

**EXECUTIVE BOARD – 22 MARCH 2016**

<b>Subject:</b>	Exchange Buildings Cheapside and Smithy Row, Nottingham – Refurbishment Works		
<b>Corporate Director(s)/ Director(s):</b>	David Bishop, Deputy Chief Executive/Corporate Director for Development and Growth Kevin Shutter, Director of Strategic Assets & Property		
<b>Portfolio Holder(s):</b>	Councillor Jon Collins, Leader/Portfolio Holder for Strategic Regeneration and Development		
<b>Report author and contact details:</b>	Kevin Shutter, Director of Strategic Assets & Property 0115 8763450      kevin.shutter@nottinghamcity.gov.uk		
<b>Key Decision</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<b>Subject to call-in</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Reasons:</b> <input checked="" type="checkbox"/> Expenditure <input type="checkbox"/> Income <input type="checkbox"/> Savings of £1,000,000 or more taking account of the overall impact of the decision			<input checked="" type="checkbox"/> Revenue <input checked="" type="checkbox"/> Capital
Significant impact on communities living or working in two or more wards in the City			<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Total value of the decision:</b> Included in the exempt appendix			
<b>Wards affected:</b> Bridge	<b>Date of consultation with Portfolio Holder(s):</b> 22 February 2016		
<b>Relevant Council Plan Key Theme:</b>			
Strategic Regeneration and Development			<input checked="" type="checkbox"/>
Schools			<input type="checkbox"/>
Planning and Housing			<input type="checkbox"/>
Community Services			<input type="checkbox"/>
Energy, Sustainability and Customer			<input type="checkbox"/>
Jobs, Growth and Transport			<input type="checkbox"/>
Adults, Health and Community Sector			<input type="checkbox"/>
Children, Early Intervention and Early Years			<input type="checkbox"/>
Leisure and Culture			<input type="checkbox"/>
Resources and Neighbourhood Regeneration			<input type="checkbox"/>
<b>Summary of issues (including benefits to citizens/service users):</b>			
<p>The Council owns Exchange Buildings which forms part of the Council House complex. The buildings currently comprise vacant un-refurbished cellular / partitioned office space. The South building is vacant.</p> <p>The North building is presently occupied by Community Protection teams. However, it will also become vacant this year when the occupiers complete their move to Byron House. It will then also be available for refurbishment.</p> <p>The building can be restored and refurbished to its original open plan layout providing good quality modern office space on 4 levels that will be attractive to office occupiers seeking well located city centre offices in a prestigious landmark building with very good public transport access.</p> <p>There is a shortage of good quality offices in the city centre and refurbishing Exchange Buildings will add to the supply of good quality office space available to existing occupiers and potential inward investors.</p> <p>The Council is seeking capital investment opportunities to generate revenue income and also looking to make best use of its existing assets. Refurbishing this property will provide the Council with an acceptable return on investment from leasing the offices in the open market.</p> <p>Detailed Finance comments are included in the exempt appendix.</p>			

**Exempt information:**

An appendix is exempt from publication under paragraph 3 of Schedule 12A to the Local Government Act 1972 because it contains information relating to the financial or business affairs of a particular person, including the authority holding that information and, having regard to all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

It is not in the public interest to disclose this information because it includes commercial terms on costs and rents which if disclosed will prejudice the Council's position in negotiations relating to the refurbishment works and letting of the office space.

**Recommendation(s):**

- 1** To approve the expenditure detailed in the exempt appendix on detailed design work and costing of refurbishment works to provide good quality open plan offices suitable for offering to let on the open market.
- 2** To delegate authority to the Deputy Chief Executive/Corporate Director for Development and Growth, in consultation with the Deputy Leader/Portfolio Holder of Resources and Neighbourhood Regeneration, to agree specific allocations of spend and enter into contracts, subject to identification of sources of funding as per the exempt appendix.
- 3** To include provision in the capital programme for the scheme, as set out in the exempt appendix.

**1 REASONS FOR RECOMMENDATIONS**

- 1.1 There is a shortage of good quality offices in the city centre and refurbishing Exchange Buildings will add to the supply of good quality office space available to existing occupiers and potential inward investors.
- 1.2 The Council is seeking capital investment opportunities to generate revenue income and also looking to make best use of its existing assets. Refurbishing this property will provide the Council with an acceptable return on investment from leasing the offices in the open market.

