

When telephoning, please ask for: Liz Reid-Jones
Direct dial 0115 9148214
Email lreid-jones@rushcliffe.gov.uk

Our reference: LRJ
Your reference:
Date: 4 November 2013

To all Members of the Council

Dear Councillor

A meeting of the CABINET will be held on Tuesday 12 November 2013 at 7.00 pm in the Council Chamber, Civic Centre, Pavilion Road, West Bridgford to consider the following items of business.

Yours sincerely

Executive Manager Operations and Corporate Governance

AGENDA

1. Apologies for absence
2. Declarations of Interest
3. Minutes of the Meeting held on Tuesday 15 October 2013 (previously circulated)

Key Decisions

None

Non Key Decisions

4. Occupancy of Vacant Space in Rushcliffe Borough Council Civic Centre

The report of the Executive Manager - Transformation is attached (pages 1- 4).

5. Final Report of the Community Shaping Member Group – Review of Strategic Housing

The report of the Community Shaping Member Group is attached (pages 5 - 9).

Budget and Policy Framework Items

None.

Matters referred from Scrutiny

None.

Membership

Chairman: Councillor J N Clarke

Vice-Chairman: Councillor J A Cranswick

Councillors D G Bell, J E Fearon, N C Lawrence, D J Mason

Meeting Room Guidance

Fire Alarm Evacuation: in the event of an alarm sounding please evacuate the building using the nearest fire exit, normally through the Council Chamber. You should assemble in the Nottingham Forest car park adjacent to the main gates.

Toilets are located opposite Committee Room 2.

Mobile Phones: For the benefit of others please ensure that your mobile phone is switched off whilst you are in the meeting.

Microphones: When you are invited to speak please press the button on your microphone, a red light will appear on the stem. Please ensure that you switch this off after you have spoken.



Cabinet

12 November 2013

**Occupancy of Vacant Space in Rushcliffe
Borough Council Civic Centre**

4

Report of the Executive Manager – Transformation

Cabinet Portfolio Holder – Councillor J A Cranswick

Summary

1. Metropolitan Housing has been a tenant at the Civic Centre for several years, occupying the whole of level 3b and part of level 4. Earlier this year they served notice to quit the building at the end of December 2013 in order to rationalise their own work space and move staff to their building on Alfreton Road.
2. The departure of Metropolitan has provided an opportunity to investigate whether the space could be let as serviced office space to small businesses in line with the Council's corporate priority of supporting economic growth. This would complement the existing portfolio of small to medium sized industrial units, and larger office suites (The Point) available for business lettings.
3. This report outlines options that officers have considered for the vacant space and seeks endorsement from Cabinet.
4. Ordinarily, securing new tenants for the Council's properties and premises is an operational issue, overseen by the Executive Manager (Transformation), in association with the Portfolio Holder for Resources where appropriate. Support for the officer recommendation is sought in this instance because serviced offices have not previously been provided by the Council, and this option involves a capital investment from the Council as well as providing a lower return than a traditional let.

Recommendation

It is RECOMMENDED that Cabinet:

- a. endorses the provision of serviced offices in the Civic Centre building and supports officers in implementing this offer.
- b. authorises the allocation of up to £120,000 from the Capital Contingency towards the costs of implementing such a solution.

Serviced Offices

5. The Council has a clear corporate priority of supporting economic growth to ensure a sustainable, prosperous and thriving local economy. In line with this

priority an examination has been undertaken to see whether the vacated space could provide an alternative type of provision in the local market.

6. Initial enquiries in respect to “incubator space” for new businesses confirmed rents would either be very low or nil. Officers have therefore concentrated on researching “follow-on space/ serviced offices” for existing businesses, looking to commence operating from their own premises.
7. National operators were either not interested in using the Civic Centre, or felt their fit out costs would have been far too prohibitive compared with the rental values which could be accomplished.
8. However, a number of local companies have submitted offers to run serviced offices for small businesses in the vacant office suites. Space would be let on a flexible licence arrangement, where both the tenant and the Council can give a month’s notice to terminate and the tenants pay an all-inclusive rent per square foot. This provides cost certainty and flexibility to newer businesses looking to make the next step.
9. Officers understand there is a strong demand for serviced offices South of the River, and in West Bridgford in particular. Of two existing serviced office centres within the locality, one is 100% full and the other has a high occupancy rate.
10. Offers involve RBC receiving a percentage of the income from the tenants, with the managing agent (who does all the marketing and sales, and manages the tenants) receiving the other percentage. Unlike a traditional let where a service charge would be levied, the Council would be responsible for the business rates and other revenue costs which would come off the gross income paid to the Council.
11. Refurbishing and equipping the offices to ensure that they are suitable for new occupants will require one-off investment of up to £120,000. Based on current projections the serviced offices should provide a net income to the Council of between £50,000 and £80,000 per annum.
12. It is envisaged that such a scheme could be up and running by April 2014.
13. Should the model prove successful, the smaller serviced offices within the Civic Centre would then be able to feed the letting of the remainder of the building (if and when it becomes vacant). In essence, the building could become a “going concern” providing income as well as protecting the value of the asset should the Council wish to sell the freehold in the future.
14. It is intended that an agreement with a management company would be based on a three year term (with opportunity to extend and with reviews based on performance). This keeps longer term options for the building open to the Council.

