

Meeting: Overview and Scrutiny Committee

Date: 4th February 2014

Title: Wallsend Customer First Centre

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Service: Environment and Leisure

Directorate: Office of the Deputy Chief Executive

Wards affected: All

1. Purpose of Report

- 1.1 As requested by the meeting of Overview and Scrutiny on 6th January 2014 the report will:-
- a) Detail the decision making process for the progression of the centre;
 - b) Provide a breakdown of the agreed leasing arrangements;
 - c) Outline the financial arrangements undertaken; and
 - d) Indicate the options discussed to utilise the second floor of the building

2. Recommendations

- 2.1 The committee is invited to consider the information indicated in the report and, where appropriate, make comments and/or recommendations.

3. Details

- a) The decision making process for the progression of the centre

The development of the Wallsend Customer First Centre (CFC) dates back to the Customer Services Delivery Plan agreed by Cabinet in November 2007; the Strategic Development Framework Plan agreed by Cabinet in September 2009; and the Customer First Strategy for 2011-15 agreed by Cabinet in December 2010.

In June 2012 Cabinet received a report regarding the improvement of town and local shopping centres. This report highlighted the temporary relocation of the Wallsend Customer Service Centre into the Forum Shopping Centre in Wallsend while options were being pursued to relocate the Wallsend library into the same location.

The recommendations to agree the negotiation of the Heads of Terms and subsequent lease; sanction the revenue growth bid through the Financial Planning and Budget process required; and to enter into appropriate legal agreements to progress the use of the upper floors of the former Co-op building in Wallsend town centre; were agreed in the report to Cabinet dated 10th December 2012.

These reports linked together the objectives of the regeneration of Wallsend town centre, with that of bringing together a range of services under one roof to give customers better access to Authority services and provide improved value for money.

The report to Cabinet in December 2012 highlighted increased satisfaction of customers as a result of the temporary relocation of customer services into the Forum shopping centre and the clear footfall benefits for businesses. It was stated that investing in a Customer First Centre in the Forum made “a significant positive statement both to NewRiver in support of their own major investment, but equally to the traders and the local community that the Authority is committed to supporting the town centre through the current economic downturn and beyond.”

The agreement for the revenue growth of £0.125 in 2013/14 and a further £0.375 in 2014/15, identified in compliance with the Financial Planning and Budget process, was agreed by the Authority at its budget setting meeting on 5th March 2013.

b) Breakdown of the agreed leasing arrangements

An Agreement for Lease dated 7th February 2013 was signed between the Council and NewRiver for the development of the building, under which it was agreed that the Council take a lease of parts of the ground, first and second floor of the Co-op Building.

The Agreement required NewRiver to provide the Council with a lease of the completed development, which is conditional on NewRiver carrying out the development works to an agreed specification. The lease will then formally commence once the building is handed over to the Council.

The lease is for a term of 30 years at an initial rent of £363,353 per annum which will be reviewed annually in line with the Retail Price Index (“RPI”). The Council will be obliged to repair the leased property which includes the landlord’s fixtures and fittings but not the external structure. Repairs to the fabric of the building will be included in the service charge, which also covers the maintenance and services to the communal areas. The lease does not contain any “break clauses” either in favour of the Council or NewRiver.

The lease of the current Customer Service Centre in the Forum Shopping Centre will be surrendered one month after occupation of the building.

A separate agreement was entered into with NewRiver to pay their abortive costs of up to £0.150m to carry out essential works prior to the outcome of the Council’s 13/14 budget setting process in relation to this project.

This was necessary because NewRiver’s programme required construction work to commence before the Council’s 2013/14 budget was confirmed as the work included the refurbishment of the ground floor shops, which were intended to begin trading before Christmas 2013. To ensure the opportunity to locate the Customer First Centre in the former Co-op building was kept open, this agreement ensured NewRiver could commence the stripping out works to the first floor. The budget was subsequently agreed and therefore this abortive cost did not arise.

