

Cabinet Report



Report of the Strategic Director

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To: CABINET AND SCRUTINY COMMITTEE

DATE: 28 November 2013

Sharing of Abbey House with Oxfordshire County Council

Recommendations

Scrutiny Committee 28th November 2013:

(a) That the Scrutiny Committee considers the proposed terms of the lease and makes any comments or recommendations to Cabinet for consideration.

Cabinet 28th November 2013:

(b) That Cabinet approves the proposed terms as detailed in the report for the proposed occupation by Oxfordshire County Council of part of Abbey House

(c) That Cabinet delegates to the Strategic Director in consultation with the Leader of the Vale Council authority to agree any variation to the terms outlined in this report and to enter into the agreement for lease, lease, licence to alter and facilities management agreement and any other related or ancillary agreements or documents

(d) That Cabinet notes a further report will be presented for approval to the Leader, setting out the necessary arrangements between the Vale of White Horse and South Oxfordshire District Councils regarding the use of office space at Crowmarsh Gifford.

Purpose of Report

1. The purpose of this report is to seek Cabinet's approval to the proposed terms of a lease and other agreements in respect of the proposed occupation of part of Abbey House by Oxfordshire County Council (OCC).

Corporate Objectives

2. The proposals would make a significant contribution to the corporate objective of effective management of resources. The proposals also have the potential to further the objective of excellent delivery of key services.

Background

3. On 4 October 2013 Cabinet considered a report of the head of economy, leisure, and property on a proposal to let part of Abbey House in Abingdon and relocate significant numbers of staff to South Oxfordshire District Council's (South's) offices at Crowmarsh Gifford. The proposal included letting part of the ground floor of Abbey House and all of the office accommodation on the first and second floors to OCC, together with shared use of the reception area. The report also raised the possibility that part of Abbey House is let to the Citizens Advice Bureau (CAB). The report sought approval in principle to these proposals, and sought delegated authority for the strategic director to finalise the agreements, and appoint a consultant to manage the project, plan space requirements, and specify and oversee works at Abbey House.
4. Cabinet approved the principle of a letting to OCC, to include shared use of the reception area, but requested that the strategic director in consultation with the Cabinet member for property bring the final agreement back to Cabinet for approval. This report therefore details the terms provisionally agreed with OCC. It does not deal with the terms of any letting of space to the CAB which has not been discussed in detail.
5. A number of documents will ultimately be required to cover the proposed arrangements between the Vale Council and OCC. In addition to the lease these will include a facilities management (FM) agreement (which will detail responsibility for the provision of various services in the building and allocation of cost), an agreement regarding provision of the combined reception facility (which may be included in the FM agreement), and a licence for alterations giving consent to proposed works by OCC prior to occupation.
6. The proposal is that the parties will, at an early stage, enter into an overarching agreement for lease whereby the Vale Council undertakes to give access to allow OCC to carry out the required alterations (with full access from no later than 10 March 2014) and with the parties committing to entering into a lease from 1 June 2014. Whilst the lease is in a form which is essentially agreed (subject to Cabinet approval) and would therefore be attached to the agreement, the other documents, despite good progress having been made, are not yet all in agreed form. If they are in a final form at the time of the agreement being ready for execution then they can be attached, but otherwise the parties will commit to agreeing them before grant of the lease.

7. The principal terms of the proposed lease are as follows:

- accommodation includes part ground, first and second floors as shown edged red on the attached plan
- a term of 10 years with mid term break provisions in favour of the tenant
- a rent of £237,953 a year subject to upward only rent review after 5 years
- OCC to be responsible for fitting out works in accordance with a schedule to be agreed and completed to the Vale Council's reasonable satisfaction and in addition OCC would be responsible for all their own furnishings, desks, chairs etc.
- OCC to pay for usual outgoing including utilities and rates (it is intended that the space will be separately metered for electricity)
- OCC to pay a service charge based on their floor area relative to the whole to cover common costs such as heating, maintenance of common parts, external repairs and landscaping
- OCC will be permitted to assign the lease, or underlet the whole but only where the new occupier is a public body or one which shares the same values or goals and where in the Vale Council's opinion the activities of the proposed occupier would not be in conflict with its own activities or would not impact on security of the building

External solicitors have been advising the Vale Council and they have prepared a report on the proposed lease terms and this is also attached.

