing central operations team and the new in-house revenues and benefits service.

6. In addition to maximising the use of Tooley Street, the accommodation strategy agreed the council's requirement for a further operational office site in the centre or south of the borough for specialist services that do not fit efficiently into the Tooley Street model or which are geographically more appropriately located in that area.
7. A previously unoccupied office development comprising of two adjacent blocks (F and J) was identified at Queens Road, SE15, and cabinet delegated authority to the chief executive to acquire leases on these properties.
8. A lease of Block F Queens Road was completed on 1 June 2011 for a term of 20 years. Subsequently, procurement for fit-out of the property was completed and the build project is currently underway with practical completion expected on 30 July 2012. The office block will provide modern, flexible and sustainable accommodation for 350 staff with occupation commencing during August and September 2012. Major staff groups will include health and community services, housing management and community safety.
9. Cabinet approved a subsequent decision to acquire the freehold of Block J Queens Road, on 20 March 2012. This acquisition will allow the council to continue consolidating its remaining estate and to further fulfil anticipated accommodation requirements in terms of space, quality and flexibility.
10. The acquisition of the freehold of Block J was completed on 28 May 2012.
11. Since that decision, the opportunity to acquire a lease on additional ground floor office accommodation within a third adjacent unit, Block C, was presented to officers in April 2012.
12. Acquiring a lease on Block C would build upon the principles of co-locating offices and developing an operational hub in the centre or south of the borough agreed in the Revised Office Accommodation Strategy 2010.
13. Block F, Block J and the subject of this report, Block C, are all within the same development. (see Appendix 1 for plan).
14. By consolidating the council's identified accommodation requirements on a single campus, efficiencies will be gained through the co-location of staff and sharing of facilities. Queens Road also offers excellent transport links both across the borough and to Tooley Street, with a 6 minute journey time to London Bridge.
15. Block C was partially used as an office accommodation by Wandle Housing Association who recently vacated the site. Blocks F and J have been unoccupied since construction in 2006. By occupying the Queens Road campus the council can be expected to bring economic benefits to the local area and contribute to the uplift of the area anticipated through the opening of the Overground link to the London underground network (December 2012) and the redevelopment of other major sites including the site of the former Wooddene estate.

KEY ISSUES FOR CONSIDERATION

Property issues

16. Block C is a detached four storey building fronting onto Lugard Road, immediately to the South of Block J. It is primarily a residential block with the subject office accommodation comprising the entire ground floor.
17. The premises will provide approximately 760 sq m (8,100 sq ft) of net office accommodation. Until recently these offices had been occupied by the landlord, Wandle Housing Association, who manage the residential accommodation within the larger scheme. As part of an ongoing rationalisation of their operational estate Wandle have now vacated. Part of the space has been fitted out with cellular meeting and office spaces, with the remainder being in a shell/core condition. The existing fit out is of a temporary nature and will need to be removed and replaced with a standard consistent with both Block F and J, allowing full and efficient use of the accommodation
18. Final detailed negotiations with the landlord are still ongoing and this report proposes that the approval of detailed heads of terms is delegated to the Head of Property.
19. The principle heads of terms agreed are contained in the closed version of this report.
20. Test fits have been carried out by consultant architects to confirm that the building is physically capable of meeting the council's standard flexible workplace requirements. It is confirmed that up to 120 desk spaces (depending on the size of the desk) can be accommodated with the final number to be decided according to service needs.
21. A technical due diligence survey has been commissioned but is not expected to reveal any significant issues. The conclusions and any recommendations of this report will be taken into account as part of the report to the Chief Executive to seek approval of the final Heads of Terms.
22. The council plans to procure fit out works for Block C in a similar manor to that for Blocks F and J under the iESE contractors framework. In order to expedite the development of this site, preparative procurement work has been carried out in parallel to the agreement of a lease. It is anticipated that pending lease and procurement approvals, practical completion can be obtained for at Block C by 1 April 2013.
23. Expanding the Queens road campus to include block C will further help to meet the objectives of the Revised Office Accommodation Strategy, which include:
 - Ensure that the estate is flexible and adaptable to the future needs of the council.
 - Reduce to a minimum the total number of office sites to:
 - Maximize the opportunity for modern ways of working
 - Maximise revenue savings and capital receipts
 - Release strategic sites for regeneration

- Maximise the council's opportunity to improve environmental sustainability
- Maximise the opportunity to work across departments and with partners that better meets the needs of residents
- Minimise the cost of maintenance liabilities and the risks of operating old and un-refurbished property
- Ensure that these office sites are fully compliant, highly accessible and high quality to improve the council's attraction as employer of first choice