Under the leasing arrangements, the Authority can assign the lease to another party, as long as the new tenant is of a sufficient financial standing and the Authority acts as guarantor. The Authority has the right to sub-let all or part of the premises.

All agreements entered into were agreed by the Head of Legal, Governance and Commercial Services and were in compliance with Contract Standing Orders and the Authority's Financial Regulations.

c) Outline of the financial arrangements undertaken

The proposals in the 10th December 2012 report were based on NewRiver carrying out all building and fit out works including furniture and fittings (to a value of £307k) to a full turn key standard in accordance with the Authority's requirements. As indicated in the report, in order for NewRiver to borrow sufficient funds to carry out the works and deliver this facility for the Authority, they required a lease of 30 years without a break clause. This resulted in an annual revenue charge of £363k for rent and £17k service charge.

Based on the understanding that the budgets for both Park House and Wallsend Library would contribute to the overall running costs for the new Customer First Centre, additional growth of £125k in 13/14 and £375k in 14/15 to cover costs associated with rent, service charge and rates liabilities was included in the initial budget proposals. These were presented to Cabinet on 26th November 2012 and subsequently agreed by Council on 5th March 2013.

Prior to entering into the Agreement for Lease a Valuation Report was prepared by Strategic Property to evaluate the rental proposal. Based on an area of 4,645 square metres and a rental figure of £363k, this equates to a cost of £78.22 per square metre. This was considered favourable when compared to the following comparable evidence, which was available at the time:

Cobalt 23 – Available to let at £177.50 per square metre – modern high-quality office building, fitted-out.

Job Centre, Station Road, Wallsend – 2010 Rateable Value assessed by the Valuation Office Agency equates to £113m².

North Shields Customer Service Centre – Terms were agreed in 2010 with the owners of the Beacon Centre to take 3,183m² fitted out at £110 per square metre. (this did not proceed as the owners were unable to fund the scheme).

Temporary Customer Service Centre, 5-7 Segedunum Way – 319.37m² at £93.93 per square metre April 2012 (Authority paid for fit-out on top).

There were no directly comparable properties of the type and size available to let, in Wallsend Town Centre, on the open market at the time.

d) Options discussed to utilise the second floor of the building

The option to utilise the second floor of the building was referred to in the Cabinet report of 10th December 2012 in section 2.2 where it is stated that,

“Heads of Terms will be developed between the Authority and NewRiver for the development of the building, under which it is proposed that the Authority take an underlease of parts of the first and second floor of the Co-op building.”

This consideration had been presented to officers by NewRiver on the understanding that no additional rent or service charge, other than that already agreed in the underlease, would be incurred. The Authority can therefore benefit from this arrangement through either occupying or sub-letting of this space, although it would require fitting out as NewRiver will leave this space unfinished.

4. Appendices

Plan of floor two to be appended

5. Background Information

The following documents have been used in the compilation of this report and may be inspected at the offices of the author.

- a. Customer Service Centres Delivery Plan. Cabinet report November 2007
- b. River Tyne North Bank Strategic Development Framework Plan
http://www.northtyneside.gov.uk/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=516659
- c. North Bank Strategic Development Framework Plan: North Tyneside Council Cabinet report September 2009
http://www.northtyneside.gov.uk/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=508773
- d. River Tyne North Bank Regeneration: North Tyneside Council Cabinet report 12 July 2010
http://www.northtyneside.gov.uk/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=516230
- e. River Tyne North Bank Regeneration, Wallsend Town Centre Regeneration Scheme Cabinet report 12 September 2011 (pink paper report)
- f. A Customer Service Programme. Cabinet report 13th December 2010
http://www.northtyneside.gov.uk/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=520158
- g. North Shields Customer Service Centre and Library Service Cabinet report February 2010
- h. North Shields Customer First Centre, Council report 24th November 2011
http://www.northtyneside.gov.uk/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=530707
- i. Improving the Viability of Town and local Shopping Centres Progress report to Cabinet 11 June 2012
http://www.northtyneside.gov.uk/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=535153

- j. Wallsend Customer First Centre and Library Cabinet Report 10th December 2012
(pink paper report)