Traditional Let

15. Alternatively the Council could pursue a traditional let. The market for letting a space of this size (around 10,000 sq ft) is fairly slow, and tenants ideally want

to know that they can sign a lease of up to 5 to 10 years. Advice from lettings agents is that it will not be easy to re-let the space on similar terms to the previous let without certainty of a longer-term lease and potentially some capital investment. This could result in a lengthy void period.

16. Finding a single tenant for the complete space may be difficult. This could be made easier by significantly reducing the rent and therefore the void period. At current rates, we may potentially be looking at a void of between 12-18 months (but there is no guarantee). In the meantime the Council will be liable for business rates and other revenue costs.
17. Reducing the rent to attract a tenant may lead to devaluing the space available and have a negative implication when renewing leases for other existing tenants.

Mothball the Space / Zero Rent Tenant

18. By mothballing the space the Council would still be liable for business rates and other revenue costs. This option would provide flexibility to the Council for future use of the space but provides no income and no economic benefit to the local business community.
19. A zero rent tenant may reduce the Council's liability for business rates.

Risk

20. It cannot be guaranteed that either
 - the serviced office option will deliver the level of lettings required to meet the Council's costs
 - a tenant will be secured in the short term for a traditional let.
21. It is therefore likely that regardless of the end solution, the Council will incur some capital costs and receive lower levels of income than at present.
22. However the serviced office option should provide some income in year 1 with an opportunity to grow this year on year. This option, with the short term license agreements, provides flexibility for both the small business tenants and the Council as to its longer term plans for the Civic Centre building which will need to be considered in the light of the potential office move to the Arena site.

Economic Development

23. Serviced offices do provide another option available to small local businesses and the Civic location is extremely convenient for both the city of Nottingham and links to transport networks.

Conclusion

24. In conclusion, there are two clear options for the space in the Civic Centre:
 - Serviced office provision
 - Seek a traditional let

25. After considering the two options and taking into account the corporate objective of economic growth, and the future uncertainty of the Civic Centre, officers recommend that the serviced offices option is implemented.

Financial Comments

Previous letting income from these spaces yielded the Council a rent of £91,000 per annum, in addition to which an additional £88,000 was paid either through service charges or through the tenant meeting direct costs such as Business Rates. As such the total impact on the Council of MHT vacating the Civic Centre could total £179,000 per annum, albeit that some costs such as utilities may be slightly lower due to reduced consumption in the vacant areas.

It is estimated that due to the nature of the commercial property market any new let on a traditional leasehold basis is unlikely to achieve the income levels currently achieved. The current uncertainty over the future use of the Civic Centre will also impact on the desirability of the space to prospective tenants. As such it is estimated that rental income (excluding service charges) from a traditional let could be as low as £50,000 per annum, a reduction of up to £41,000 per annum on existing income levels. There is also the possibility that the Council could experience considerable void periods during which time it would have to meet all relevant costs relating to this space.

Under the serviced office model the Council will need to meet many of the costs which would otherwise have been met as part of the service charge. However as occupancy would be spread between a number of businesses there is a reduced risk of the space being left unoccupied and no return being secured. The overall financial return enjoyed by the Council will depend upon the levels of occupancy and the cost / income sharing models that are ultimately agreed between the Authority and the managing agent. It is estimated that once fully operational the Council could anticipate net income, after management agent fees and service charges, of between £50,000 and £80,000 per annum, a reduction of between £11,000 and £41,000 on existing income levels.