Accommodation requirements

24. In common with 160 Tooley Street and Queens Road block F and J, the council plans to fit-out block C with maximum flexibility. By increasing the capacity of the Queens Road campus the council will be able to bring further candidate teams into the revised office accommodation programme thus releasing further assets in to the programme and modernisation benefits to those agreed in the original business case.
25. The addition of block C will also allow for further sharing of meeting and where appropriate welfare facilities, increasing the efficiency of space utilisation. Security, facilities and reception functions will also be shared. It is proposed that the initial primary use of Block C will be to provide call-handling facilities for a new in-house service.
26. As highlighted in the council plan, elements of the operational estate still require modernisation and rationalisation. In addition, a number of major office sites remain earmarked for regeneration and redevelopment. Most significantly these include the council offices at Bournemouth Road and children's services facilities at Sumner House. Space is also required to accommodate elements of the customer services function as the service is brought in-house from the Cottons Centre with the end of the Vangent contract. Work is underway to assess the suitability of a number of services for accommodation in an expanded Queens Road campus including:
 - Review of candidates across the entire Queens Road campus and other local accommodation, including the efficient provision of customer contact facilities
 - Community Housing Service
 - Specialist Children's services
 - Corporate training and meeting facilities

Capital implications

27. The Revised Office Accommodation strategy agreed by cabinet in November 2010 allocated capital resources to the improvement and rationalisation of the office and operational estate. A revised capital allocation has been proposed within the capital outturn report due for consideration at cabinet in July 2012 reflecting the increase in scope of the programme. The programme is fully funded through the disposal of surplus property. The current estimate for disposals resulting from the office accommodation programme is £50m with £30m delivered so far. Additional disposal receipts, new to the capital programme, will be identified in line with the further development of plans for Block J and properties to the value £2.5 m have been identified as candidates to

be brought within the scope of the programme.

28. The capital costs for the acquisition and fit out of block C, contained within the closed version of this report, will be funded through the revised capital allocation.

Revenue implications

29. As detailed in the Revised Office Accommodation Strategy a revenue budget for facilities management of new sites will be developed deriving from funds currently expended through candidate teams current accommodation. With the anticipated moderate costs at Queens Road, further enhanced by the increased efficiencies gained by expanding the campus to include block C, a reduction in the overall councils spend on facilities management is therefore expected.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Legal Services

30. Section 120 (1) of the Local Government Act 1972 ("the 1972 Act") authorises the council to acquire any land by agreement for the purposes of (a) any of its statutory functions or (b) for the benefit, improvement or development of its area. By virtue of section 120 (2) of the 1972 Act the council may acquire by agreement any land for any purpose for which they are authorised by the 1972 Act or any other Act to acquire land, notwithstanding that the land is not immediately required for the purpose; and until it is required for that purpose, it may be used for the purpose of any of the council's functions.
31. The report provides that the property is being acquired for the purpose of providing an operational hub in the centre/south of the borough as recommended by the Revised Office Accommodation Strategy 2010.
32. Section 1 of the Localism Act 2011 grants councils a general power of competence whereby a local authority has power to do anything that individuals generally may do. However, that power does not enable a local authority to do anything which it is unable to do by virtue of a pre-commencement limitation. The 1972 Act provides certain limitations on the ability of the council to acquire land in that this must be for the purposes set out in the Act.
33. Part C of the council's constitution reserves to the cabinet decisions on the acquisition of land and property where the market value exceeds £100,000.

Strategic Director of Finance and Corporate Services (NR 14/06/12)

34. This report recommends that the cabinet agrees to the council taking a lease on block C 1 Lugard Road, SE15, delegates authority to the Chief Executive to agree detailed lease terms as recommended by the head of Property and notes that the capital requirements for the acquisition of the lease and fit out costs will be incorporated into the capital outturn/refresh report that is being presented to cabinet in July 2012.
35. The Strategic Director of Finance and Corporate Services notes the capital and revenue implications contained within the report. He further notes the anticipated maximum level of rent that the council would pay.
36. The revised office accommodation strategy capital programme has sufficient

approved budget to handle preliminary costs associated with the proposals and subject to approval of the capital outturn/refresh report by members in July, will have sufficient to deliver to the recommendations. . Officer time to effect the recommendations will be contained within existing budgeted revenue resources

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Revised Office Accommodation Strategy-Cabinet 23 November 2010	Corporate Programmes Unit, 160 Tooley Street, London SE1 2QH	Robin Rogers 020 7525 5179
Acquisition of Office Accommodation (Block J) at Queens Road London SE15 2HP - Cabinet 20 th March 2012	Corporate Programmes Unit, 160 Tooley Street, London SE1 2QH	Robin Rogers 020 7525 5179

APPENDICES

No.	Title
Appendix 1	Plan

AUDIT TRAIL

Cabinet Member	Councillor Richard Livingstone, Finance, Resources and Community Safety	
Lead Officer	Duncan Whitfield, Strategic Director of Finance and Corporate Services	
Report Authors	Pascale Rosenbloom, Corporate Property & Rod Spence, Corporate Programme Unit	
Version	Final	
Dated	4 July 2012	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team	4 July 2012	