**2 BACKGROUND (INCLUDING OUTCOMES OF CONSULTATION)**

- 2.1 The Council owns Exchange Buildings which forms part of the Council House complex. The buildings currently comprise vacant un-refurbished cellular / partitioned office space. The South building is vacant.
- 2.2 The North building is presently occupied by Community Protection teams. However, it will also become vacant this year when the occupiers complete their move to Byron House. It will then also be available for refurbishment.
- 2.3 The building can be restored and refurbished to its original open plan layout providing good quality modern office space on 4 levels that will be attractive to office occupiers seeking well located city centre offices in a prestigious landmark building with very good public transport access.

**3 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS**

- 3.1 Do nothing. This option was rejected because the premises are currently un-refurbished cellular offices and there is little prospect of securing long term office occupiers for the property in its existing state.
- 3.2 Disposal of long leasehold interest. This was rejected as the potential receipts anticipated for the property in its present condition would be low.

- 3.3 Sale of freehold interest. This was rejected as the Council owns the freehold interest of the entire property complex, that includes the Council House, Exchange Buildings and the Exchange Arcade and there is an opportunity to invest in refurbishing the building.

#### **4 FINANCE COMMENTS (INCLUDING IMPLICATIONS AND VALUE FOR MONEY/VAT)**

- 4.1 This advice is exempt from publication and is contained within an exempt appendix.

#### **5 LEGAL AND PROCUREMENT COMMENTS (INCLUDING RISK MANAGEMENT ISSUES, AND INCLUDING LEGAL, CRIME AND DISORDER ACT AND PROCUREMENT IMPLICATIONS)**

- 5.1 The proposals set out in the report raise no significant legal issues and on the basis of the rationale provided are supported.

- 5.2 Following discussions with the property services, I understand that arrangements were put in place prior to the Council's commercialism agenda and that the continued arrangement of Faithful & Gould is fundamental to the delivery of the scheme. Consideration to the Council's make or buy procedures should be applied to all future design service requirements. Following the design phase the procurement team will support the client with any necessary procurement requirements to ensure value for money and compliance with Public Procurement Regulations are achieved. There are no significant procurement concerns with the recommendations set out in the report.

#### **6 STRATEGIC ASSETS & PROPERTY COMMENTS (FOR DECISIONS RELATING TO ALL PROPERTY ASSETS AND ASSOCIATED INFRASTRUCTURE)**

- 6.1 This is a property report so there are no further comments to make.

#### **7 SOCIAL VALUE CONSIDERATIONS**

- 7.1 Exchange Buildings can be restored and refurbished to an open plan layout providing good quality modern office space on 4 levels that will be attractive to office occupiers seeking well located city centre offices in a prestigious landmark building with very good public transport access.
- 7.2 This will support economic growth as there is a shortage of good quality offices in the city centre and refurbishing exchange buildings will add to the supply of good quality office space available to existing occupiers and potential inward investors. The restoration and reuse of the buildings will also support the environmental well-being of the city centre and draw more office workers into the retail quarter.

#### **8 REGARD TO THE NHS CONSTITUTION**

- 8.1 N/A

#### **9 EQUALITY IMPACT ASSESSMENT (EIA)**

- 9.1 Has the equality impact of the proposals in this report been assessed?

No



An EIA is not required because this decision does not include proposals for new or changing policies, services or functions.

**10 LIST OF BACKGROUND PAPERS RELIED UPON IN WRITING THIS REPORT (NOT INCLUDING PUBLISHED DOCUMENTS OR CONFIDENTIAL OR EXEMPT INFORMATION)**

10.1 None.

**11 PUBLISHED DOCUMENTS REFERRED TO IN THIS REPORT**

11.1 None.

**12 OTHER COLLEAGUES WHO HAVE PROVIDED INPUT**

Malcolm Townroe, Head of Legal Services.

Jim Driver, Finance Business Partner, Development and Growth.

Sue Oliver, Category Manager, Construction and Major Projects.

Pippa Hall, Portfolio and Investment Manager.