

Meeting: Overview, Scrutiny and Policy Development Committee

Date: 7 November 2016

**Title: Office Accommodation Review -
Wallsend Customer First Centre Update**

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Wards affected: All

1. Purpose of Report

Overview, Scrutiny & Policy Development Committee received a presentation on 7 September 2015 and an update at the meetings on 5 September and 3 October 2016 setting out the buildings within scope of the Office Accommodation Project and achievements to date in rationalising the operational estate.

More recently, Overview, Scrutiny & Policy Development Committee have requested further details on the letting restrictions contained within the Wallsend Customer First Centre lease which caused difficulty with the recent proposal to sub let the second floor.

The purpose of this report is to provide the Overview, Scrutiny and Policy Development Committee with additional information on the Wallsend Customer First Centre (CFC).

2. Recommendations

The Overview, Scrutiny & Policy Development Committee are asked to note the information linked to the Wallsend CFC.

3. Details

3.1 Background

The lease for the Wallsend CFC commenced on 24 January 2014 for a period of 30 years. The ground and first floors are occupied as the Councils CFC and Library. The second floor is void and currently surplus to Council operational requirements.

The void second floor comprises circa 1,486 sq.m of floor space and is fitted out to a shell condition, providing stair and lift access, mains services to meter points and some basic facilities infrastructure. A significant internal fit out would be required to accommodate most normal commercial uses.

3.2 Reports to Overview, Scrutiny and Policy Development Committee 4 February 2014 and 31 March 2014 (copies attached)

Overview, Scrutiny & Policy Development Committee will recall that in February 2014 a report was presented which detailed:

- a) The decision making process for the progression of the centre;
- b) Provided a breakdown of the agreed leasing arrangements;
- c) Outlined the financial arrangements undertaken; and
- d) Indicated the options discussed to utilise the second floor of the building.

At the meeting on 31 March 2014, a further report was presented to the Committee. This additional report provided information in relation to the finance and leasing arrangements, with responses to member's questions on the Wallsend CFC.

3.3 Lease Provisions

The following provisions are contained within the current lease for Wallsend CFC:

- a) The Council can transfer the lease for the whole but not part only of the premises.
- b) The Council can sub let specific parts so long as these relate to the whole of a part, i.e. the whole of the 2nd floor void.
- c) The Council can sub let for uses within the existing user provisions. See permitted use in 3.4 below. If a sub let does not fall into the permitted use description then this requires absolute consent of the Landlord and in turn they can demand a capital or revenue payment for providing the necessary consents.

3.4 Approved Permitted Use

As detailed within the lease, the permitted use is:

A library, a customer service centre within class B1 and/or D1 of The Town & Country Planning Act (use Classes) Order 1987, and ancillary thereto for a coffee shop and ancillary retail within Class A1 of the Order.

3.5 Northumbria Healthcare Trust

The Strategic Property Group previously agreed to allow officers to work with the Northumbria Healthcare Trust (NHCT) in respect of a proposal to accommodate health facilities on the second floor at Wallsend CFC. A number of meetings were therefore held with the Landlord in respect to this proposal.

This proposal would have seen the relocation of services currently located at the Sir G B Hunter Hospital site at the Green in Wallsend and two other GP practices in Wallsend. Fit out costs would have been funded by the NHCT with appropriate beneficial letting terms to reflect this.

At the meetings of the Strategic Property Group on 27 January and 24 February 2016, Officers provided an updated position regarding the sub letting opportunities with the NHCT.

The primary issue discussed was specifically regarding the requirement to obtain landlords consent to a sub letting for a health centre / medical centre. As this use falls

outside of the permitted use for the building, this consent is at the absolute discretion of the landlord.

Following the February SPG meeting and further discussions at a meeting involving the landlord, it was decided that the 2nd floor option at Wallsend CFC was no longer the preferred option to satisfy the NHCT medical centre accommodation need because of the level of the capital payment required by the landlord as referred to in paragraph 3.3 (c) above, which would have made the project unviable.

The NHCT agreed to continue to work with the Council to bring about a new health facility in the centre of Wallsend to compliment the ongoing regeneration of the town. The Landlord also agreed to work with the Council on possible amendments to the existing lease of the CFC building to facilitate more flexibility for the Council in considering future use of the vacant 2nd floor space. This information was reported to the SPG at the meeting on 23 March 2016.

4. Next Steps and Further Rationalisation

Further building rationalisation (including the Wallsend CFC) is now being driven by service re-design and the Council's Target Operating Model (TOM). This is being taken forward as part of the 2017/18 budget setting proposals. Any Property impacts of the TOM will be brought back to future meetings of Strategic Property Group as they arise in line with the budget setting process.

Officers will continue to explore opportunities to secure an occupation of the second floor that will help to reduce the revenue costs associated with the Centre.