Either approach is likely to require one-off funding to refurbish the office areas to meet the needs of the new tenants. It is estimated that the costs of refurbishing and equipping the serviced office solution would total between £70,000 and £120,000. It is proposed that where such costs can be capitalised they would be met from the capital contingency which currently stands at £134,000. Any non-capital expenditure would be funded from in year savings on other revenue budgets

Section 17 Crime and Disorder Act

There are no S17 implications

Diversity

There are no diversity implications.

Background Papers Available for Inspection: Nil

Report of the Community Shaping Member Group

Cabinet Portfolio Holder – Councillor J E Fearon

Summary

1. The Community Shaping Member Group has reviewed the Council's Strategic Housing service as part of the 4 year plan. The total budget for these areas is £458,460 and the identified savings target was £52,000.
2. The Group considered options to save money, increase income or do things differently. Savings and/or income generation of £63,990, which equates to 14% of the overall budget for the service, have been identified as shown in table 1 below.

Table 1	Year 1 2013/14	Year 2 2014/15	Total Savings
Member			
a) Home Alarm rental charge	0	£6,600	
b) Home Alarm Installation Fee		£5,000	£11,600
Officer	£3,190	£49,200	£52,390
Total Savings	£3,190	£60,800	£63,990

Recommendations

Cabinet is asked to agree the following recommendations of the Community Shaping Member Group:

- a) Increase the home alarm rental charge to £3.50 per week from 1 April 2014;
- b) A Home Alarm installation charge of £25.00 be introduced from 1 April 2014 with the option to spread the cost over the first two quarters of the contract;
- c) The home alarm rental and installation charge be included in the fees and charges list and reviewed annually as part of the Budget Process;

- d) That a further report be prepared on Rushcliffe Lodge in accordance with the Council's Disposal and Acquisition Policy for Land and Buildings;
- e) Support the principle of exploring 'shared service' opportunities with other public sector partners as part of the Council's emerging Transformation Plan.

Background Detail

- 3. Within the Four Year Plan a savings target of £52,000 had been identified for Strategic Housing. The total budget for the service is £458,460 and comprises ten full time equivalent (FTE) members of staff covering the three main functional areas of housing options, housing strategy and housing development.
- 4. In the initial Member Group Meeting in May 2013 an update was given about the Council's Four Year Plan and the focus of the review which was about identifying ways to save money, generate income and do things differently. Detailed reports were also circulated which outlined the current services that were delivered in each of the areas. This includes:

a) Housing Options

Housing advice, homelessness prevention and assessment of homelessness applications, provision of emergency and temporary accommodation, management of Choice Based Lettings and partnership working to provide housing related support services.

Outcomes:

- Since 2009, over 200 successful homelessness preventions per annum;
- During 2010-13 over 2000 young people participated in homelessness prevention educational sessions;
- No rough sleepers found in the last 2 street counts.

b) Housing Strategy & Development

Research and assessment of current and future housing needs, development of policies and strategies, development of affordable housing and partnership working to ensure effective housing and neighbourhood management.

Outcomes:

- Since 2003 the Council has invested over £3m of funding and levered in £5.4m external funding to deliver 179 affordable homes (including 55 rural homes);
- In addition to the above on 9 July 2013 Cabinet approved the allocation of £830,000 of New Homes Bonus which will enable a further 24 affordable homes to be built by March 2015. This is in addition to the £1.718m currently included in the capital programme to 2017/18;
- Published a comprehensive Housing Strategy detailing the Council's housing plans and priorities to 2016 (2026 growth).
- Developed the Tenancy Strategy and reviewed the Allocations Policy in 2011-12.

c) Housing Support

Administer and deliver the home alarm service, including referrals, service visits and resolving emergency faults, contract monitoring and the provision of additional telecare (smoke, carbon monoxide and falls detectors).

Outcomes:

- 99% customer satisfaction for home alarm users in 2011/12 and 2012/13;
- 100% critical calls answered by the monitoring provider (over 1,000 calls received each month);
- 75% take up of service following a trial 6 week health partnership initiative to reduce hospital admissions.