8. The rent is calculated based on a total area (excluding the reception) of 28,112 square feet and applying a rate of £8.01 per square foot, plus an amount for the shared reception of 3,190 square feet based on half this rate.
9. It is agreed that OCC will have 132 car parking permits which matches the number available at their existing site. These spaces are limited to the Charter (levels 5 and above), Rye Farm and Hales Meadow car parks but provision has been made to terminate parking at the Charter in the event that it is redeveloped. In that case parking will be restricted to the other two car parks mentioned. In addition OCC staff members will be able to purchase permits at a 20 per cent discount to public rates.
10. Given the level of rent involved and the requirement to achieve best consideration, external property consultants have been engaged to consider the proposed transaction. They have indicated that they are satisfied that the proposals represent best consideration, but their formal report confirming such will be required before completion of the agreement.
11. Signage will be an important matter for consideration. Both Vale and OCC will require suitable signage to indicate they occupy the building and the services that are provided. The precise signage has not been discussed in detail.

Facilities management agreement and provision of services to OCC

12. In addition to the services provided via the lease, the parties have also discussed co-operating over the provision of additional services to avoid duplicating provision of a particular service within the building. In a few instances OCC have requested that they provide the service, for which the Vale Council would pay a proportion of the cost and this includes operation of the post room and managing the access control mechanisms on doors. Most other services would continue to be provided by Vale Council's facilities team either directly or via contractors.
13. Whilst all the arrangements over provision of services are still to be finalised, estimates of the cost of providing the various services have been given to OCC. Many of the costs incurred in relation to Abbey House are unlikely to increase, or increase only modestly, as a result of OCC's occupation, such as business rates, insurance, heating, external repairs and maintenance. In some instances, the more intensive use of the building is likely to increase costs, such as use of materials and consumables. However by re-charging the majority of the costs to OCC, the letting will result in substantial savings under the existing Abbey House cost centre. The most significant of these will be business rates (estimated saving of £125,000 but precise figures dependent on whether the two parts are separately assessed) but significant savings are also expected in heating and electricity, contract cleaning and staff costs (caretakers, management etc).
14. The Vale Council will be recharged a proportion of the costs of services provided by OCC, however this is also expected to reflect pro rata occupation of the building and would therefore be a relatively small proportion. For present purposes these costs have been estimated to be no more than the existing cost incurred directly.
15. Whilst OCC will be undertaking works to the leased area there will be some one-off costs incurred by the Vale Council over works to common areas, such as changes to the secure access door system. The precise extent of these works has not yet been finalised or costed but is expected to be modest.
16. The FM agreement is intended to be personal between the parties and as such would fall away, or have to be renegotiated, if another occupier was proposed and was acceptable to the Vale Council.

Reception sharing agreement

17. A significant benefit of these proposals is that a shared reception service involving two tiers of local government will greatly simplify customer contact from the customer's point of view. Officers have taken the view that, having regard to the existing customer service contract (part of the wider financial services contract) between Vale and Capita, the most workable arrangement is that this contract be extended to incorporate the additional services required for OCC. On that basis Vale would contract directly with OCC to provide those services. Capita has submitted a commercial proposal against a draft specification for the services required by OCC. In most instances the services would replicate what is presently being provided, albeit the number of visitors will increase, but some training will be required in relation to other services, notably social services

case meetings and signposting of OCC services. The indications are that some visitors requiring OCC services can occasionally be more challenging or require segregation from other visitors and so this will need to be incorporated in training and protocols. OCC are proposing to take some additional ground floor space to enable visitors to be taken out of the main reception area when appropriate. Three way discussions between Vale, OCC and Capita are ongoing, but generally OCC is happy that the space and facilities being allocated for customer service meet their needs, and OCC are happy with the proposed contractual arrangement.

18. In relation to cost, the proposal is that OCC will be liable for the additional charges made by Capita for the extended service under its contract and the Vale Council will recharge these costs by way of separate agreement to OCC at cost, i.e. without Vale applying any management fee.
19. The agreement will also need to have flexibility to change services over time and would effectively mirror the provisions of the Capita contract where there is a procedure to change services, and which in practice has been done frequently over the years. The Capita contract is due to be retendered by July 2016 so the Vale Council's contract with OCC will reflect this. The contract will also dovetail termination arrangements so that if OCC's lease was assigned and it was subsequently agreed that the new tenant would no longer require the reception services then suitable notice would have to be given and/or any costs or penalties under the contract would have to be covered by OCC.
20. Because two separate contracts are proposed, i.e. one between Vale and OCC, and separately an extension of the existing customer service contract between Vale and Capita, there are no direct transfers of existing OCC reception staff between OCC and Vale, and after seeking advice officers believe that TUPE does not apply in relation to OCC's existing reception staff. This eliminates Vale's commitment e.g. to redundancy costs.

