

To: City Executive Board

Date: 23 April 2014

Report of: Regeneration and Major Projects Service Manager

Title of Report: Lease of 1930s Office Block of Town Hall for Serviced Office use

Summary and Recommendations

Purpose of report: To seek approval to the lease as detailed herein

Key Decision? Yes

Executive lead member: Councillor Ed Turner, Executive Member for Finance, Efficiency and Strategic Asset Management

Policy Framework: Corporate Plan

Recommendations: That the City Executive Board

1. Approve the proposed lease of the surplus office space within Oxford Town Hall. The outline details of the lease are set out in the Not for Publication Confidential Appendix 4 of this report. The detailed provisions of the lease are to be approved by the Regeneration and Major Projects Service Manager.
2. Grant authority to the Regeneration and Major Projects Service Manager, in consultation with the Board Member, to vary or extend the areas to be leased as detailed herein provided the transaction continues to represent best consideration and operational benefit.

Appendices to report:

Appendix 1 - Plan of Site

Appendix 2 - Risk Register

Appendix 3 - Not for publication confidential appendix

Appendix 4 – Not for publication confidential appendix

Background

1. This report seeks approval to a new lease for the 1930's Block of the Town Hall shown hatched on the plan attached at **Appendix 1**.
2. The property has been occupied by Oxford City Council as offices for their own use and they have been identified as being surplus to requirements under the Offices for the Future 2 Project.
3. VSL Partners were appointed as letting agents, to find a new tenant on a conventional lease basis in March 2013 ahead of the offices being vacated in September 2013.
4. Marketing undertaken included:
 - a. Board on site
 - b. Brochure
 - c. Web advertising
 - d. Oxford Mail advertisement
5. The offices were marketed for a conventional lease initially but with no success. This was due to factors such as the cellular layout and the low profile shared entrance. Due to the lack of interest, in October the serviced office sector was explored to see if an occupier could be found to utilise the space to provide serviced office accommodation on a Management Agreement arrangement. At that stage direct contact was made with all local and national suppliers of this type of accommodation and offers were received initially from them to provide this under a Management Agreement.
6. Under a Management Agreement the offices would be run by the operator who would be paid a fixed management fee, other operational costs to then be met by the landlord (ie the Council here) and the net profits split in agreed proportions between both parties
7. The level of interest from the 3 serviced office providers interested in the space prompted further, more detailed negotiations which gave them the confidence to also bid on a traditional lease model.

Offers Made

8. The offers received are from 3 parties each on a Management Agreement basis and also on a conventional lease basis where previously there had been no interest. One of the lease based offers also provides for an element of additional profit share. Each offer has been assessed on the basis of financial returns, cost, risk, added value and alignment with corporate objectives and policy.
9. The evaluation matrix is attached at Not for Publication **Appendix 3**.

Recommended Option

10. Details of the recommended tenant and lease are attached in the Not for Publication **Appendix 4**.
11. The recommended option gives certainty of income along with an incentive to the operator to generate a profit in which the Council will share, albeit with an increased level of risk to the Council.
12. The recommended option also gives added value over and above the financial offer alone, this additional value contributes to corporate objectives and policies, and is lower risk than the Management Agreement option.
13. The recommended occupier is a successful local company who have a good track record of working with and encouraging small business

Planning Implications

14. There are no planning implications, the office use falls within the existing use class.

Risk Implications

15. A risk assessment has been undertaken and the risk register is attached as **Appendix 2**.

Sustainability and Climate Change Implications

16. No change of use so no overall implications but the offices will now not be used for Oxford City Council own occupation thereby reducing its own carbon emission levels.

Equalities Implications

17. No implications arising

Financial Implications

18. After the rent free period, rent will be received which will be certain for the period of the lease.
19. The lease will be subject to refurbishment works being carried out, to a previously agreed specification, prior to occupation being taken, the cost of these works is to be met by the Council. The monies for this, £200,000, are allocated in the Capital expenditure budget.
20. Appropriate due diligence on the proposed tenant's financial position has been undertaken.

21. The tenant will pay a service charge to cover maintenance of the common areas and utilities and will be responsible for business rates. These will then be accounted for under the profit share agreement.
22. Further income likely to be created from additional meeting room demand in the Town Hall from the occupiers of the offices.
23. Savings of £16,000pa on business rates and £6,500 on utilities will be made on the Council's own occupancy costs from the letting.

Legal Implications

24. The power to dispose of land is contained within Section 123 of the Local Government Act 1972 for best consideration

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List of background papers: none

Version number: 1