5. At the meeting Members gave a clear steer that they value the work and the outcomes achieved for the Borough by the Strategic Housing service and acknowledged the very important work and support provided to those customers who are often in most need.
6. Detailed information was taken away by Members for review and consideration and at the following meeting held in July the Group recognised the work that had already been undertaken by the service which had identified around £52,390 of potential savings or additional income achieved from a range of operational actions of which £3,190 commenced in 2013/14, and £49,200 planned for 2014/15. They included:
 - a) Procurement of supplies, services and other process efficiencies £30,690;
 - b) Ensuring full cost recovery for temporary accommodation usage £16,700;
 - c) Launch a new and broader marketing campaign for Home Alarm customers (target 25 new customers) £5,000.
7. In addition Members then considered a number of further optional savings which officers had provided detailed information upon with the potential to increase income by £11,600. (See Table 1). Agreement was reached on options:
 - To be taken forward by Officers;
 - That required more information and further Member approval.
8. The Group felt that whilst the Home Alarm service was highly valued by its customers and had achieved some excellent outcomes it was important to recognise that it was a discretionary service and that its charges should reflect the competitive environment that it operated within. With this in mind Members supported a 3% increase in the weekly charge to £3.50 along with the introduction of a £25 installation charge for new customers. This latter one off fee could in exceptional circumstances be spread over the first two quarters of the contract and would cover the officer costs associated with visiting the client and setting up the contract and equipment. Members felt that this cost was still very competitive given that some other service providers charge up to £155 for a similar visit. It was then suggested that these charges should be

incorporated into the corporate fees and charges and reviewed annually as part of the budget setting process.

9. Members were made aware of the potential to build on the existing joint working arrangements that the service operates for example a shared a housing strategy post with Gedling Borough Council and the shared choice based letting software system with Gedling Borough Council and Broxtowe Borough Council. The Group felt that the Council should keep its options open and that if any potential opportunities arose in the future they should be investigated.
10. The option that required more information related to the provision of temporary accommodation. At present the Council owns and manages two properties in West Bridgford (Hound Lodge and Rushcliffe Lodge) which provides 16 and 4 units of accommodation respectively. The provision helps to minimise the need to use unsuitable bed and breakfast accommodation for homeless families with children which has been the subject of recent national focus in other parts of the country.
11. However taking into account historical occupancy data, future anticipated need and the successful on-going prevention work undertaken by the service the Group identified an opportunity to potentially reduce overall provision whilst still achieving service standards. Therefore a request was made to undertake an options appraisal on Rushcliffe Lodge.
12. A full options appraisal including condition survey and valuation report was subsequently undertaken by officers and the findings were reported to Members for consideration at the final meeting of the Group in October. Members were appraised of the main options for further use or disposal of the property along with the potential risks and financial benefits relative to each option. Members also took into consideration the general housing market needs along with the opportunity to facilitate public and third sector accommodation provision for the vulnerable and members of the community who may need more support. The key options were as follows:

Option 1	Sale of the property in its current condition
Options 2 and 3	Remediate and convert into a combination of one and/or two bedroom flats to either a simple or very high quality standard
Option 4	Remediate and let through a private sector agent
Option 5	Remediate and let through a public or third sector agency
Option 6	Undertake remediation and conversion and then let individual flats through a private sector agent

13. Firstly the Group were of the clear view that Rushcliffe Lodge was not required in terms of future service need as this would be met through a combination of Hound Lodge, the private rented sector and Bed and Breakfast accommodation where appropriate.
14. After careful consideration of each of the options including the potential financial benefits and risks the Group agreed to recommend options 2 or 3 which would involve the Council developing Rushcliffe Lodge into private residential accommodation to then sell on the open market. Concerns were expressed over the potential return on investment in respect of options 4, 5

and 6 whilst option 1 was felt to be a potential lost opportunity to generate a greater return on investment.

15. Notwithstanding the preference shown at the meeting the Group expressed a clear desire for any option to be further explored under the Council's Disposal and Acquisition Policy for Land and Buildings. This would allow further consideration of the business case for any disposal in the context of broader corporate priorities and resourcing.

Financial Comments

Savings of £3,190 are included in the 2013/14 budget. Further savings totalling £49,200 have been identified by officers and these will be reflected in the 2014/15 budget that will be considered by Council on 6 March 2014.

Recommendations made by the Community Shaping Member Group to increase Home Alarm charges and introduce a charge for installation would result in an estimated increase in income from 2014/15 of £11,600.

The total annual savings identified from the above options would be £63,990.

The financial implications of any potential renovation, reuse or disposal of Rushcliffe Lodge will be dealt with in the report referred to at recommendation d.

Section 17 Crime and Disorder Act

There are no crime and disorder implications of this review.

Diversity

The proposed changes to the service charge and introduction of an installation charge for the Home Alarm service would potentially have a greater impact on the elderly however such an impact is mitigated by the fact that the service is discretionary and alternative choices and service provision exists.

Background Papers Available for Inspection: Nil