Options

21. The Cabinet have agreed in principle to the lease and on that basis the available options relate to variation of the terms of the agreement. In part the terms have been driven by a need to be competitive with the terms on offer through OCC's existing landlords, but even so the terms are believed to represent a good deal for the Vale Council.

Financial Implications

22. The proposed rent is as indicated above.
23. As regards services provided in the lease and in the FM agreement, the attached table shows costs incurred in relation to Abbey House for the year 2012/13, a budget estimate based on those costs assuming OCC are in occupation (with costs added in certain categories where these are expected to increase) and the split in responsibility between the Vale Council and OCC based on the proportion of the building occupied by each authority. The totals have been adjusted for inflation. These are presently best estimates – the precise amounts will depend

on the final agreement reached with OCC and the actual experience of costs and recharges, but the savings will be substantial.

24. The Capita agreement is expected to be cost neutral.
25. There will need to be an agreement with South over a contribution to reflect the extra staff being located at those offices. This could be in the form of a one-off contribution to adaptation/improvement works to accommodate the new staff numbers and an ongoing charge to reflect the additional outgoings/rent. Officers understand that these discussions have not been concluded, however, the savings generated by recharging operating costs to OCC should comfortably exceed any recharge.
26. Other costs will be incurred as a result of the new arrangements. This includes one-off costs such as rearranging IT within Abbey House and Wantage Civic Hall to service the new working arrangements (estimated at £65,000) and ongoing annual costs such as additional officer travelling arising from relocating well attended committee meetings (full council, planning, scrutiny, audit) to Wantage Civic Hall/Abingdon Guildhall, whilst committee meetings involving fewer numbers (cabinet, licensing) remain in Abbey House council chamber. In addition, staff that are relocated to South's offices and whose journey to work and back will be longer as a result, will be entitled to claim the additional mileage incurred for two years. The cost of this over two years is currently estimated at a total of £185,000.

Legal Implications

27. As indicated external consultants have been engaged for the purposes of preparing the documents.

Risks

28. Careful treatment of the signage to ensure the building continues to be easily recognised as a Vale Council building as well as an OCC/CAB service centre, advance warning to the public of the changes and ensuring continuity of the services provided from the building will be important to ensure any potential negative impact or public confusion is eliminated or minimised.
29. Any leasing arrangement involves an element of doubt over what will happen at the end of the lease or at break points within it. There is therefore the risk that OCC will operate the break or will not wish to renew on expiry of the lease and that the building will then be empty and, unless another occupier is found, the building could quickly become a liability. This will depend on prevailing market conditions which cannot of course be predicted at this point in time. There is not proposed to be a break in the lease in favour of the Vale so for the duration of the lease the building is not available for its own occupation and if for any reason it was felt that additional space was required in Abingdon then it may mean looking to lease space in the town.

Other implications

30. There are of course a great many implications relating to the accommodation project as a whole, including relocation of many staff to South's offices and the programme of works that flow from that. The Vale and South councils have procured external assistance from a project manager to oversee this complicated process, which has been working effectively. This will be se subject of a future report to the Leader.

Conclusion

31. The proposals will produce a significant financial benefit to the Vale Council. The proposed lease and ancillary agreements have resulted from a negotiation process but are believed to be satisfactory, workable arrangements which will result in greatly more efficient occupation of this public building.
32. In the short term there is a minimal risk to the provision of services during the transition period and in the longer term the proposals represent an opportunity to complement services offered by the two councils for the benefit of the public.
33. Scrutiny is therefore asked to scrutinise the proposed deal and make any comments to Cabinet. Cabinet is asked to approve the proposed terms as detailed in the report for the proposed occupation by Oxfordshire County Council of part of Abbey House. In addition it is asked to delegate to the Strategic Director in consultation with the Leader of the Vale Council authority to agree any variation to the proposed terms and to enter into the agreement for lease, lease, licence to alter and facilities management agreement and any other related or ancillary agreements or documents.

Background Papers

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